



**MARINE & GENERAL**  
BERHAD

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

**INTERIM RESULT FOR THE PERIOD ENDED**  
**30 SEPTEMBER 2017 (Q3 2017)**

**Contents:**

- 1. Unaudited result for period ended 30 September 2017**
- 2. Statement of Financial Position as at 30 September 2017**
- 3. Statement of Changes in Equity for the period ended 30 September 2017**
- 4. Statement of Cash Flows for the period ended 30 September 2017**
- 5. Explanatory notes pursuant to MFRS 134 and Appendix 9B of the Main Board Listing Requirements of Bursa Malaysia Securities Berhad**

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Sep-17 RM'000	Preceding Year Corresponding Quarter 30-Sep-16 RM'000	Current Year To Date 30-Sep-17 RM'000	Preceding Year Corresponding Period 30-Sep-16 RM'000
<b>Revenue</b>		<b>44,915</b>	35,835	<b>113,431</b>	123,955
Direct costs		<b>(26,069)</b>	(16,437)	<b>(71,451)</b>	(48,559)
Gross profit		<b>18,846</b>	19,398	<b>41,980</b>	75,396
Other income		<b>(55)</b>	319	-	319
Other item of expenses:					
Administrative expenses		<b>(29,731)</b>	(32,192)	<b>(88,473)</b>	(87,622)
Other expenses		-	-	<b>(48,964)</b>	-
<b>Loss before interest and taxation</b>		<b>(10,940)</b>	(12,475)	<b>(95,457)</b>	(11,907)
Finance income	A7	<b>2,788</b>	180	<b>5,172</b>	559
Finance cost	A7	<b>(15,950)</b>	(17,107)	<b>(46,406)</b>	(45,981)
Net finance cost		<b>(13,162)</b>	(16,927)	<b>(41,234)</b>	(45,422)
<b>Loss before taxation</b>		<b>(24,102)</b>	(29,402)	<b>(136,691)</b>	(57,329)
Taxation	A8	<b>4,407</b>	4,999	<b>22,459</b>	8,048
<b>Loss after taxation</b>		<b>(19,695)</b>	(24,403)	<b>(114,232)</b>	(49,281)

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Sep-17 RM'000	Preceding Year Corresponding Quarter 30-Sep-16 RM'000	Current Year To Date 30-Sep-17 RM'000	Preceding Year Corresponding Period 30-Sep-16 RM'000
<b>Discontinued operations</b>					
(Loss)/profit from discontinued operations, net of tax		-	295	<b>386,288</b>	(6,545)
<b>(Loss)/profit for the period</b>		<b>(19,695)</b>	(24,108)	<b>272,056</b>	(55,826)
Net (loss)/profit and total comprehensive income attributable to:					
Owners of the parent		<b>(13,827)</b>	(16,632)	<b>307,223</b>	(41,258)
Non-controlling interests		<b>(5,868)</b>	(7,476)	<b>(35,167)</b>	(14,568)
		<b>(19,695)</b>	(24,108)	<b>272,056</b>	(55,826)
<b>(Loss)/earnings per share (sen)</b>	A10				
- from continuing operations		<b>(1.94)</b>	(2.41)	<b>(11.14)</b>	(4.95)
- from discontinued operations		-	0.04	<b>54.44</b>	(0.93)
Basic (loss)/earnings per share		<b>(1.94)</b>	(2.37)	<b>43.30</b>	(5.88)

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 30 SEPTEMBER 2017**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30-Sep-2017	Audited 31-Dec-2016
	Notes	RM'000	RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Concession intangible assets		-	934,884
Property, vessels and equipment		1,077,191	1,200,428
Deferred tax assets		-	139,879
Goodwill on consolidation		-	13,236
		<u>1,077,191</u>	<u>2,288,427</u>
<b>Current assets</b>			
Inventories		1,471	1,206
Trade and other receivables		39,237	60,332
Tax recoverable		34	63
Cash and bank balances	A12	<u>261,380</u>	<u>111,878</u>
		<u>302,122</u>	<u>173,479</u>
<b>Total assets</b>		<u>1,379,313</u>	<u>2,461,906</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	A13	270,003	175,383
Share premium	A13	-	87,470
Retained earnings		144,660	(57,333)
Reverse acquisition deficit		<u>(92,791)</u>	<u>(92,791)</u>
		<u>321,872</u>	<u>112,729</u>
Non-controlling interests		<u>(2,055)</u>	<u>33,112</u>
<b>Total equity</b>		<u>319,817</u>	<u>145,841</u>

**MARINE & GENERAL BERHAD (formerly known as SILK Holdings Berhad) (405897-V)**  
**(Incorporated in Malaysia)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		<b>30-Sep-2017</b>	<b>Audited</b>
	<b>Notes</b>	<b>RM'000</b>	<b>31-Dec-2016</b>
			<b>RM'000</b>
<b>Non-current liabilities</b>			
Borrowings	A14	<b>881,334</b>	<b>1,282,865</b>
Ijarah rental payable	A14	-	<b>378,730</b>
Deferred tax liabilities		<b>11,736</b>	<b>36,296</b>
Provisions		-	<b>65,088</b>
		<b>893,070</b>	<b>1,762,979</b>
<b>Current liabilities</b>			
Borrowings	A14	<b>111,756</b>	<b>348,825</b>
Trade and other payables	A15	<b>53,337</b>	<b>96,560</b>
Ijarah rental payable	A14	-	<b>59,329</b>
Provision for taxation		<b>1,333</b>	<b>270</b>
Provisions		-	<b>48,102</b>
		<b>166,426</b>	<b>553,086</b>
<b>Total liabilities</b>		<b>1,059,496</b>	<b>2,316,065</b>
<b>Total equity and liabilities</b>		<b>1,379,313</b>	<b>2,461,906</b>
<b>Net assets per share attributable to equity holders of the Company</b>		<b>RM 0.44</b>	<b>RM 0.16</b>

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 30 SEPTEMBER 2017**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to equity holders of the Company →					
	← Non - distributable →			Distributable	Non- Controlling interests	Total
	Share capital	Share premium	Reverse acquisition deficit	Retained earnings/ (Accumulated losses)		
RM'000	RM'000	RM'000	RM'000			
<b>At 1 January 2017</b>	175,383	87,470	(92,791)	(57,333)	33,112	145,841
Adjustment for effects of Companies Act 2016 <b>(Note a)</b>	87,470	(87,470)	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	307,223	(35,167)	272,056
Transaction with owners:						
Payment of dividends <b>(Note A17)</b>	-	-	-	(105,230)	-	(105,230)
Issue of shares pursuant to Dividend Reinvestment Policy <b>(Note A17)</b>	7,150	-	-	-	-	7,150
	7,150	-	-	(105,230)	-	(98,080)
<b>At 30 September 2017</b>	270,003	-	(92,791)	144,660	(2,055)	319,817
<b>At 1 January 2016</b>	175,383	87,470	(92,791)	16,741	62,044	248,847
Total comprehensive income/(loss) for the period	-	-	-	(41,258)	(14,568)	(55,826)
<b>At 30 September 2016</b>	175,383	87,470	(92,791)	(24,517)	47,476	193,021

**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. 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)**

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Notes	30-Sep-17 RM'000	30-Sep-16 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collection of revenue		164,934	245,078
Collection of other income		5,733	3,217
		<u>170,667</u>	<u>248,295</u>
Payment of expenses		(104,895)	(62,871)
Net tax paid		(1,014)	(1,256)
Net cash generated from operating activities		<u>64,758</u>	<u>184,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of a subsidiary		352,212	-
Proceeds from disposal of plant and equipment		-	439
Purchase of property, vessels and equipment		(30,208)	(104,348)
Highway development expenditure		(1,142)	(2,231)
Net cash generated from/used in)used in investing activities		<u>320,862</u>	<u>(106,140)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		8,000	87,886
Repayment of borrowings		(38,733)	(86,581)
Payment of finance costs		(107,305)	(92,779)
Payment of dividends		(98,080)	-
Net cash used in financing activities		<u>(236,118)</u>	<u>(91,474)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>149,502</b>	<b>(13,446)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>		<b>111,878</b>	<b>95,938</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	(a)	<b>261,380</b>	<b>82,492</b>

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

**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:

	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Cash and bank balances	<b>2,174</b>	788
Deposits with licensed financial institutions	<b>259,206</b>	81,704
	<b>261,380</b>	82,492

(ii) Reconciliation of 2017 cash and cash equivalents

	<b>Continuing operation</b>	<b>Discontinued operation</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	2,174	-	2,174
Deposits with licensed financial institutions	259,206	-	259,206
	<b>261,380</b>	<b>-</b>	<b>261,380</b>

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:

<b>MFRSs, Interpretations and amendments to MFRS</b>	<b>Effective date</b>
▪ MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
▪ MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
▪ Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
▪ IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
▪ Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
▪ Amendments to MFRS 2, <i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
▪ Amendments to MFRS 4, <i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018

## A1. BASIS OF PREPARATION (continued)

MFRSs, Interpretations and amendments to MFRS	Effective date
▪ Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
▪ Amendments to MFRS 140, <i>Investment Property - Transfers of Investment Property</i>	1 January 2018
▪ MFRS 16, <i>Leases</i>	1 January 2019
▪ 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 Venture.</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

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 29 November 2017.

## 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-Lebuh raya Kajang Sdn. Bhd. (“SILK”) to Permodalan Nasional Berhad (“the Transaction”). As stated in A21, 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	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-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
<b>3 months results:</b>												
<b>Revenue</b>												
External customers	33,570	29,305	11,345	6,530	-	33,278	-	-	-	(33,278)	44,915	35,835
Inter-segment	-	-	-	-	-	-	1,864	1,614	(1,864)	(1,614)	-	-
<b>Total revenue</b>	<b>33,570</b>	<b>29,305</b>	<b>11,345</b>	<b>6,530</b>	<b>-</b>	<b>33,278</b>	<b>1,864</b>	<b>1,614</b>	<b>(1,864)</b>	<b>(34,892)</b>	<b>44,915</b>	<b>35,835</b>
<b>Segment profit/(loss) before taxation</b>												
	<b>(24,865)</b>	<b>(30,212)</b>	<b>(2,564)</b>	<b>(508)</b>	<b>-</b>	<b>(6,342)</b>	<b>3,791</b>	<b>1,318</b>	<b>(464)</b>	<b>6,342</b>	<b>(24,102)</b>	<b>(29,402)</b>
<b>9 months results:</b>												
<b>Revenue</b>												
External customers	76,901	113,773	36,530	10,182	43,670	101,535	-	-	(43,670)	(101,535)	113,431	123,955
Inter-segment	-	-	-	-	-	-	5,519	5,179	(5,519)	(5,179)	-	-
<b>Total revenue</b>	<b>76,901</b>	<b>113,773</b>	<b>36,530</b>	<b>10,182</b>	<b>43,670</b>	<b>101,535</b>	<b>5,519</b>	<b>5,179</b>	<b>(49,189)</b>	<b>(106,714)</b>	<b>113,431</b>	<b>123,955</b>
<b>Segment profit/(loss) before taxation</b>												
	<b>(141,610)</b>	<b>(57,500)</b>	<b>(3,355)</b>	<b>(3,779)</b>	<b>(4,005)</b>	<b>(6,545)</b>	<b>232,462</b>	<b>4,332</b>	<b>(220,183)</b>	<b>6,163</b>	<b>(136,691)</b>	<b>(57,329)</b>
<b>Segment assets</b>	<b>1,055,075</b>	<b>1,221,569</b>	<b>85,650</b>	<b>75,882</b>	<b>-</b>	<b>1,139,043</b>	<b>508,309</b>	<b>311,223</b>	<b>(269,721)</b>	<b>(270,947)</b>	<b>1,379,313</b>	<b>2,476,770</b>
<b>Segment liabilities</b>	<b>1,042,508</b>	<b>1,062,539</b>	<b>83,779</b>	<b>79,748</b>	<b>-</b>	<b>1,165,916</b>	<b>1,664</b>	<b>698</b>	<b>(68,455)</b>	<b>(25,152)</b>	<b>1,059,496</b>	<b>2,283,749</b>

Pursuant to the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. as stated in A21, results of the Highway Division were accounted up to 28 April 2017, being the completion date of the disposal, and were accounted separately from the continuing operations as discontinued operation.

## A5. SEGMENT INFORMATION (continued)

Geographical information

	Revenue		Non-current assets	
	30-Sep-2017	30-Sep-2016	30-Sep-2017	30-Sep-2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	77,171	113,773	1,000,650	1,178,679
Singapore	36,260	10,182	76,541	74,536
	<u>113,431</u>	<u>123,955</u>	<u>1,077,191</u>	<u>1,253,215</u>

## 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 profit/(loss) before tax are the following items:

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30-Sep-2017	30-Sep-2016	30-Sep-2017	30-Sep-2016
		RM'000	RM'000	RM'000	RM'000
Interest income		2,788	180	5,172	559
Interest expenses		(15,950)	(17,107)	(46,406)	(45,981)
Depreciation of property, vessels and equipment		(26,001)	(29,235)	(77,463)	(77,726)
Impairment loss on property, vessels and equipment	(a)	-	-	(48,940)	-
Rental expenses		(88)	(74)	(197)	(228)
Net foreign exchange loss		10	(33)	(150)	(355)

(a) During the period ended 30 September 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 RM48,940,000 (30 September 2016: RMNil).

## A7. LOSS BEFORE TAX (continued)

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 9 months ended	
	30-Sep-2017	30-Sep-2016	30-Sep-2017	30-Sep-2016
	RM'000	RM'000	RM'000	RM'000
Current period tax charge:				
Malaysian income tax	1,049	365	2,127	1,084
Deferred income tax:				
Relating to origination and reversal of temporary differences	<u>(5,456)</u>	<u>(5,364)</u>	<u>(24,586)</u>	<u>(9,132)</u>
	<u>(4,407)</u>	<u>(4,999)</u>	<u>(22,459)</u>	<u>(8,048)</u>

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 A21, 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.

## A9. DISCONTINUED OPERATION (continued)

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

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	43,758	101,535
Expenses	(40,287)	(108,080)
<b>Results from operating activities, net of tax</b>	<u>3,471</u>	<u>(6,545)</u>
Gain on sale of discontinued operation	382,817	-
<b>Profit/(Loss) for the year</b>	<u><b>386,288</b></u>	<u><b>(6,545)</b></u>

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Included in the results of the operating activities are:		
Depreciation of plant and equipment	48	389
Amortisation of concession intangible assets	<u>953</u>	<u>8,636</u>

Profit for the period of the discontinued operation of RM386,288,000 (2016: loss of RM6,545,000) is attributable entirely to the owners of the Company.

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from/(used in) discontinued operation/disposal of subsidiary</b>		
Net cash from operating activities	29,289	85,653
Net cash from investing activities	350,927	(3,795)
Net cash used in financing activities	<u>(95,944)</u>	<u>(57,144)</u>
Effect on cash flows	<u><b>284,272</b></u>	<u><b>24,714</b></u>

**Note:** Profit and cash flows of the discontinued operation for the period ended 30 September 2017 were made up to 28 April 2017 being the completion date of the disposal.

**A9. DISCONTINUED OPERATION (continued)**

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

**Effect of disposal on the financial position of the Group**

	<b>2017</b>
	<b>RM'000</b>
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)
<b>Net assets and liabilities</b>	<b>1,175</b>
Gain on sale of discontinued operation	382,817
Transaction cost	6,008
<b>Consideration received, satisfied in cash</b>	<b>390,000</b>
Cash and cash equivalents disposed off	(37,788)
<b>Net cash inflow</b>	<b>352,212</b>



## 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 operation	Total	Continuing operations	Discontinued operation	Total
<b>Period ended 30 September 2017:</b>						
(Loss)/profit net of tax attributable to owners of the parent (RM '000)	(13,827)	-	(13,827)	(79,065)	386,288	307,223
Weighted average number of ordinary shares in issue ('000)	711,006	711,006	711,006	709,553	709,553	709,553
<b>Basic (loss)/earnings per share (sen)</b>	<b>(1.94)</b>	<b>-</b>	<b>(1.94)</b>	<b>(11.14)</b>	<b>54.44</b>	<b>43.30</b>
<b>Period ended 30 September 2016:</b>						
Loss net of tax attributable to owners of the parent (RM '000)	(16,927)	295	(16,632)	(34,713)	(6,545)	(41,258)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534	701,534	701,534	701,534	701,534
<b>Basic loss per share (sen)</b>	<b>(2.41)</b>	<b>0.04</b>	<b>(2.37)</b>	<b>(4.95)</b>	<b>(0.93)</b>	<b>(5.88)</b>

## **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. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following amounts:

	<b>30-Sep-17</b>	<b>31-Dec-16</b>
	<b>RM '000</b>	<b>RM '000</b>
Deposits with licensed financial institutions	259,206	108,450
Cash and bank balances	2,174	3,428
Total cash and cash equivalents	<u>261,380</u>	<u>111,878</u>

Included

in the deposits placed with licensed financial institutions is RM1,334,000 (31 December 2016: RM4,274,000) pledged for banking facilities granted to subsidiaries.

## **A13. 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.

#### A14. GROUP BORROWINGS AND DEBT SECURITIES

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

	<b>30-Sep-17</b>	<b>31-Dec-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Secured short term borrowings:		
Overdrafts	9,892	9,071
Revolving credits	28,000	20,000
Term loans	73,834	284,576
Sukuk Mudharabah	-	35,077
Hire purchase financings	30	101
Total short term borrowings	<u>111,756</u>	<u>348,825</u>
Secured long term borrowings:		
Revolving credits	20,000	20,000
Term loans	861,238	654,942
Sukuk Mudharabah	-	607,826
Hire purchase financings	96	97
Total long term borrowings	<u>881,334</u>	<u>1,282,865</u>

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.

#### A15. PAYABLES

	<b>30-Sep-17</b>	<b>31-Dec-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	45,919	62,543
Amount due to a shareholder	2,320	3,700
Advance license and access fee	-	17,833
Accruals and other payables	5,098	12,484
	<u>53,337</u>	<u>96,560</u>

#### A16. 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.

## A17. DIVIDEND

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

	<b>Special Dividend</b>	<b>2017 Interim Dividend</b>	<b>Total</b>
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)	<u>70,153</u>	<u>35,077</u>	<u>105,230</u>
No. of shares issued pursuant to the DRP	-	22,345,183	<u>22,345,183</u>

## A18. COMMITMENTS

	<b>30-Sep-17 RM'000</b>	<b>31-Dec-16 RM'000</b>
<b>Capital expenditure</b>		
Approved and contracted for:		
Vessel and equipment	-	1,926
Highway development expenditure	-	1,001
Approved but not contracted for:		
Vessel and equipment	12,112	26,224
Highway development expenditure	-	119,340

## A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	<b>30-Sep-17 RM'000</b>	<b>31-Dec-16 RM'000</b>
Performance bond for expressway maintenance and upgrading	-	3,225
Bank guarantee to charterers and suppliers	<u>6,639</u>	<u>9,918</u>

## **A20. UNUSUAL ITEMS**

Except as disclosed in A21, 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.

## **A21. 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.

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

**B1. REVIEW OF PERFORMANCE**

	3 Months Ended			9 Months Ended		
	30-Sep-17 RM'000	30-Sep-16 RM'000	Change	30-Sep-17 RM'000	30-Sep-16 RM'000	Change
Revenue	44,915	35,835	25.3%	113,431	123,955	(8.5%)
Operating profit	18,846	19,398	(2.8%)	41,980	75,396	(44.3%)
Loss before interest and taxation	(10,940)	(12,115)	9.7%	(95,457)	(11,907)	(701.7%)
Loss before taxation	(24,102)	(29,042)	17.0%	(136,691)	(57,329)	(138.4%)
Loss after taxation	(19,695)	(24,043)	18.1%	(114,232)	(49,281)	(131.8%)
(Loss)/profit attributable to ordinary equity holders of the parent	(13,827)	(16,272)	15.0%	307,223	(41,258)	844.6%

The Group performance for the quarter under review and the 9-months cumulative period compared with the corresponding periods of the previous financial year are as follows:

Quarterly review

- a. For the quarter ended 30 September 2017, Group revenue was 25% higher compared to the corresponding quarter last year. The increase in revenue is due to:
  - market improvements in the offshore support services sector served by the Marine Logistics - Upstream Division, and
  - increased vessel availability for the Marine Logistics - Downstream Division in the current period as one vessel was sent for scheduled docking in the previous year.
- b. The Group incurred RM5 million or 17% lower loss before tax than the previous year in line with higher revenue recorded during the period and lower vessel depreciation consequent to the impairment loss recognized in the prior periods.

Year-to-date review

- a. For the 9-months period ended 30 September 2017, the Group recorded RM11 million or 9% lower revenue than the corresponding period in 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. The activities have since improved.
- b. The Group recorded RM80 million higher loss before taxation to RM136.7 million loss compared to RM57 million recorded in the previous year. The loss is mainly attributable to the lower revenue and the RM49 million vessel impairment loss recognized during the period.

## **B1. REVIEW OF PERFORMANCE (continued)**

### **i. Marine Logistics – Upstream Division**

The Marine Logistics – Upstream Division recorded RM4 million or 15% higher revenue of RM33.6 million for the current period compared to RM29.3 million recorded in the previous year. The increase in revenue is in line with a gradual improvement in fleet utilization from 47% in the previous year to 59% in the current period.

The Upstream Division recorded RM24.4 million loss before taxation for the current period, reflecting RM6 million lower loss than the previous corresponding period of RM30.2 million. Besides higher revenue, the Division benefitted from:

- lower vessel depreciation following the recognition of RM35 million and RM49 million impairment loss recognized in the 4<sup>th</sup> quarter of 2016 and the 2<sup>nd</sup> quarter of 2017 respectively, and
- lower finance cost arising from interest rate reduction following the Division's loan restructuring and rescheduling exercise implemented in late 2016.

On a year-to-date basis, the Marine Logistics – Upstream Division recorded a revenue of RM76.9 million, 32% lower compared to the RM113.8 million recorded in the previous corresponding period. The lower revenue performance, brought upon by lower activity levels during the current 9-month period, and the RM48.9 million vessel impairment charge contributed to the loss before tax position of RM141 million, up from the RM57.5 million recorded for the corresponding 9-month period previously.

The Marine Logistics – Upstream Division recorded an average utilisation rate of 47% for the 9-months period, lower than the 55% utilization rate recorded in the previous corresponding period in line with the continuing market oversupply for offshore support vessels.

### **ii. Marine Logistics – Downstream Division**

The Marine Logistics – Downstream Division's recorded RM4.5 million higher revenue of RM11 million for the quarter than RM6.5 million recorded in the previous year. The increase in revenue is mainly due to improved vessel utilization and availability as one of the Division's three vessels was sent for scheduled docking in the previous year. However, the Downstream Division recorded a higher pre-tax loss of RM2.6 million in the current period compared to RM0.5 million in the previous year, which is mainly due to the amortization of vessel dry-docking and upgrading works incurred.

On a year-to-date basis, Marine Logistics – Downstream Division recorded revenue of RM36.5 million and a loss before tax of RM3.4 million. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding period is not meaningful.

## B1. REVIEW OF PERFORMANCE (continued)

### ii. Marine Logistics – Downstream Division (continued)

With all three vessels chartered out, the Marine Logistics – Downstream Division recorded an average utilisation rate of 88% for the quarter. This is significantly above the 69% utilization rate recorded in the previous corresponding quarter. On a year-to-date basis, the Marine Logistics – Downstream Division recorded an average utilization rate of 84%. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding year-to-date period is not meaningful.

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

	Current period 30-Sep-17 RM'000	Preceding period 30-June-17 RM'000 restated	Change
Revenue	44,915	37,815	18.8%
Operating profit	18,846	13,659	38.0%
Loss before interest and taxation	(10,940)	(65,654)	(83.3%)
Loss before taxation	(24,102)	(78,257)	(69.2%)
Loss after taxation	(19,695)	(67,100)	(70.6%)
(Loss)/profit attributable to ordinary equity holders of the parent	(13,827)	337,231	(104.1%)

Group revenue for the quarter ended 30 September 2017 ("Q3") was RM44.9 million, an increase of 19% from the preceding period ("Q2") mainly due to higher charter activities by the Marine Logistics – Upstream Division. Fleet utilization in Q3 increased to 59%, up from 47% in Q2.

The Group recorded RM54 million lower loss before taxation of RM24 million in Q3 compared to RM78 million incurred in Q2. The lower loss recorded was mainly due to non-recurring charge of RM49 million in Q2 for vessel impairment loss.



### **B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017**

#### **a. Marine Logistics – Upstream Division**

There is increasing activity within the offshore support services industry, as evidenced by the tenders being called by the oil majors. The Division saw improvement in fleet utilization rates from 33% in Q1 2017 to 59% in Q3 2017. Utilization rates for the Division continues to see improvements since the end of September and there is expectation that this trend will continue for the remaining quarter of 2017, as exploration and drilling activities resumes in a measured way in the second half of 2017.

All in all, there are still risks and challenges ahead, but providers of offshore support services will likely see an improvement in their performance for the second half of 2017. Based on the trend of increasing tenders being called, the prospects for the Division for the remainder of the year, given its good historical track record of being able to deliver, appears to be better when compared to the beginning of the year.

#### **b. Marine Logistics – Downstream Division**

Demand for the Marine Logistics – Downstream Division's liquid bulk carriers remain fairly robust during the first 3 quarters of 2017 at 80% to 88%, mirroring the demand for clean petroleum products. This is expected to remain robust until the end of the year. All three (3) vessels are expected to remain on-contract for the remainder of the year 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 A21, 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 30 September 2017 is as follows:

		<b>Proposed</b>	<b>Actual</b>	<b>Estimated utilisation</b>
	<b>Notes</b>	<b>RM'000</b>	<b>Utilisation</b>	<b>timeframe from Completion</b>
			<b>RM'000</b>	<b>Date</b>
Distribution to shareholders	a.	70,153	70,153	Within 6 months
Investments	b.	200,000	-	Within 24 months
Working capital	c.	111,847	61,562	Within 24 months
Transaction cost	d.	8,000	6,300	Within 6 months
		<u>390,000</u>	<u>138,015</u>	

**Notes:**

## a. Distribution to shareholders

As stated in A17, 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:

	<b>Special Dividend RM'000</b>	<b>Interim Dividend RM'000</b>	<b>Total RM'000</b>
Dividends paid in cash	70,153	27,927	98,080
Dividends converted into shares	-	7,150	7,150
	<u>70,153</u>	<u>35,077</u>	<u>105,230</u>

Number of shares issued upon conversion 22,345,183

Payment of the Special Dividend of RM70.153 million will be deducted from the proposed distribution to shareholders, while payment of RM27.927 million Interim Dividend will be 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**

	<b>30-Sep-17</b>	<b>31-Dec-16</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- realised profit/(loss)	66,558	(90,040)
- unrealised loss	(8,189)	(133,927)
	<hr/>	<hr/>
	58,369	(223,967)
Less consolidation adjustments	86,291	166,634
	<hr/>	<hr/>
Total Group retained profits as per consolidated accounts	144,660	(57,333)
	<hr/>	<hr/>

**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.

**BY ORDER OF THE BOARD  
SECRETARIES**