



**MARINE & GENERAL**  
BERHAD

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

**INTERIM RESULT FOR THE PERIOD ENDED**  
**31 MARCH 2018 (Q1 2018)**

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**MARINE & GENERAL BERHAD (formerly known as SILK Holdings Berhad) (405897-V)**  
**(Incorporated in Malaysia)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Current Year Quarter 31-Mar-18 RM'000	Preceding Year Corresponding Quarter 31-Mar-17 RM'000
<b>Revenue</b>		<b>34,446</b>	30,701
Direct costs		(20,187)	(21,228)
Gross profit		<b>14,259</b>	9,473
Other item of expenses:			
Administrative expenses		(26,166)	(28,495)
Other expenses		(385)	-
		<b>(26,551)</b>	(28,495)
<b>EBIT</b>		<b>(12,292)</b>	(19,022)
Finance income	A7	1,758	5
Finance cost	A7	(16,666)	(15,115)
Net finance cost		(14,908)	(15,110)
<b>Loss before taxation</b>		<b>(27,200)</b>	<b>(34,132)</b>
Taxation	A8	(539)	6,894
<b>Loss after taxation</b>		<b>(27,739)</b>	(27,238)
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax		-	2,619
<b>Loss for the period</b>		<b>(27,739)</b>	<b>(24,619)</b>
<b>Other comprehensive income, net of tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations		2,322	-
<b>Total comprehensive income for the year</b>		<b>(25,417)</b>	<b>(24,619)</b>
<b>Net loss income attributable to:</b>			
Owners of the parent		(18,647)	(16,066)
Non-controlling interests		(9,092)	(8,553)
		<b>(27,739)</b>	(24,619)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		(16,325)	(16,066)
Non-controlling interests		(9,092)	(8,553)
		<b>(25,417)</b>	(24,619)
<b>Earnings/(loss) per share (sen)</b>	A9		
- from continuing operations		(2.58)	(2.66)
- from discontinued operations		-	0.37
Basic earnings/(loss) per share		<b>(2.58)</b>	(2.29)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Notes	31-Mar-18 RM'000	Audited 31-Dec-17 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, vessels and equipment		<u>850,787</u>	<u>856,736</u>
		<b>850,787</b>	<b>856,736</b>
<b>Current assets</b>			
Inventories		1,433	1,076
Other investments	A11	216,203	235,776
Trade and other receivables	A12	26,241	32,427
Tax recoverable		34	-
Cash and bank balances	A13	<u>13,064</u>	<u>5,320</u>
		<b>256,975</b>	<b>274,599</b>
<b>Total assets</b>		<b><u>1,107,762</u></b>	<b><u>1,131,335</u></b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	A14	270,003	270,003
Reverse acquisition deficit		(92,791)	(92,791)
Translation reserve		2,322	-
Retained earnings		<u>(28,781)</u>	<u>(10,134)</u>
		<b>150,753</b>	<b>167,078</b>
Non-controlling interests		<u>(75,044)</u>	<u>(68,132)</u>
<b>Total equity</b>		<b><u>75,709</u></b>	<b><u>98,946</u></b>
<b>Non-current liabilities</b>			
Loans and borrowings	A15	<u>813,463</u>	<u>825,664</u>
		<b>813,463</b>	<b>825,664</b>
<b>Current liabilities</b>			
Loans and borrowings	A15	174,537	165,962
Trade and other payables	A16	43,738	40,255
Provision for taxation		315	508
		<u>218,590</u>	<u>206,725</u>
<b>Total liabilities</b>		<b><u>1,032,053</u></b>	<b><u>1,032,389</u></b>
<b>Total equity and liabilities</b>		<b><u>1,107,762</u></b>	<b><u>1,131,335</u></b>
<b>Net assets per share attributable to equity holders of the Company (sen)</b>			
		<u>20.83</u>	<u>23.08</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to equity holders of the Company →						Total RM'000
	← Non-distributable →			Distributable			
	Share capital RM'000	Share premium RM'000	Reverse acquisition deficit RM'000	Translation reserve RM'000	Retained earnings RM'000	Non- Controlling interests RM'000	
<b>At 1 January 2018</b>	270,003	-	(92,791)	-	(10,134)	(68,132)	98,946
Foreign currency translation differences for foreign operations	-	-	-	2,322	-	-	2,322
Loss for the year	-	-	-	-	(18,647)	(9,092)	(27,739)
Total comprehensive income/(loss) for the period	-	-	-	2,322	(18,647)	(9,092)	(25,417)
	270,003	-	(92,791)	2,322	(28,781)	(77,224)	73,529
Capital contribution by non-controlling interests	-	-	-	-	-	2,180	2,180
<b>At 31 March 2018</b>	270,003	-	(92,791)	2,322	(28,781)	(75,044)	75,709
<b>At 1 January 2017</b>	175,383	87,470	(92,791)	-	(57,333)	33,112	145,841
Total comprehensive loss for the period	-	-	-	-	(16,066)	(8,553)	(24,619)
<b>At 31 March 2017</b>	175,383	87,470	(92,791)	-	(73,399)	24,559	121,222

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 2017 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 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	31-Mar-18 RM'000	31-Mar-17 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of revenue	35,922	77,801
Collection of other income	787	475
	<u>36,709</u>	<u>78,276</u>
Payment of expenses	(17,238)	(35,236)
Net tax paid	(759)	(273)
Net cash generated from operating activities	<u>18,712</u>	<u>42,767</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contributions from a minority shareholder	4,805	-
Redemption of deposit and cash management fund	19,573	-
Purchase of property, vessels and equipment	(19,428)	(2,149)
Highway development expenditure	-	(300)
Net cash used in investing activities	<u>4,950</u>	<u>(2,449)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(2,734)	(2,008)
Payment of finance costs	(11,466)	(27,764)
Net cash generated from financing activities	<u>(14,200)</u>	<u>(29,772)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,462</b>	<b>10,546</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u><b>3,602</b></u>	<u><b>111,878</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>(a) <u>13,064</u></b>	<u><b>122,424</b></u>

**(a) Cash and cash equivalents**

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

	31-Mar-18 RM'000	31-Mar-17 RM'000
Cash and bank balances	10,871	3,557
Deposits with licensed financial institutions	2,193	118,867
	<u>13,064</u>	<u>122,424</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017.

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:

<b>MFRSs, Interpretations and amendments to MFRS</b>	<b>Effective date</b>
▪ MFRS 16, <i>Leases</i>	1 January 2019
▪ IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
▪ Amendments to MFRS 3, <i>Business Combinations (Annual Improvement to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
▪ Amendments to MFRS 9, <i>Financial Instruments - Prepayment Features with Negative Compensation</i>	1 January 2019
▪ Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
▪ Amendments to MFRS 112, <i>Income Taxes (Annual Improvement to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
▪ Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvement to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
▪ Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

## A1. BASIS OF PREPARATION (CONTINUED)

### b. Standards issued but not yet effective (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ MFRS 17, <i>Insurance Contracts</i>	1 January 2021
▪ Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures</i>	To be confirmed

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

Marine & General Berhad 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 31 May 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

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-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
<b>3 months results:</b>												
<b>Revenue</b>												
External customers	26,330	19,697	8,116	11,004	-	32,636	-	-	-	(32,636)	34,446	30,701
Inter-segment	-	-	-	-	-	-	1,854	1,819	(1,854)	(1,819)	-	-
<b>Total revenue</b>	<b>26,330</b>	<b>19,697</b>	<b>8,116</b>	<b>11,004</b>	<b>-</b>	<b>32,636</b>	<b>1,854</b>	<b>1,819</b>	<b>(1,854)</b>	<b>(34,455)</b>	<b>34,446</b>	<b>30,701</b>
<b>Segment profit/(loss) before taxation</b>	<b>(30,283)</b>	<b>(35,689)</b>	<b>(300)</b>	<b>(173)</b>	<b>-</b>	<b>(2,884)</b>	<b>(7,292)</b>	<b>1,507</b>	<b>10,675</b>	<b>3,107</b>	<b>(27,200)</b>	<b>(34,132)</b>
<b>Segment assets</b>	<b>883,129</b>	<b>1,124,259</b>	<b>78,372</b>	<b>82,141</b>	<b>-</b>	<b>1,195,440</b>	<b>334,381</b>	<b>281,081</b>	<b>(188,120)</b>	<b>(250,419)</b>	<b>1,107,762</b>	<b>2,432,502</b>
<b>Segment liabilities</b>	<b>1,037,572</b>	<b>1,042,520</b>	<b>81,732</b>	<b>80,879</b>	<b>-</b>	<b>1,224,933</b>	<b>1,644</b>	<b>872</b>	<b>(88,895)</b>	<b>(37,924)</b>	<b>1,032,053</b>	<b>2,311,280</b>

Pursuant to the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd., 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.



**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:

	<b>Current Year Quarter 31-Mar-18 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Mar-18 RM'000</b>
Interest income	1,758	5
Interest expenses	(16,666)	(15,115)
Depreciation of property, vessels and equipment	(21,942)	(25,626)
Impairment on trade receivables	(372)	-
Rental expenses	(150)	(55)
Net foreign exchange loss	(72)	(21)
	<hr/>	<hr/>

**A8. INCOME TAX**

	<b>Current Year Quarter 31-Mar-18 RM'000</b>	<b>Preceding Year Corresponding Quarter 31-Mar-17 RM'000</b>
Current period tax charge:		
Malaysian income tax	539	321
Deferred income tax:		
Relating to origination and reversal of temporary differences	-	(7,215)
	<hr/>	<hr/>
	539	(6,894)
	<hr/>	<hr/>

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. (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:

	Continuing operations	Discontinued operations	Total
<b>Period ended 31 March 2018:</b>			
(Loss)/profit net of tax attributable to owners of the parent (RM '000)	(18,647)	-	(18,647)
Weighted average number of ordinary shares in issue ('000)	723,879	723,879	723,879
<b>Basic (loss)/earnings per share (sen)</b>	<b>(2.58)</b>	<b>-</b>	<b>(2.58)</b>
<b>Period ended 31 March 2017:</b>			
(Loss)/profit net of tax attributable to owners of the parent (RM'000)	(18,685)	2,619	(16,066)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534	701,534
<b>Basic loss per share (sen)</b>	<b>(2.66)</b>	<b>0.37</b>	<b>(2.29)</b>

## A10. 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.

## A11. OTHER INVESTMENTS

	31-Mar-18 RM'000	31-Dec-17 RM'000
Financial assets at fair value through profit or loss - Held for trading	115,878	135,452
Deposits placed with licensed banks	100,325	100,324
	<u>216,203</u>	<u>235,776</u>

The financial assets at fair value through profit or loss represent investments in short-term money market instruments.

**A12. TRADE AND OTHER RECEIVABLES**

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	17,051	22,561
Other receivables	9,190	9,866
	<u>26,241</u>	<u>32,427</u>

The ageing analysis of the trade receivables is as follows:

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Not past due	9,460	12,014
Past due 1-30 days	4,458	5,715
Past due 31-90 days	2,898	4,321
Past due more than 90 days	1,615	1,519
	<u>18,431</u>	<u>23,569</u>
Allowance for impairment loss	<u>(1,380)</u>	<u>(1,008)</u>
	<u>17,051</u>	<u>22,561</u>

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:

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	10,871	1,214
Deposits placed with licensed bank	2,193	4,106
Total cash and cash equivalents	<u>13,064</u>	<u>5,320</u>

Included in the deposits placed with licensed financial institutions is RM1,699,000 (31 December 2017: RM1,718,000) 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.

#### A14. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

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.

During the period under review, there was no issuance, cancellation, repurchase, or resale of equity securities.

#### A15. GROUP BORROWINGS AND DEBT SECURITIES

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

	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Secured short term borrowings:		
Term loans	139,242	118,308
Hire purchase financings	61	78
Overdrafts	7,619	9,576
Revolving credits	27,615	38,000
Total short term borrowings	<u>174,537</u>	<u>165,962</u>
Secured long term borrowings:		
Term loans	767,067	815,634
Hire purchase financings	30	30
Revolving credits	46,366	10,000
Total long term borrowings	<u>813,463</u>	<u>825,664</u>

##### 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 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").

**A16. TRADE AND OTHER PAYABLES**

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	36,280	31,357
Amount due to director	3,225	1,820
Accruals and other payables	4,233	7,078
	<u>43,738</u>	<u>40,255</u>

**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**

No dividend has been proposed or paid for in the financial period under review and in the previous corresponding period.

**A19. COMMITMENTS**

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital expenditure</b>		
Approved and contracted for:		
Property, vessel and equipment	<u>12,658</u>	-
Approved but not contracted for:		
Property, vessels and equipment	<u>108,616</u>	<u>135,650</u>

**A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Contingent liabilities of the Group comprise the followings:-

		<b>31-Mar-18</b>	<b>31-Dec-17</b>
		<b>RM'000</b>	<b>RM'000</b>
Litigation (unsecured)	(a)	<u>17,800</u>	<u>17,800</u>

(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.

## **A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)**

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**

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.

**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:

	3 Months Ended			Change
	31-Mar-18 RM '000	31-Mar-17 RM '000	Variances	
Revenue	34,446	30,701	3,745	12.2%
Operating profit	14,259	9,473	4,786	50.5%
Loss before interest and taxation	(12,292)	(19,022)	6,730	35.4%
Loss before taxation	(27,200)	(34,132)	6,932	20.3%
Loss from discontinued operations, net of tax	-	(1,617)	1,617	100.0%
Loss after taxation	(27,739)	(27,238)	(501)	(1.8%)
Loss attributable to ordinary equity holders of the parent	(18,647)	(16,066)	(2,581)	(16.1%)

\* *not meaningful*

- a. For the quarter ended 31 March 2018, Group recorded 12% higher revenue than the preceding year corresponding quarter, in line with the higher charter activity of the Upstream Division which recorded an increase in the fleet utilization from 33% in the preceding year corresponding quarter to 47% in the current quarter.
- b. In line with the higher revenue recorded in the current quarter, the Group recorded RM6.9 million lower loss before taxation than the preceding year corresponding quarter.

**i. Marine Logistics – Upstream Division**

	3 Months Ended		Change
	31-Mar-18 RM'000	31-Mar-17 RM'000	
Revenue	26,330	19,697	33.7%
Loss before taxation	(30,283)	(35,689)	(15.1%)
Fleet utilisation	47%	33%	

The Marine Logistics – Upstream Division recorded 34% higher revenue in line with the higher charter activity of the 70m anchor handling vessels. Consequently, the Division recorded higher fleet utilization of 47% compared to 33% in the preceding year.

The Upstream Division recorded RM30 million loss before taxation for the current period, reflecting a RM5.4 million reduction from the loss in the previous corresponding quarter of RM36 million. The RM6.6 million increase in revenue has been partially offset by increase in crew cost and additional impairment loss on receivables upon implementation of a new accounting standard, MFRS 9, Financial Instruments.

**B1. REVIEW OF PERFORMANCE (continued)****ii. Marine Logistics – Downstream Division**

	3 Months Ended		Change
	31-Mar-18 RM'000	31-Mar-17 RM'000	
Revenue	8,116	11,004	(26.2%)
Loss before taxation	(300)	(173)	73.4%
Fleet utilisation	100.0%	80.4%	

The Marine Logistics – Downstream Division recorded 26% 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 during Q1 2018 instead of on voyage charter in the preceding year. The Downstream Division recorded a pre-tax loss of RM0.3 million in the current period compared to a pre-tax profit of RM0.2 million in the preceding year, which is mainly due to higher amortization of vessel dry-docking expenses.

**Vessel utilisation**

With all three vessels chartered out, the Marine Logistics – Downstream Division recorded an average utilisation rate of 100% for the quarter, up from 80.4% utilization rate recorded in the preceding year corresponding quarter.

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

	Current period	Preceding period	Change
	31-Mar-18 RM'000	31-Dec-17 RM'000	
Revenue	34,446	38,630	(10.8%)
Operating profit	14,259	13,174	8.2%
Loss before interest and taxation	(12,292)	(217,194)	94.3%
Loss before taxation	(27,200)	(231,310)	88.2%
Loss after taxation	(27,739)	(220,049)	87.4%
(Loss)/profit attributable to ordinary equity holders of the parent	(18,647)	(153,701)	87.9%



**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING PERIOD (CONTINUED)**

a. Revenue

	31-Mar-18 RM'000	31-Dec-17 RM'000	Change
<b>Revenue</b>			
Marine Logistics - Upstream Division	26,330	30,831	(14.6%)
Marine Logistics - Downstream Division	8,116	7,799	4.1%
	<u>34,446</u>	<u>38,630</u>	(10.8%)
<b>Fleet utilisation</b>			
Marine Logistics - Upstream Division	47%	54%	
Marine Logistics - Downstream Division	<u>100%</u>	<u>99%</u>	

The Group recorded revenue of RM34.4 million for the quarter ended 31 March 2018 ("Q1 2018"), a decrease of 11% from the preceding period ("Q4 2017") mainly due to lower charter activities by the Marine Logistics – Upstream Division, whose fleet utilisation decreased to 47% in Q1 2018 from 54% in Q4 2017.

b. Loss before taxation

	31-Mar-18 RM'000	31-Dec-17 RM'000	Change
<b>Loss before taxation</b>			
Marine Logistics - Upstream Division	(30,283)	(232,919)	(87.0%)
Marine Logistics - Downstream Division	(300)	(2,602)	(88.5%)
Investment Holding and Others	(7,292)	(78,016)	(90.7%)
Adjustments	10,675	82,227	
	<u>(27,200)</u>	<u>(231,310)</u>	(88.2%)

The Group recorded RM204 million lower loss before taxation in the current quarter compared to the RM231 million loss before tax recorded in the immediate preceding period. The lower loss recorded was mainly due to the non-recurring charge of RM201 million in Q4 2017 for vessel impairment loss by the Upstream Division.

### **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.

#### **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 four (4) 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**

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 utilisation of SILK Disposal proceeds as at 31 March 2018 is as follows:

		<b>Proposed Utilisation Timeframe from</b>	
	<b>Notes</b>	<b>RM'000</b>	<b>RM'000 Completion Date</b>
Distribution to shareholders	a.	70,153	(70,153) Within 6 months
Investments	b.	200,000	(9,823) Within 24 months
Working capital	c.	111,847	(94,705) Within 24 months
Transaction cost	d.	8,000	(6,300) Within 6 months
		<u>390,000</u>	<u>(180,981)</u>

## B5. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

### Notes:

#### a. Distribution to shareholders

The amount allocated for distribution to shareholders has been fully utilised in 2017.

#### b. Investments

The Group intends to expand the Downstream Division in the near future by adding new vessels to its fleet and serving new geographical areas.

During the current quarter, the Group has acquired a product tanker which was subsequently deployed on a long-term charter.

#### 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 amounting RM6.3 million has been fully paid, and the remaining balance of RM1.7 million allocated to this expenditure will be transferred to working capital purposes.

## 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

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- realised loss	(262,249)	(177,684)
Less consolidated adjustment	<u>233,468</u>	<u>168,642</u>
Total Group retained profits as per consolidated accounts	<u>(28,781)</u>	<u>(9,042)</u>

## B8. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2017 was not subject to any qualification.

**BY ORDER OF THE BOARD  
SECRETARIES**