MARINE & GENERAL
BERHAD

MARINE & GENERAL BERHAD *(405897-V)*

(formerly known as SILK HOLDINGS BERHAD)

INTERIM RESULT FOR THE PERIOD ENDED 31 DECEMBER 2017 (Q4 2017)

Contents:

MARINE & GENERAL BERHAD ***(formerly known as SILK Holdings Berhad) (405897-V)***

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31-Dec-17 RM'000	Preceding Year Corresponding Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-17 RM'000	Preceding Year Corresponding Period 31-Dec-16 RM'000
Revenue		**38,630**	44,630	**152,061**	168,586
Direct costs		**(25,456)**	(23,118)	**(96,907)**	(71,677)
Gross profit		**13,174**	21,512	**55,154**	96,909
Other income		**53**	344	**-**	345
Other item of expenses:					
Administrative expenses		**(28,307)**	(30,933)	**(116,781)**	(118,238)
Other expenses		**(202,114)**	(34,795)	**(251,053)**	(34,795)
		(230,421)	(65,728)	**(367,834)**	(153,033)
EBIT		**(217,194)**	(43,872)	**(312,680)**	(55,779)
Finance income	A7	2,092	29	7,308	588
Finance cost	A7	(16,208)	(21,194)	(62,628)	(67,175)
Net finance cost		(14,116)	(21,165)	(55,320)	(66,587)
Loss before taxation		**(231,310)**	(65,037)	**(368,000)**	(122,366)
Taxation	A8	11,261	19,476	33,719	27,524
Loss after taxation		**(220,049)**	(45,561)	**(334,281)**	(94,842)

MARINE & GENERAL BERHAD ***(formerly known as SILK Holdings Berhad) (405897-V)***
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Individual Quarter		Cumulative Quarter	
	Notes	Current Year Quarter 31-Dec-17 RM'000	Preceding Year Corresponding Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-17 RM'000	Preceding Year Corresponding Period 31-Dec-16 RM'000
Discontinued operations					
(Loss)/Profit from discontinued operations, net of tax		-	(1,617)	**386,288**	(8,164)
(Loss)/Profit for the period		**(220,049)**	**(47,178)**	**52,007**	**(103,006)**
Net (loss)/profit and total comprehensive income attributable to:					
Owners of the parent		**(153,701)**	(32,758)	**153,521**	(74,018)
Non-controlling interests		**(66,348)**	(14,420)	**(101,514)**	(28,988)
		(220,049)	(47,178)	**52,007**	(103,006)
Earnings/(loss) per share (sen)	A11				
- from continuing operations		**(21.23)**	(4.44)	**(32.16)**	(9.39)
- from discontinued operations		**-**	(0.23)	**53.36**	(1.16)
Basic earnings/(loss) per share		**(21.23)**	(4.67)	**21.21**	(10.55)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD ***(formerly known as SILK Holdings Berhad) (405897-V)***
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Dec-17 RM'000	Audited 31-Dec-16 RM'000
Assets			
Non-current assets			
Concession intangible assets		-	934,884
Property, vessels and equipment		**855,784**	1,200,428
Deferred tax assets		-	139,879
Goodwill on consolidation		-	13,236
		855,784	2,288,427
Current assets			
Inventories		**1,076**	1,206
Trade and other receivables		**32,005**	60,332
Tax recoverable		**117**	63
Cash and bank balances	A12	**241,224**	111,878
		274,422	173,479
Total assets		**1,130,206**	2,461,906
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	A13	**270,003**	175,383
Share premium	A13	-	87,470
Retained earnings		**(9,042)**	(57,333)
Reverse acquisition deficit		**(92,791)**	(92,791)
		168,170	112,729
Non-controlling interests		**(68,402)**	33,112
Total equity		**99,768**	145,841
Non-current liabilities			
Borrowings	A14	**863,795**	1,282,865
Ijarah rental payable	A14	-	378,730
Deferred tax liabilities		-	36,296
Provisions		-	65,088
		863,795	1,762,979

MARINE & GENERAL BERHAD ***(formerly known as SILK Holdings Berhad) (405897-V)***
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31-Dec-17 RM'000	Audited 31-Dec-16 RM'000
Current liabilities			
Borrowings	A14	**122,261**	348,825
Trade and other payables	A15	**37,628**	96,560
Ijarah rental payable		**-**	59,329
Provision for taxation		**540**	270
Provisions		**-**	48,102
		160,429	553,086
Total liabilities		**1,030,522**	2,316,065
Total equity and liabilities		**1,130,206**	2,461,906
Net assets per share attributable to equity holders of the Company		**RM 0.23**	RM 0.16

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD *(formerly known as SILK Holdings Berhad) (405897-V)*
Incorporated in Malaysia
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →					
	← Non - distributable		→	Distributable		
	Share capital RM'000	Share premium RM'000	Reverse acquisition deficit RM'000	Retained earnings RM'000	Non-Controlling interests RM'000	Total RM'000
At 1 January 2017	175,383	87,470	(92,791)	(57,333)	33,112	145,841
Adjustment for effects of Companies Act 2016 **(Note a)**	87,470	(87,470)	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	153,437	(101,514)	51,923
Transaction with owners:						
Payment of dividends	-	-	-	(105,230)	-	(105,230)
Issue of shares pursuant to Dividend Reinvestment Policy	7,150	-	-	-	-	7,150
	7,150	-	-	(105,230)	-	(98,080)
At 31 December 2017	270,003	-	(92,791)	(9,126)	(68,402)	99,684
At 1 January 2016	175,383	87,470	(92,791)	16,741	62,044	248,847
Changes in ownership interest in a subsidiary	-	-	-	(56)	56	-
Total comprehensive income/(loss) for the period	-	-	-	(74,018)	(28,988)	(103,006)
At 31 December 2016	175,383	87,470	(92,791)	(57,333)	33,112	145,841

Note a: With the Companies Act 2016 ("New Act") coming to effect on 31 January 2017, the credits standing in the share premium account of RM87,470,000 has been transferred to the share capital account. Pursuant to subsection 618(4) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. Accordingly, the Board of Directors will decide thereon by 31 January 2019.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MARINE & GENERAL BERHAD ***(formerly known as SILK Holdings Berhad) (405897-V)***

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of revenue		**207,277**	321,966
Collection of other income		**8,137**	4,723
		215,414	326,689
Payment of expenses		**(134,281)**	(95,069)
Net tax paid		**(2,409)**	(1,261)
Net cash generated from operating activities		**78,724**	230,359
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of a subsidiary		**352,212**	-
Proceeds from disposal of plant and equipment		**-**	248
Purchase of property, vessels and equipment		**(50,547)**	(108,209)
Highway development expenditure		**(1,142)**	(2,421)
Net cash used in investing activities		**300,523**	(110,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**8,000**	82,885
Repayment of borrowings		**(41,905)**	(83,308)
Payment of finance costs		**(117,916)**	(110,753)
Payment of dividends		**(98,080)**	-
Net cash generated from financing activities		**(249,901)**	(111,176)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**129,346**	8,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		**111,878**	103,077
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	**241,224**	111,878

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash and cash equivalents

(i) Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2017	2016
	RM'000	RM'000
Cash and bank balances	1,882	3,428
Deposits with licensed financial institutions	103,891	108,450
Asset cash management funds	135,451	-
	241,224	111,878

(ii) Reconciliation of 2017 cash and cash equivalents

	Continuing Operations	**Discontinued Operations**	**Total**
	RM'000	**RM'000**	**RM'000**
Cash and bank balances	1,882	-	1,882
Deposits with licensed financial institutio	103,891	-	103,891
Asset cash management funds	135,451	-	135,451
	241,224	-	241,224

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2016.

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of new and amended standards as set out below:

a. New and amended standards adopted by the Group

A number of new and amended standards have become applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b. Standards issued but not yet effective

At the date of authorisation of this financial statement, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs, Interpretations and amendments to MFRS	**Effective date**
▪ MFRS 16*, Leases*	1 January 2019
▪ MFRS 17*, Insurance Contracts*	1 January 2021
▪ Amendments to MFRS 3*, Business Combinations (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019
▪ Amendments to MFRS 9*, Financial Instruments Prepayment Features with Negative Compensation*	1 January 2019
▪ Amendments to MFRS 112*, Income Taxes (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019
▪ Amendments to MFRS 123*, Borrowing Costs (Annual Improvement to MFRS Standards 2015-2017 Cycle)*	1 January 2019

A1. BASIS OF PREPARATION (CONTINUED)

b. Standards issued but not yet effective (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ Amendments to MFRS 128, *Investment in Associates and Joint Ventures* *Long Term Interest in Associates and Joint Ventures*	1 January 2019

The Group are expected to apply the above pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the pronouncements.

A2. CORPORATE INFORMATION

During the period, the Company completed the disposal of its highway infrastructure subsidiary, Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd. As part of the terms of the disposal, the Company has changed its name from SILK Holdings Berhad to Marine & General Berhad.

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 February 2018.

A3. CHANGES IN ESTIMATES

There were no changes in estimates of amounts that would have material effect in the current period.

A4. CHANGES IN THE COMPOSITION OF THE GROUP

On 18 January 2017, the Company entered into a conditional Share Purchase Agreement to dispose its entire equity interest in Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. (“SILK”) to Permodalan Nasional Berhad (“PNB”) (“the Transaction”). As stated in A22, the Transaction was completed on 28 April 2017. Results and the cash flows of SILK have been classified as those of the Discontinued Operation and are disclosed in A9.

Following the completion of the Transaction, the Group’s remaining business activities are primarily in marine logistics services via its effectively 70% owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd and its group of companies, and its wholly owned subsidiary, Jasa Merin (Labuan) Plc.

Accordingly, the division previously termed as the Oil and Gas Support Services Division is now classified as the Marine Logistics – Upstream Division while the division previously termed as the Marine Logistics Services Division has been renamed as the Marine Logistics – Downstream Division.

Except for the above, there has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

A5. SEGMENT INFORMATION

	Marine Logistics - Upstream		Marine Logistics - Downstream		Highway Division (discontinued)		Investment Holding and Others		Adjustments		Total	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months results:												
Revenue												
External customers	30,831	30,975	7,799	13,655	-	33,303	-	-	-	(33,303)	38,630	44,630
Inter-segment	-	-	-	-	-	-	1,893	2,196	(1,893)	(2,196)	-	-
Total revenue	**30,831**	**30,975**	**7,799**	**13,655**	**-**	**33,303**	**1,893**	**2,196**	**(1,893)**	**(35,499)**	**38,630**	**44,630**
Segment profit/(loss) before taxation	**(232,919)**	**(68,467)**	**(2,602)**	**1,056**	**-**	**8,570**	**(78,016)**	**(31,184)**	**82,227**	**24,988**	**(231,310)**	**(65,037)**
12 months results:												
Revenue												
External customers	107,732	144,748	44,329	23,838	43,670	134,838	-	-	(43,670)	(134,838)	152,061	168,586
Inter-segment	-	-	-	-	-	-	7,412	7,375	(7,412)	(7,375)	-	-
Total revenue	**107,732**	**144,748**	**44,329**	**23,838**	**43,670**	**134,838**	**7,412**	**7,375**	**(51,082)**	**(142,213)**	**152,061**	**168,586**
Segment profit/(loss) before taxation	**(374,527)**	**(125,967)**	**(5,957)**	**(2,723)**	**(4,005)**	**2,025**	**154,444**	**(26,852)**	**(137,955)**	**31,151**	**(368,000)**	**(122,366)**
Segment assets	**883,129**	**1,162,839**	**78,372**	**81,862**	**-**	**1,191,313**	**334,381**	**280,002**	**(165,676)**	**(254,110)**	**1,130,206**	**2,461,906**
Segment liabilities	**1,037,572**	**1,166,441**	**81,732**	**80,569**	**-**	**1,218,204**	**1,644**	**979**	**(90,426)**	**(150,128)**	**1,030,522**	**2,316,065**

Pursuant to the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. as stated in A22, results of the Highway Division were accounted up to 28 April 2017, being the completion date of the disposal, and accounted separately from the continuing operations as discontinued operation.

A5. SEGMENT INFORMATION (continued)

Geographical information

	Revenue		Non-current assets	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Malaysia	107,732	144,748	848,133	1,118,957
Singapore	45,223	23,838	79,856	76,520
	152,955	168,586	927,989	1,195,477

A6. SEASONAL OR CYCLICAL FACTORS

The Group’s operations are not subject to any significant seasonal or cyclical factors.

A7. LOSS BEFORE TAX

Included in the loss before tax are the following items:

		Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	Note	RM'000	RM'000	RM'000	RM'000
Interest income		2,092	29	7,308	588
Interest expenses		(16,208)	(21,194)	(62,628)	(67,175)
Depreciation of property, vessel and equipment		(23,964)	(27,402)	(101,426)	(105,518)
Impairment loss on property, vessel and equipment	(a)	(201,106)	(34,795)	(250,045)	(34,795)
Impairment on trade receivables		(1,008)	-	(1,008)	-
Amortisation of concession intangible assets		-	(14,605)	-	(23,239)
Rental expenses		(160)	(130)	(388)	(130)
Net foreign exchange gain/(loss)		77	(379)	(125)	(734)

(a) During the period ended 31 December 2017, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels culminating in the recognition of impairment losses of RM201,106,000 for the current quarter and RM250,045,000 (RM34,795,000 for both the preceding year corresponding quarter and the preceding year cumulative period ended 31 December 2016).

The recoverable amount was determined based on fair value less cost of disposal, which determined based in the market comparable approach that reflects recent transaction prices for similar vessels, with similar age, size and specification where necessary before arriving at the most appropriate fair value for the vessels. The fair value measurement of the vessels was performed by independent appraisers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessel in the relevant sector.

A8. INCOME TAX

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Current period tax charge:				
Malaysian income tax	584	336	2,746	1,411
Deferred income tax:				
Relating to origination and reversal of temporary differences	(6,779)	(19,812)	(31,399)	(28,935)
Under/(over) provision in prior periods	(5,066)	-	(5,066)	-
	(11,261)	(19,476)	(33,719)	(27,524)

The effective tax rates of the Marine Logistics Upstream and Downstream subsidiaries differ from the Malaysian statutory tax rate as subsidiaries incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of their profit before taxation, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

A9. DISCONTINUED OPERATION

As disclosed in A22, the Company had on 28 April 2017, completed the Share Purchase Agreement with Permodalan Nasional Berhad in relation to the disposal of its entire interest in the Highway Division, which comprised Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd.

The segment was not a discontinued operation or classified as held for sale as at 31 December 2016 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented below to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment in early 2017 due to strategic decision to place greater focus in the Group's core operation being the provision of marine logistics services.

Profit/(loss) attributable to the discontinued operation was as follows:

	2017	2016
	RM'000	RM'000
Revenue	43,758	134,838
Expenses	(40,287)	(143,002)
Results from operating activities, net of tax	3,471	(8,164)
Gain on sale of discontinued operation	382,817	-
Profit/(Loss) for the year	386,288	(8,164)

	2017	2016
	RM'000	RM'000
Included in the results of the operating activities are:		
Depreciation of plant and equipment	48	1,014
Amortsation of concession intangible assets	953	22,857

A9. DISCONTINUED OPERATION (CONTINUED)

Profit for the period of discontinued operation of RM386,288,000 (2016: loss of RM8,164,000) is attributable entirely to the owners of the Company.

	2017 RM'000	2016 RM'000
Cash flows from/(used in) discontinued operation/disposal of subsidiary		
Net cash from operating activities	29,289	114,061
Net cash from/(used in) investing activities	350,927	(6,229)
Net cash used in financing activities	(95,944)	(57,145)
Effect on cash flows	284,272	50,687

Note: Profit and cash flows of the discontinued operation for the period ended 31 December 2017 were made up to 28 April 2017 being the completion date of the disposal.

Profit/(loss) attributable to the discontinued operation was as follows:

Effect of disposal on the financial position of the Group

	2017 RM'000
Plant and equipment	4,962
Concession intangible assets	933,741
Deferred tax assets	139,252
Trade and other receivables	18,829
Cash and cash equivalents	37,788
Goodwill	13,236
Trade and other payables	(22,118)
Borrowings	(1,011,389)
Provisions	(113,126)
Net assets and liabilities	**1,175**
Gain on sale of discontinued operation	382,817
Transaction cost	6,008
Consideration received, satisfied in cash	**390,000**
Cash and cash equivalents disposed off	(37,788)
Net cash inflows	**352,212**

A10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings/per share amounts are calculated by dividing (loss)/profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period, excluding employee trust shares held by the Company.

The following reflect the (loss)/profit and share data used in the computation of basic (loss)/earnings per share:

	Individual Quarter			Cumulative Quarter		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Period ended 31 December 2017:						
(Loss)/profit net of tax attributable to owners of the parent (RM '000)	(153,701)	-	(153,701)	(232,767)	386,204	153,437
Weighted average number of ordinary shares in issue ('000)	723,879	723,879	723,879	723,879	723,879	723,879
Basic (loss)/earnings per share (sen)	(21.23)	-	(21.23)	(32.16)	53.35	21.20
Period ended 31 December 2016:						
Loss net of tax attributable to owners of the parent (RM '000)	(31,141)	(1,617)	(32,758)	(65,854)	(8,164)	(74,018)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534	701,534	701,534	701,534	701,534
Basic loss per share (sen)	(4.44)	(0.23)	(4.67)	(9.39)	(1.16)	(10.55)

A11. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

There is no valuation of property, vessels and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on property, vessels and equipment.

A12. TRADE AND OTHER RECEIVABLES

	31-Dec-17	31-Dec-16
	RM'000	RM'000
Trade receivables	22,561	48,918
Sundry receivables	-	6,865
Staff advances	110	115
Prepayments	2,541	3,846
Deposits	322	588
Interest receivables	6,471	-
	32,005	60,332

The ageing analysis of the trade receivables is as follows:

	31-Dec-17	31-Dec-16
	RM'000	RM'000
Neither past due nor impaired	12,666	14,197
Past due 1 -30 days	5,755	8,909
Past due 31 - 90 days	2,474	5,394
Past due more than 90 days	2,674	20,418
	23,569	48,918
Allowance for impairment loss	(1,008)	-
	22,561	48,918

The Group's normal trade credit terms for trade receivables is 30 days. Other credit terms are assessed and approved on case-to-case basis.

A13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	31-Dec-17	31-Dec-16
	RM'000	RM'000
Short term deposits	103,891	108,450
Cash and bank balances	1,882	3,428
Asset cash management funds	135,451	-
Total cash and cash equivalents	241,224	111,878

Included in the deposits placed with licensed financial institutions is RM3,076,000 (31 December 2016: RM4,274,000) pledged for banking facilities granted to subsidiaries.

A14. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Pursuant to section 74 of the Companies Act, 2016 (“the Act”), the Company’s shares no longer have a par or nominal value with the effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the shares premium account becomes part of the Company’s share capital. Companies have 24 months upon the commencement of the Act to utilize the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilized any of the credit in the share premium account which are now part of share capital.

Issue of new shares

On 21 June 2017, the shareholders of the Company approved a Dividend Reinvestment Plan that gives its shareholders the option to reinvest their cash dividend(s) declared by SHB in new shares. In conjunction with the 2017 Special and Interim dividend payments, the Company has, on 23 August 2017, issued 22,345,185 new shares to the shareholders who opted to convert their dividends into shares

Except for the above, there was no issuance, cancellation, repurchase, or resale of equity securities during the financial period under review.

A15. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings and debt securities as at the end of the reporting period are as follows:

	31-Dec-17 RM'000	31-Dec-16 RM'000
Secured short term borrowings:		
Overdrafts	9,845	9,071
Revolving credits	38,000	20,000
Term loans	80,568	284,576
Sukuk Mudharabah	-	35,077
Hire purchase financings	78	101
Total short term borrowings	128,491	348,825
Secured long term borrowings:		
Revolving credits	10,000	20,000
Term loans	853,794	654,942
Sukuk Mudaharabah	-	607,826
Hire purchase financings	31	97
Total long term borrowings	863,825	1,282,865

1. Proposed Debt Restructuring Scheme

   As stated in A23, on 6 February 2018, the Company announced that its operating subsidiary, Jasa Merin (Malaysia) Sdn Bhd (JMM) has received approval from the Corporate Debt Restructuring Committee (CDRC) of Bank Negara Malaysia for its application for assistance to mediate between JMM and its subsidiaries (the **Applicant Company**) with its financiers (Lenders).

   This admission to CDRC is consistent with M&G's strategy to streamline its operations and optimise its financial resources to focus and proactively enhance both its upstream and downstream marine logistics business pursuant to M&G's disposal of its entire investment in Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd (SILK).

2. Sukuk Mudharabah

   The Sukuk Mudharabah was issued in 2008 by Manfaat Tetap Sdn Bhd, a special purpose vehicle for the issue of the Sukuk for SILK, which was disposed off during the financial year. Included in current and non-current liabilities in the consolidated statement of financial position as at 31 December 2016 is RM438,059,000 profits accrued due to Sukukholders on Sukuk Mudharabah.

A16. TRADE AND OTHER PAYABLES

	31-Dec-17 RM'000	31-Dec-16 RM'000
Trade payables	29,537	62,543
Amount to a shareholder	1,820	3,700
Advance license and access fee	-	17,833
Accruals and other payables	6,225	12,484
	37,582	96,560

A17. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

A18. DIVIDENDS

On 23 August 2017, the Company paid the Special and Interim dividends as follows:

	Special Dividend	2017 Interim Dividend	Total
No. of shares			701,533,561
Dividend per share	10 sen	5 sen	15 sen
Total dividends (RM'000)	70,153	35,077	105,230
Payment by cash (RM'000)	70,153	27,927	98,080
Converted into shares (RM'000)	-	7,150	7,150
Total dividends (RM'000)	70,153	35,077	105,230
No. of shares issued pursuant to the DRP	-	22,345,183	22,345,183

A19. COMMITMENTS

	31-Dec-17 RM'000	31-Dec-16 RM'000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	-	1,926
Highway development expenditure	-	1,001
Approved but not contracted for:		
Vessel and equipment	136,650	26,224
Highway development expenditure	-	119,340

A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the followings:-

		31-Dec-17 RM'000	31-Dec-2016 RM'000
Performance bond for expressway maintenance and upgrading		-	3,225
Bank guarantee to charterers and suppliers		6,639	9,918
Indemnity to PNB for additional claim for compensation in relation to compulsory acquisition of land falling under the Kajang Traffic Dispersal Ring Road	a.	17,800	-
Litigation	a.	-	17,800

a. Pursuant to the disposal of SILK to PNB, the Company has agreed to indemnify PNB against all losses, costs, expenses, damages, claims and liabilities which may arise from the dispute between SILK and the landowners regarding the quantum of compensation payable for the compulsory acquisition of land falling under the Kajang Traffic Dispersal Ring Road ("Expressway") that was undertaken by SILK pursuant to the Concession Agreement.

   In the SILK's funded stretch, there are 240 cases with claims amounting to RM503.7 million. Out of the 240 cases, 239 cases have been resolved and 1 case with claims of RM17.8 million is still pending Court hearing.

   Pursuant to the Turnkey Contract dated 31 July 2001 between SILK and Sunway Construction Sdn. Bhd. ("SCSB"), the amount payable by SILK to SCSB for the land use payments (including expenses and charges incurred by SCSB for the acquisition of land and for removal or resettling of squatters or other occupants on the Expressway) has been contracted at a ceiling amount of RM215 million. Any further amounts that may be awarded by the Court beyond RM215 million will therefore be borne by SCSB.

   Based on external legal advice, the Directors have concluded that it is unlikely that the Group and the Company will suffer an economic outflow from this legal case. Therefore, no provision related to this case is made in the financial statements.

A21. UNUSUAL ITEMS

Except as disclosed in A22, there were no items affecting assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size and incidence in the current period.

A22. SIGNIFICANT EVENTS

Proposed disposal of 100% equity interest in Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. (“SILK”) (“Proposed Disposal”)

On 18 January 2017, the Company entered into a conditional Share Purchase Agreement (“SPA”) with Permodalan Nasional Berhad (“PNB” or “the Purchaser”) in relation to the Proposed Disposal.

The proposed Disposal involves the disposal of the entire issued and paid-up share capital of SILK comprising 220,000,000 ordinary shares of RM1.00 each for a cash consideration of RM390 million.

On 28 April 2017, the Company announced that the Proposed Disposal had been completed upon receipt of the disposal consideration of RM342 million of which the final condition precedent as per SPA.

Accordingly, SILK ceases being a subsidiary of the Company and the Company has completely exited the toll-concessionaire business.

A23. SUBSEQUENT EVENT

a. Proposed Debt Restructuring Scheme

On 6 February 2018, the Company announced that its operating subsidiary, Jasa Merin (Malaysia) Sdn Bhd (JMM) has received approval from the Corporate Debt Restructuring Committee (CDRC) of Bank Negara Malaysia for JMM’s application for assistance to mediate between JMM and its subsidiaries (the **Applicant Company**) with its financiers (Lenders).

This admission to CDRC is consistent with M&G’s strategy to streamline its operations and optimise its financial resources to focus and proactively enhance both its upstream and downstream marine logistics business pursuant to M&G’s disposal of its entire investment in Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd (SILK).

The approval from CDRC in its letter dated 5 February 2018 (**CDRC Approval Letter**) is subject to the following conditions:

i. JMM is required to submit a Proposed Debt Restructuring Scheme within sixty (60) days from the date of the CDRC Approval Letter;

ii. JMM’s admission to CDRC is limited to twelve (12) months or upon signing of a debt restructuring agreement, whichever is earlier; and

iii. The Proposed Debt Restructuring Scheme must comply with the CDRC’s restructuring principles for JMM to continue to remain under the Informal Standstill Arrangement with the Lenders.

A23. SUBSEQUENT EVENT (continued)

a. Proposed Debt Restructuring Scheme (continued)

The Standstill Letter was issued by CDRC to the Lenders of the Applicant Company on 5 February 2018.

The CDRC, which is under the purview of Bank Negara Malaysia, will mediate between the Applicant Company and its Lenders to renegotiate their respective financing facilities on terms that can be sustained in the face of this challenging period for the oil and gas industry. The successful mediation will enable JMM to be better positioned in the upstream marine logistics segment and ensure its underlying viability going forward.

b. Incorporation of new subsidiaries

On 8 January 2018, the Company incorporated two (2) wholly-owned subsidiaries in Labuan, as follows:

i. M&G Tankers (L) Pte. Ltd. ("MGT"); and

ii. M&G Ship Management (L) Pte. Ltd. ("MGSM")

Both MGT and MGSM have a share capital of One Hundred United States Dollars (USD 100.00).

The principal activity of MGT is to act as a Ship-Owning Company for additional chemical tankers that may be acquired by the Group in the future.

MGSM will act as a ship management company for the tankers to be acquired by MGT as well as any other chemical tankers owned by other Ship-Owning Companies.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN BOARD LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

The Group performance for the quarter under review and the financial year compared with the corresponding periods of the previous financial year are as follows:

Quarterly review

	3 Months Ended		
	31-Dec-17 RM '000	31-Dec-16 RM '000	Change
Revenue	38,630	44,630	(13.4%)
Operating profit	13,174	21,512	(38.8%)
Loss before interest and taxation	(217,194)	(43,872)	*
Loss before taxation	(231,310)	(65,037)	*
(Loss)/Profit from discontinued operations, net of tax	-	(1,617)	100.0%
Loss after taxation	(220,049)	(45,561)	*
(Loss)/profit attributable to ordinary equity holders of the parent	(153,701)	(32,758)	*

* *not meaningful*

a. For the quarter ended 31 December 2017, Group recorded 13% lower revenue than the preceding year corresponding quarter, in line with the deployment of Marine Logistics Downstream Division's chemical vessels on time charter during the current period instead of on voyage charter as deployed in the preceding period. Under time charter arrangement, the charter rates are lower than those on voyage charter as certain major operating expenses are directly borne by the charterers.

b. The Group recorded higher loss before taxation for the quarter than the preceding period in line with lower revenue and after taking into account the RM202 million vessel impairment loss recorded during the period (2016: RM34.8 million vessel impairment loss).

Year-to-date review

	12 Months Ended		
	31-Dec-17 RM'000	31-Dec-16 RM'000	Change
Revenue	152,061	168,586	(9.8%)
Operating profit	55,154	96,909	(43.1%)
Loss before interest and taxation	(312,680)	(55,779)	*
Loss before taxation	(368,000)	(122,366)	*
Loss after taxation	(334,281)	(94,842)	*
(Loss)/Profit from discontinued operations, net of tax	386,288	(8,164)	*
(Loss)/profit attributable to ordinary equity holders of the parent	153,521	(74,018)	*

B1. REVIEW OF PERFORMANCE (continued)

Year-to-date review (continued)

a. For the financial year ended 31 December 2017, the Group recorded RM152 million or 10% lower revenue than the previous year. The drop is mainly due to lower activity recorded by the Upstream Division as a result of the prolonged decline in the global oil and gas prices in the first half of the year.

b. The Group recorded RM368 million loss before taxation during the current period, representing an increase of RM246 million from the RM122 million loss recorded in the preceding year. The loss is mainly attributable to the lower revenue and the RM251 million impairment loss recognized during the year.

c. Taking into account RM386.3 million gain on the disposal of SILK as mentioned in note A22, the Group recorded RM153.5 million profit attributable to the equity holders of the parent (profit after tax and minority interest) for the year under review.

i. Marine Logistics – Upstream Division

	3 Months Ended			12 Months Ended		
	31-Dec-17 RM'000	31-Dec-16 RM'000	Change	31-Dec-17 RM'000	31-Dec-16 RM'000	Change
Revenue	30,831	30,975	(0.5%)	107,732	144,748	(25.6%)
Loss before taxation	(232,919)	(68,467)	240.2%	(374,527)	(125,967)	197.3%
Fleet utilisation	54.2%	43.0%		48.3%	50.6%	

Quarterly review

The Marine Logistics – Upstream Division recorded marginally lower revenue in line with the lower charter activity of the 70m anchor handling vessels despite achieving marginally higher fleet utilization of 54% compared to 43% in the preceding period.

The Upstream Division recorded RM233 million loss before taxation for the current period, reflecting a RM164 million increase from the loss in the previous corresponding period of RM68 million. Besides lower revenue, the results were affected by RM202 million impairment loss recognized during the current period, as compared to RM34.8 million recorded in the preceding period.

Year-to-date review

On a year-to-date basis, the Marine Logistics – Upstream Division recorded 26% lower revenue than the preceding year corresponding period, mainly due to the declining charter rates for new contracts and the revised lower charter rates for existing contracts as the market oversupply continues. Consequent to the lower revenue and the RM251 million impairment loss recognized in the current period, the Division recorded RM375 million loss before taxation, an increase of RM249 million from the RM126 million recorded in the preceding year.

B1. REVIEW OF PERFORMANCE (continued)

i. Marine Logistics – Upstream Division (continued)

Year-to-date review (continued)

The Marine Logistics – Upstream Division recorded an average utilisation rate of 48% for the financial year, marginally lower than the 50% utilization rate recorded in the previous corresponding period in line with the continuing market oversupply for offshore support vessels.

ii. Marine Logistics – Downstream Division

	3 Months Ended			12 Months Ended		
	31-Dec-17 RM'000	31-Dec-16 RM'000	Change	31-Dec-17 RM'000	31-Dec-16 RM'000	Change
Revenue	7,799	13,655	(42.9%)	44,329	23,838	86.0%
Loss before taxation	(2,602)	1,056	*	(5,957)	(2,723)	115.4%
Fleet utilisation	98.6%	80.4%		88.9%	63.7%	

* *The percentage is not meaningful*

Quarterly review

The Marine Logistics – Downstream Division recorded 43% lower revenue for the current quarter than the preceding year's corresponding quarter. The decrease in revenue is in line with the deployment of the vessels on time charter instead of on voyage charter in the preceding period. The Downstream Division recorded a pre-tax loss of RM2.6 million in the current period compared to a pre-tax profit of RM1.1 million in the preceding period, which is mainly due to the amortization of vessel dry-docking expenses and vessel repair works.

Year-to-date review

On a year-to-date basis, the Marine Logistics – Downstream Division recorded revenue of RM44.3 million and a loss before tax of RM6.0 million. Given that this Division began operations in June 2016, comparison to the previous year's corresponding period would not be meaningful.

Vessel utilisation

With all three vessels chartered out, the Marine Logistics – Downstream Division recorded an average utilisation rate of 98.6% for the quarter, up from 80.4% utilization rate recorded in the preceding year corresponding quarter. On a year-to-date basis, the Marine Logistics – Downstream Division recorded an average utilization rate of 88.9%. Given that this Division began operations in June 2016, comparison to the previous year's corresponding period would not be meaningful.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING PERIOD

	Current period 31-Dec-17 RM '000	Preceeding period 30-Sep-17 RM '000	Change
Revenue	38,630	44,915	(14.0%)
Operating profit	13,174	18,846	(30.1%)
Loss before interest and taxation	(217,194)	(10,940)	> 100%
Loss before taxation	(231,310)	(24,102)	> 100%
Loss after taxation	(220,049)	(19,695)	> 100%
(Loss)/profit attributable to ordinary equity holders of the parent	(153,701)	(13,827)	> 100%

a. Revenue

	31-Dec-17 RM'000	30-Sep-17 RM'000	Change
Revenue			
Marine Logistics - Upstream Division	30,831	33,570	(8.2%)
Marine Logistics - Downstream Division	7,799	11,345	(31.3%)
	38,630	44,915	
Fleet utilisation			
Marine Logistics - Upstream Division	54.2%	58.8%	(7.8%)
Marine Logistics - Downstream Division	98.6%	89.1%	10.7%

The Group recorded revenue of RM38.6 million for the quarter ended 31 December 2017 ("Q4"), a decrease of 14% from the preceding period ("Q3") mainly due to lower charter activities by the Marine Logistics – Upstream Division. Fleet utilization in Q4 decreased to 54% from 59% in Q3.

b. Loss before taxation

	31-Dec-17 RM'000	30-Sep-17 RM'000	Change
Loss before taxation			
Marine Logistics - Upstream Division	(232,919)	(24,865)	>100%
Marine Logistics - Downstream Division	(2,602)	(2,564)	1.5%
Investment Holding and Others	(78,016)	3,791	*
Adjustments	82,227	(464)	
	(231,310)	(24,102)	

* *not meaningful*

The Group recorded RM207 million higher loss before taxation of RM231 million in Q4 compared to RM24 million incurred in Q3 which is mainly due to the recognition of RM202 million impairment loss in Q4.

B3. FUTURE PROSPECTS

a. Marine Logistics – Upstream Division

The decline in oil price which started in mid-2014 has had a direct and adverse impact on the offshore support vessel industry. Consequently, JMM's vessel utilisation fell from an average of 88% in 2014 to an average of 51% and 48% for 2016 and 2017 respectively. Furthermore, the Daily Charter Rate (DCR) for its vessels also fell by approximately 38% from 2014.

The combination of low charter and utilisation rates has had a devastating effect on revenue. This is exemplified in JMM's turnover when it fell from approximately RM277 million in 2014 to approximately RM145 million and RM107 million in 2016 and 2017 respectively.

The "lower for longer" scenario as predicted by Petronas seems to be the new normal. In this respect, we expect full recovery to take another 3-5 years.

b. Marine Logistics – Downstream Division

Demand for the Marine Logistics – Downstream Division's liquid bulk carriers have been fairly robust in 2017, mirroring the demand for clean petroleum products. The trend is expected to continue in 2018 and all three (3) vessels are expected to remain on-contract in 2018 as there are no scheduled dry-dockings for this financial year.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

The Group has not issued any profit forecast for the current financial period and therefore, no comparison is available.

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Except as disclosed in A22, there is no corporate exercise that has been completed during the current period or is still pending as at the end of the current period.

Status of the utilization of SILK Disposal proceeds as at 31 December 2017 is as follows:

	Notes	Proposed RM'000	Utilisation RM'000	Timeframe from Completion Date
Distribution to shareholders	a.	70,153	70,153	Within 6 months
Investments	b.	200,000	-	Within 24 months
Working capital	c.	111,847	83,391	Within 24 months
Transaction cost	d.	8,000	6,300	Within 6 months
		390,000	159,844	

B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

Notes:

a. Distribution to shareholders

As stated in A18, on 23 August 2017, the Company paid a Special Dividend of 10 sen per share and an interim dividend of 5 sen per share for the financial year ending 31 December 2017 as summarised below:

	Special Dividend RM'000	Interim Dividend RM'000	Total RM'000
Dividends paid in cash	70,153	27,927	98,080
Dividends converted into shares	-	7,150	7,150
	70,153	35,077	105,230
Number of shares issued upon conversion			22,345,183

a. Distribution to shareholders (continued)

Payment of the Special Dividend of RM70.153 million was deducted from the proposed distribution to shareholders, while payment of RM27.927 million Interim Dividend was deducted from the proposed working capital.

Accordingly, the proposed distribution to shareholders has been fully utilised.

b. Investments

The Company is currently evaluating its options and will decide on the utilisation in due course.

c. Working capital

Working capital utilisations comprise mainly of advances to subsidiaries, payments for interim dividends, capital expenditures, income tax and other operating expenses.

d. Transaction cost

Total transaction cost for the SILK Disposal amounts to RM6.3 million, and the amount has been fully paid.

B6. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risks as at the date of issue of the report.

B7. REALISED AND UNREALISED PROFITS OF THE GROUP

	31-Dec-17 RM'000	31-Dec-16 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(177,684)	(90,040)
- unrealised loss	-	(133,927)
	(177,684)	(223,967)
Less consolidation adjustment	168,642	166,634
Total Group retained profits as per consolidated accounts	(9,042)	(57,333)

B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2016 was not subject to any qualification.

B9. STATUS OF MATERIAL UNCERTAINTY DISCLOSED IN THE INDEPENDENT AUDITORS' REPORT

In relation to the audit of the financial statements of the Group for the financial year ended 31 December 2016 ("FY 2016") (the "Financial Statements"), the Company's independent auditors, Messrs. KPMG PLT had included an emphasis of a matter to draw attention to the material uncertainty related to going concern in its independent auditors' report dated 27 April 2017.

The material uncertainty was related to:

- that the Group and the Company had incurred net losses of approximately RM103 million and RM28 million respectively for FY 2016 and as at 31 December 2016, the Group's current liabilities exceeded its current assets by RM380 million, and
- the Group had also not met the scheduled repayment obligations on several financing facilities provided by a financial institution.

Status as at 31 December 2017

As at 31 December 2017, the material uncertainty has been resolved via the disposal of SILK as stated in note A22 and the restructuring of RM908.8 million financings and rescheduling of RM198.2 million financing repayments for a period of up to 18 months.

BY ORDER OF THE BOARD
SECRETARIES