MARINE & GENERAL
BERHAD

ANNUAL REPORT 2017

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OPERATING SUBSIDIARIES

Jasa Merin (Malaysia) Sdn Bhd ("JMM") commenced operation in 1982. For over 30 years, JMM has been providing offshore support vessel ("OSV") services to oil majors such as PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc. and Sarawak Shell Bhd. Presently, JMM operates a fleet of 21 vessels comprising 19 Anchor Handling Tug Supply Vessels ("AHTS") and 2 Straight Supply Vessels ("SSV").

AHTS vessels undertake anchor handling functions (positioning and retrieval of drilling rig anchors) and towing activities (repositioning of rigs to other drilling locations) in addition to transporting equipment and cargoes to and from offshore installations whilst SSV are vessels specifically designed to transport equipment and cargoes to and from offshore installations. JMM operates two classes of AHTS, namely 60 MTBP AHTS which are the standard AHTS deployed in shallow waters, and 120 MTBP AHTS equipped with Dynamic Positioning System that support both shallow and deep water operations.

Jasa Merin (Labuan) Plc ("JML") commenced operation in 2016 providing marine logistics services. Focusing on oil and chemical transportation business in the downstream segment of the Oil and Gas industry, JML operates three 7,000 DWT liquid bulk carriers serving major Oil and Gas companies as well as large trading houses in the South East Asian region. The vessels provide flexibility in terms of cargoes it can carry ranging from chemicals and clean petroleum products to palm oil.

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman,
Non-Independent Executive Director
Dato' Mohd Azlan Hashim

Deputy Chairman,
Independent Non-Executive Director
Tan Sri Datuk Seri Razman M Hashim
(Senior Independent Director)

Independent Non-Executive Directors
Dato' Harun bin Md Idris
Dato' Haji Razali bin Mohd Yusof
Tai Keat Chai
Shariffuddin bin Khalid
(appointed on 1 December 2017)
Dato' Abdul Hamid bin Sh Mohamed
(resigned on 31 December 2017)

Non-Independent Non-Executive Director
Nik Abdul Malik bin Nik Mohd Amin
(re-designated as Non-Independent Non-Executive Director on 23 February 2018)

AUDIT COMMITTEE

Tai Keat Chai *(Chairman)*
Nik Abdul Malik bin Nik Mohd Amin
Shariffuddin bin Khalid
(appointed on 1 December 2017)
Dato' Haji Razali bin Mohd Yusof
(appointed on 1 December 2017)
Dato' Harun bin Md Idris
(resigned on 1 December 2017)
Dato' Abdul Hamid bin Sh Mohamed
(resigned on 1 December 2017)

RISK MANAGEMENT COMMITTEE

Tai Keat Chai *(Chairman)*
Dato' Haji Razali bin Mohd Yusof
Nik Abdul Malik bin Nik Mohd Amin
Mohd Nizam bin Abd Wahab
(appointed on 23 May 2017)
Jamaludin Mohd Nor
(resigned on 23 May 2017)

NOMINATION AND REMUNERATION COMMITTEE

Tan Sri Datuk Seri Razman M Hashim *(Chairman)*
Dato' Harun bin Md Idris
Shariffuddin bin Khalid
(appointed on 1 December 2017)
Dato' Abdul Hamid bin Sh Mohamed
(resigned on 31 December 2017)

COMPANY SECRETARIES

Lim Hui Ming (BC/L/740)
Chia Poh Tin (MAICSA 7055061)

REGISTERED OFFICE

Level 22, Axiata Tower
No.9, Jalan Stesen Sentral 5,
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Malaysia
Tel No.: (03)-2273 1919
Fax No.: (03)-2273 8310

PRINCIPAL PLACE OF BUSINESS

CORPORATE OFFICE
Level 23, Plaza VADS
No.1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia
Tel No.: (03)-7735 6300
Fax No.: (03)-7735 6301

Marine Logistics – Upstream Division
Jasa Merin (Malaysia) Sdn. Bhd.
No.7776, Jalan Kubang Kurus
24000 Kemaman,
Terengganu Darul Iman
Malaysia
Tel No.: (09)-851 1100
Fax No.: (09)-858 3237

Marine Logistics – Downstream Division
Jasa Merin (Labuan) Plc
Level 22, Plaza VADS
No.1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia
Tel No.: (03)-7735 6311
Fax No.: (03)-7735 6312

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No.: (03)-7841 8000
Fax No.: (03)-7841 8151 / 7841 8152

AUDITORS

KPMG PLT
Chartered Accountants

SOLICITORS

Christopher & Lee Ong

PRINCIPAL BANKERS

Affin Bank Berhad
Affin Islamic Bank Berhad
Bank Pembangunan Malaysia Berhad
Malayan Banking Berhad
Maybank Islamic Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE ADDRESS

www.marine-general.com.my

PROFILES OF BOARD OF DIRECTORS

DATO' MOHD AZLAN HASHIM

Malaysian, aged 61, male

Executive Chairman
(Non-Independent)

Dato' Mohd Azlan Hashim was appointed to the Board of the Company as Non-Executive Director on 4 June 2008 and was subsequently appointed as Executive Chairman on 24 June 2008.

A Chartered Accountant by profession, he graduated with a Bachelor of Economics from Monash University, Australia. He is a Fellow Member of the Institute of Chartered Accountants, Australia, member of Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Member of the Institute of Chartered Secretaries and Administrators and Honorary Member of The Institute of Internal Auditors, Malaysia. He has extensive experience in the corporate sector including financial services and investments. Among others, he has served as Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Berhad Group.

Current directorships in public companies and other organisations include Khazanah Nasional Berhad, Labuan Financial Services Authority, D&O Green Technologies Berhad and IHH Healthcare Berhad. He is also a member of the Government Retirement Fund Inc. Investment Panel.

He has attended all of the 6 Board Meetings held in the financial year.

TAN SRI DATUK SERI RAZMAN M HASHIM

Malaysian, aged 78, male

Independent Non-Executive
Deputy Chairman,
Senior Independent Director

Chairman
Nomination and
Remuneration Committee

Tan Sri Datuk Seri Razman M Hashim was appointed to the Board of the Company as Non-Executive Deputy Chairman on 10 June 2002, and was designated as Independent Non-Executive Deputy Chairman on 14 January 2013 and subsequently as Senior Independent Director on 28 February 2017.

Tan Sri Datuk Seri Razman completed his early secondary education in Australia. He studied banking where he became a Member of Australian Institute of Bankers. He has more than 39 years of experience in the banking industries.

Upon his return to Malaysia, Tan Sri Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad as an officer Trainee in 1964. Throughout his 34 years of banking experience in Standard Chartered Bank Malaysia Berhad, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as Executive Director/Deputy Chief Executive of Standard Chartered Bank Malaysia Berhad until his retirement in June 1999. In the same month in 1999, he was appointed as Chairman of MBF Finance Berhad by Bank Negara Malaysia as its nominee until January 2002 when the finance company was sold to Arab-Malaysian Group.

His directorships in other public companies and listed issuers are Sunway Berhad, Berjaya Land Berhad, MAA Group Berhad and Mycron Steel Berhad.

He has attended all of the 6 Board Meetings held in the financial year.

DATO' HARUN BIN MD IDRIS

Malaysian, aged 67, male

Independent Non-Executive Director

Member
Audit Committee *(resigned with effect from 1 December 2017)*
Nomination and Remuneration Committee

Dato' Harun bin Md Idris was appointed to the Board of the Company as Independent Non-Executive Director on 12 August 2009.

A graduate of the University Kebangsaan Malaysia with Diploma of Police Science, Dato' Harun joined the Royal Malaysian Police ("RMP") on 1 June 1970 as a Probationary Inspector. He served the RMP for 39 years and retired on 9 April 2009 with the rank of Deputy Commissioner of Police. His last post was as the Deputy Director 1, Special Branch.

In his long and distinguished career with the RMP, Dato' Harun had served in various capacities including as the head of Special Branch of Perak, Kedah and Sarawak.

He has no directorship in other public companies and listed issuers.

He has attended all of the 6 Board Meetings held in the financial year.

DATO' HAJI RAZALI BIN MOHD YUSOF

Malaysian, aged 59, male

Independent Non-Executive Director

Member
Audit Committee *(appointed with effect from 1 December 2017)*
Risk Management Committee

Dato' Haji Razali bin Mohd Yusof was appointed to the Board of the Company as Independent Non-Executive Director on 1 January 2015.

A graduate with a Bachelor of Science in Mining Engineering and a Master of Science in Engineering Management from University of Missouri, he has held various key positions in a number of private and multinational companies in Malaysia. He brings with him over 25 years experiences in the mining and oil & gas industry, having held many roles ranging from developing businesses, managing critical projects, organisational development and providing advisory and consultancy services.

He has no directorship in other public companies and listed issuers.

He has attended all of the 6 Board Meetings held in the financial year.

TAI KEAT CHAI

Malaysian, aged 64, male

Independent Non-Executive Director

Chairman
Audit Committee
Risk Management Committee

Tai Keat Chai was appointed to the Board of the Company as Independent Non-Executive Director on 18 August 2008.

He is a Fellow of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants.

He began his career with KPMG in London in 1977 and a year later joined PriceWaterhouse (now known as Pricewaterhouse Coopers) in Kuala Lumpur. In 1981, he joined Amanah Merchant Bank Berhad (now known as Alliance Investment Bank Berhad) where he worked for seven years. In 1990, he ventured into the stockbroking industry and has worked in SJ Securities Sdn Bhd, JB Securities Sdn Bhd (now known as A. A. Anthony Securities Sdn Bhd) and BBMB Securities Sdn Bhd (now known as Kenanga Investment Bank Berhad) as General Manager, Director and dealer's representative respectively. Currently he is a Director of Fiscal Corporate Services Sdn Bhd.

Current directorships in other public companies and listed issuers include Omesti Berhad, Microlink Solutions Berhad and Rex Industry Berhad.

He attended 5 out of the 6 Board Meetings held in the financial year.

**NIK ABDUL MALIK
BIN NIK MOHD AMIN**

Malaysian, aged 60, male

Non-Independent Non-Executive Director

Member
Audit Committee
Risk Management Committee

Nik Abdul Malik bin Nik Mohd Amin was appointed to the Board of the Company as Independent Non-Executive Director on 24 February 2009 and was subsequently re-designated as Non-Independent Non-Executive Director on 23 February 2018.

He graduated from the University of Leeds, United Kingdom with Bachelor of Science (Honours) in Civil Engineering. He is a graduate member of The Institute of Engineers Malaysia and Board of Engineers Malaysia.

He started his career as Project Engineer with FAO/United Nations Development Programme in 1981 in a pilot project collaboration with the Drainage and Irrigation Department of Terengganu Darul Iman ("DID Terengganu"). He subsequently joined DID Terengganu in 1983 as District Engineer, and was subsequently promoted to Planning and Design Engineer in 1984. Between 1986 and 1989, he served as Project Engineer and Executive Director in two private construction companies, before assuming his current position as Managing Director of ND Group of companies, an established property developer and class A/grade G7 contractor.

He has no directorship in other public companies and listed issuers.

He has attended all of the 6 Board Meetings held in the financial year.

**SHARIFFUDDIN
BIN KHALID**

Malaysian, aged 52, male

Independent Non-Executive Director *(appointed with effect from 1 December 2017)*

Member
Audit Committee *(appointed with effect from 1 December 2017)*
Nomination and Remuneration Committee *(appointed with effect from 1 December 2017)*

Shariffuddin bin Khalid was appointed to the Board of the Company as Independent Non-Executive Director on 1 December 2017.

He has over 30 years' experience in the banking and corporate sector. He is a Fellow of The Chartered Institute of Management Accountants and has served in key positions in the corporate services, business development, corporate communication and human resource functions.

Shariffuddin has worked in the merchant banking industry, telecommunications industry and a local conglomerate. He was part of the management team that led Pengurusan Danaharta Nasional Berhad (a special purpose agency established during the Asian financial crisis). Most recently he served Bank Negara Malaysia ("BNM") for nearly 10 years – as the pioneer Director of the Malaysian International Islamic Financial Center department and then as the Director of Strategic Communications before ending his tenure in September 2017.

He has no directorship in other public companies and listed issuers.

He has not attended any of the Board Meetings held in the financial year.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any director and/or major shareholder of M&G.

2. **Conflict of Interest**
   None of the Directors has any conflict of interest with M&G Group.

3. **Conviction for Offences**
   None of the Directors has been convicted for offences within the past 5 years other than traffic offences, if any.

4. **Sanctions and Penalty**
   None of the Directors has been sanctioned or penalised by any relevant regulatory bodies during the financial year.

DATO' MOHD AZLAN HASHIM
Malaysian, aged 61, male
Executive Chairman, Marine & General Berhad (formerly known as SILK Holdings Berhad)

Details of Dato' Mohd Azlan Hashim are set out in the profiles of the Board of Directors in page 4 of the Annual Report.

HAJI ABDUL RAHMAN BIN ALI
Malaysian, aged 57, male
Executive Vice - Chairman, Jasa Merin (Malaysia) Sdn Bhd ("JMM")

Haji Abdul Rahman was appointed to the Board of JMM on 12 April 2006 and was subsequently appointed as Executive Vice - Chairman on 12 April 2006. He provides the strategic business direction for JMM and Jasa Merin (Labuan) Plc ("JML").

Haji Rahman holds a Malaysian Certificate of Education. He ventured into construction business in 1980 and over the years acquired construction business experience from his own businesses and during his three-year stint with Kajima Corporation. In 1994, he joined Syarikat Halim Mazmin Berhad where he held an executive role in operations and business development, gaining valuable insight and experience in maritime logistic business before leaving in 1997. In 2006, he led the management buyout of 70% of the equity interest in JMM via AQL Aman Sdn Bhd which was later injected into Marine & General Berhad in 2009.

MOHD NOOR ISMARDI BIN IDRIS
Malaysian, aged 52, male
Chief Operating Officer, JMM

Mohd Noor joined JMM as the General Manager on 1 December 2006, and was subsequently re-designated as the Chief Operating Officer in 2010. His key responsibility is overseeing the operations of JMM.

Mohd Noor holds a Bachelor of Business degree from Western Australia College of Advanced Education.

Mohd Noor has more than 28 years of professional and commercial experience in the areas of business development, corporate services, financial management and accounting. Prior to joining JMM, he served with Malaysian Transnasional Trading Berhad, Naluri Berhad, Kumpulan Fima Berhad, International Food Corporation Pte Ltd, and D&C Bank Berhad.

He is a past committee member of the Malaysian Offshore Support Vessel Owner's Association whose primary objective is to act as a collective platform for Malaysian offshore support vessel companies to address industry concerns and further the interests of its members.

ISKANDAR BIN MOHD ZAFFA
Malaysian, aged 39, male
General Manager, JML

Iskandar bin Mohd Zaffa joined the Group as the Commercial and Business Development Manager of JMM on 1 October 2009 and was subsequently transferred to JML as the General Manager on 1 August 2016. Leveraging on his experiences in marketing and business development in the offshore support services industry and the port services, he has been tasked to develop the Group's new business in the marine logistics services.

Iskandar holds a Bachelor's of Arts degree in Business Studies and Psychology from Middlesex University, London.

PROFILES OF KEY SENIOR MANAGEMENT

(CONT'D)

MOHD NIZAM BIN ABD WAHAB
Malaysian, aged 49, male
General Manager, Finance

Mohd Nizam bin Abd Wahab joined the Group on 4 September 2008 as the Senior Manager, Corporate Finance of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("SILK") and assumed his current position on 1 May 2017.

He is responsible for all financial and treasury related matters of the Group which covers the overall financial management and planning to support decision making on operational and strategic issues of the Group.

Mohd Nizam holds a Bachelor of Science in Business Administration degree from Washington University in Saint Louis, Missouri, USA.

Mohd Nizam brings over 26 years of experiences in accounting and reporting, financial and treasury management and tax planning having served as senior management in those areas in public and private companies for 12 years prior to joining the Group.

NOTES:

1. **Directorship in public companies and listed issuers**
   Except for Dato' Mohd Azlan Hashim, none of the Key Senior Management has any directorship in public companies and listed issuers.

2. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any director and/or major shareholder of M&G.

3. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with M&G Group.

4. **Conviction for Offences**
   None of the Key Senior Management has been convicted for offences within the past 5 years other than traffic offences, if any.

5. **Sanctions and Penalty**
   None of Key Senior Management has been sanctioned or penalised by any relevant regulatory bodies during the financial year.

	2013 RM'000	2014 RM'000	2015 * (17 months) RM'000	2016 RM'000	2017 RM'000
	<----------------------------------	(restated) **		---------------------------------->	
RESULTS					
REVENUE	306,538	276,884	400,784	168,586	152,076
Profit/(loss) before taxation	42,927	41,959	1,457	(122,366)	(367,887)
Taxation	(7,682)	(747)	(9,571)	27,524	33,602
Profit/(loss) after taxation	35,245	41,212	(8,114)	(94,842)	(334,285)
(Loss)/profit from discontinued operations, net of tax	(36,140)	(36,488)	(18,521)	(8,164)	385,470
Less non-controlling interests	(14,344)	(15,138)	(3,036)	28,988	101,244
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(15,239)	(10,414)	(29,671)	(74,018)	152,429
LOSS PER SHARE (SEN)	(3.8)	(2.3)	(4.4)	(10.6)	21.5
FINANCIAL POSITION					
Property, vessels and equipment	1,143,782	1,173,064	1,203,494	1,195,561	856,736
Goodwill	647	647	647	-	-
Deferred tax benefits	-	29	-	-	-
Long term receivables	-	-	7,385	-	-
Current assets	111,296	133,648	98,277	49,621	274,599
Non-current assets classified as held for sale	1,105,202	1,107,533	1,214,701	1,216,724	-
TOTAL ASSETS	2,360,927	2,414,921	2,524,504	2,461,906	1,131,335
Liabilities classified as held for sale	1,005,743	1,082,525	1,166,441	1,207,204	-
Current liabilities	165,671	214,477	254,145	397,526	206,725
Long-term liabilities	901,969	874,686	855,071	711,335	825,664
TOTAL LIABILITIES	2,073,383	2,171,688	2,275,657	2,316,065	1,032,389
TOTAL NET ASSETS/ SHAREHOLDERS' FUNDS	287,544	243,233	248,847	145,841	98,946
SHARE CAPITAL	108,333	129,020	175,383	175,383	270,003
NET ASSETS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (SEN)	37.7	35.8	26.6	16.1	23.1

* The Group changed its financial year end from 31 July to 31 December with effect from the financial period ended 31 December 2015. Accordingly, results for that period are for 17 months.

** The comparative figures have been restated by reclassifying the results of the disposed Highway Division to (loss)/ profit from discontinued operations, net of tax, and aggregating the assets and liabilities of the Highway Division into non-current assets and liabilities classified as held for sale.

1. INTRODUCTION

Marine & General Berhad (formerly known as SILK Holdings Berhad) ("M&G" or "the Company") was originally incorporated as SILK Concessionaire Holdings Sdn Bhd on 14 October 1996 and subsequently changed its name to Sunway Infrastructure Berhad on 14 February 2002. It assumed the name SILK Holdings Berhad on 31 October 2008. It assumed its current name on 23 June 2017 after the successful completion of the disposal of the Company's highway assets.

The Company, at present, has two major operating subsidiaries, namely Jasa Merin (Malaysia) Sdn Bhd ("JMM"), which spearheads the Marine Logistics – Upstream Division ("Upstream") and Jasa Merin (Labuan) Plc ("JML"), which forms the Company's Marine Logistics – Downstream Division ("Downstream"). JMM charters out offshore support vessels ("OSV") for use by the oil majors in their exploration and production ("E&P") activities. On the other hand, JML charters out liquid bulk carriers ("LBC") to the petro-chemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products.

During the period under review, JMM operates a fleet of 21 vessels consisting of ten 60-meter 60-ton Anchor Handling Tug Supply ("AHTS") vessels, nine 70-meter 120-ton AHTS vessels and two Straight Supply Vessels ("SSV"). JML, which began operations in 2016, operates three 7,000 DWT oil/chemical tankers during the financial period under review.

2. CORPORATE DEVELOPMENTS

Disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd

The Company completed the disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK") to Permodalan Nasional Berhad ("PNB") for RM390 million on 28 April 2017 ("SILK Disposal"). With the disposal, the Company will be focussing its effort and resources to strengthen its marine logistics businesses to ensure both are able to compete effectively in their respective segments.

Status of the utilisation of SILK Disposal proceeds

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

	Notes	Proposed RM'000	Utilised RM'000	Variance RM'000	Timeframe from Completion Date
Distribution to shareholders	a.	70,153	70,153	-	Within 6 months
Investments	b.	200,000	-	200,000	Within 24 months
Working capital	c.	111,847	83,391	28,456	Within 24 months
Transaction cost	d.	8,000	6,300	1,700	Within 6 months
		390,000	159,844	230,156	

2. CORPORATE DEVELOPMENTS (CONT'D)

Note a. Distribution to shareholders

The proposed distribution to shareholders has been fully implemented on 23 August 2017 with the payment of the 2017 Special Dividend of 10 sen per share.

Note b. Investments

As at 31 December 2017, the Company has not utilised any amount that has been set aside for investments.

As stated in Note 1(b) to the financial statements, the Group plans to expand the operation of the Marine Logistics – Downstream Division by acquiring used and new tanker vessels.

Note c. Working capital

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

Note d. Transaction cost

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

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 the Company in new shares.

In conjunction with the 2017 Special and Interim dividend payments, the Company has, on 23 August 2017, issued 22,345,183 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.

Change of name

Pursuant to the disposal of the Company's entire equity interest in SILK, the Company was required to remove the word "SILK" from its company name. Given this, the Company, on 23 June 2017, assumed its present name of Marine & General Berhad. The new name was specifically chosen to better reflect the objectives of the Company moving forward, which is to develop into a marine logistics service provider that provides services to not just the oil and gas sector, but other industries/sectors that may require marine logistics services.

3. FINANCIAL PERFORMANCE

Following the completion of SILK Disposal, the results of the disposed Highway Division:

- had been segregated from those of the Continuing Operations,
- were classified as those of the Discontinued Operations, and
- were further summarised in one line into profit net of tax.

On the other hand, results of the Marine Logistics – Upstream and Downstream divisions and other companies are consolidated as part of the Continuing Operations.

During the financial year ended 31 December 2017 ("FY 2017"), the Group's Continuing Operations posted a revenue of RM152.1 million. The amount is 10% lower than the preceding year ("FY 2016"), reflecting the challenging and competitive economic conditions specifically in the oil and gas support services sector. This is further explained in the respective Divisional analysis.

3. FINANCIAL PERFORMANCE (CONT'D)

Taking into account the lower revenue and a RM250 million vessel impairment loss during the financial year, the Group recorded RM368 million loss before taxation in FY 2017, representing an RM246 million increase from the loss before taxation recorded in FY 2016 of RM122 million.

Given the RM385.5 million gain on SILK Disposal, the Group recorded RM152.4 million profit attributable to the equity holders of the parent (profit after tax and minority interest) for the year under review.

4. FINANCIAL POSITION

Assets and liabilities

Following the SILK Disposal, the Groups' total assets and total liabilities as at 31 December 2017 have been reduced significantly to RM1.1 billion and RM1 billion respectively from the prior year.

Further, the Group's net current asset position of RM67.9 million as at 31 December 2017 is an improvement compared to the net current liabilities position of RM379.6 million as at 31 December 2016.

Impairment

During FY 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 RM250 million impairment losses.

The recoverable amount was determined based on fair value less cost of disposal, based on 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 vessels in the relevant sector.

Liquidity

In line with the prolonged weak sentiment in the oil and gas industry, particularly with the market oversupply of the offshore support vessels which results in lower business activities, the Upstream Division continues to face serious challenges in meeting its borrowing obligations.

Application to the Corporate Debt Restructuring Committee

On 6 February 2018, the Company announced that JMM had 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 financiers.

The approach to CDRC for mediation is a more holistic approach to restructure JMM's borrowings and to renegotiate the respective financing facilities on terms that are sustainable in the face of the challenging period in 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.

Gearing

The Group's gearing improved to 86% as at 31 December 2017 from 95% as at 31 December 2016 consequent to the SILK Disposal. The Group did not procure any new borrowings during the year under review.

Capital expenditure and commitments

The Group is looking at possible expansion to the Marine Logistics – Downstream Division in acquiring used or new-build tankers. With the availability of funds from the disposal of SILK, the Group does not foresee any hindrance to pursuing the capital commitments.

5. OPERATING CONDITIONS

5.1 Marine Logistics – Upstream Division

Since the start of its decline in 2014, world crude oil prices have gradually improved and are currently hovering above the USD60 per barrel mark. Despite this, the major oil producers remain cautious in ramping up capital spending. Oil and gas producers including Petronas indicated that moving forward cost rationalisation will remain a priority and cost control maintained for both capital and operational expenditures. In view of this stance by the oil producers, service providers may continue to experience weak revenue ahead due to low market charter rates and low fleet utilisation.

The prolonged low level of activity in the oil and gas industry has had a direct and adverse impact to the Company's Upstream Division. 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 RM108 million in 2016 and 2017 respectively.

The Upstream Division, spearheaded by JMM remained the main contributor to the overall revenue of the Group. In line with the lower activities in the sector, JMM recorded revenue of RM107.7 million which is 25.6% lower than the previous 12-month period of RM144.7 million. Fleet utilisation fell to 48% from the 51% recorded in the previous 12 months.

During the year, the company recorded 1,303,702 man-hours without any Loss Time Injury ("LTI"). As at 31 December 2017, JMM had accumulated 7,322,128 man-hours without LTI, since its last LTI in 2013. In 2017, the company achieved zero Total Recordable Injury Frequency.

5.2 Marine Logistics – Downstream Division

The Downstream Division is spearheaded by the Company's wholly owned subsidiary, Jasa Merin (Labuan) Plc. It began operations in 2016 with a 3-tanker fleet contracted to various clients including oil majors and international trading houses. The Division contributed 29% or RM44.3 million to the Group's revenue and recorded loss before taxation of RM5.9 million.

Given that this Division began operations in June 2016, comparison to the preceding year would not be meaningful.

JML made significant progress having recorded 89% vessel utilisation rate during the year.

6. PROSPECTS

6.1 Marine Logistics – Upstream Division

Despite the improvement in world crude oil prices, actual activity remains muted. There are no clear indicators from the major oil producers on increased spending particularly in the upstream business. Petronas in its 2018 Outlook is taking a conservative outlook by budgeting its expenditure based on oil prices trading within a range of USD50 to USD60 per barrel.

Going forward, the Company expects revenue performance to be tight. High competition and niche capabilities are expected to prevail in the industry particularly in the AHTS sub-segment. The Company will continue to focus on cost optimisation and stringent cash flow management. With this the Company will be able to offer customers its services at competitive rates. The Company will continue to ensure the safety and quality of its services to ensure the Division remains competitive and preferred by charterers.

6. PROSPECTS (CONT'D)

6.1 Marine Logistics – Upstream Division (cont'd)

Given the continued challenges the Company had, on 6 February 2018, announced that JMM, the main operating subsidiary of the Company's Upstream Division, received approval from the CDRC of Bank Negara Malaysia for JMM's application for assistance to mediate between JMM and its financiers. 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.

The CDRC will mediate between the JMM 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.

6.2 Marine Logistics – Downstream Division

Globally, there is long-term demand growth for petroleum and petrochemical products. There is continuous demand for clean petroleum products especially in the developing ASEAN countries for general consumption and industrial use. The demand for oil/chemical tankers, which is a critical logistic component of the petroleum and petrochemical distribution network, is expected to remain robust.

In contrast to the upstream segment, the demand for liquid bulk carriers has been fairly robust in 2017 and is expected to continue to perform well as local and regional demand for oil products and chemical products continue to grow, especially in the 7,000-10,000 DWT tankers category. All three (3) of the Division's fully-owned vessels are expected to remain on-contract in 2018 as there are no scheduled dry-dockings for this financial year.

In addition to the three (3) vessels, the Division also has a 50% interest in TKH Marine (L) Ltd, which will acquire an additional tanker in 2018. This will subsequently be added to the Division's fleet of tankers and further enhance capacity and their ability to compete in the downstream marine logistics business.

In addition to the investment above, the Company continues to evaluate other potential investments in the downstream segment to further enhance its competitiveness.

The Board of Directors of Marine & General Berhad (formerly known as SILK Holdings Berhad) (hereinafter "M&G" or "the Company") and its Group of companies (hereinafter "the Group") fully appreciates the role good governance plays in enhancing shareholders' value. The Board is committed towards compliance with the requirements set out in the Malaysian Code on Corporate Governance 2017 (hereinafter "the Code") and strives to adopt the substance behind the corporate governance prescriptions to the best of its ability.

The Board is pleased to report to its shareholders on the application of the Principles as set out in the Code within the Company during the financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

Functions of the Board

The Company is led and controlled by a balanced and effective Board where it assumes, amongst others, the following principal responsibilities in discharging its stewardship role and fiduciary and leadership functions:

a) Setting the objectives, goals and strategic plans with a view to maximising shareholder value;
b) Adopting and monitoring progress of strategies, budgets, plans and policies;
c) Overseeing the conduct of businesses to evaluate whether the businesses are properly managed;
d) Identifying principal risks and ensuring the implementation of appropriate systems to mitigate and manage these risks;
e) Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure;
f) Human resources planning and development; and
g) Reviewing the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

During the financial year ended 31 December 2017, the Board made the strategic decision to exit the infrastructure sector to focus on marine logistics culminating in the disposal of the Company's infrastructure assets. The Board also subsequently made the decision to venture into the downstream marine logistics business to complement the push towards making the Company a more integrated marine logistics company in the long run.

On a more routine level, the Board also sets the annual business targets and budgets for the coming year. This is usually undertaken in the fourth quarter of the financial year. Resources required by Management to meet their targets are considered and approved by the Board at the same time it considers and sets targets for the coming year.

In terms of oversight, the Board also sets clear, pre-defined Financial Authority Limits/Limits of Authority on Management to ensure major decisions, specifically with respect to investments or capital expenditures, are only undertaken after careful consideration by the Board and its various Board Committees, where appropriate. In essence, decisions affecting key business considerations or where they involve a value higher than what has been approved for Management, are all reserved for the Board.

The Company's Board Meetings were convened a total of six (6) times during the financial year ended 31 December 2017.

Board Committees

The Board has set up three (3) Board Committees to assist the Board in discharging its functions, namely the Audit Committee, Nomination and Remuneration Committee and the Risk Management Committee (the details and membership of each Committee are elaborated in their respective sections). The Committees are required to report to the Board on all their deliberations and recommendations and such report is incorporated in the minutes of the Board Meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Appointment of a Chairman

Dato' Mohd Azlan bin Hashim was appointed to the role of Executive Chairman on 24 June 2008.

Dato' Mohd Azlan is a highly experienced company director and corporate leader having served leadership roles at Amanah Capital Malaysia Berhad and Bursa Malaysia Berhad. In addition to these, he has also been appointed as Chairman of the Board of Directors of IHH Healthcare Berhad and served in a similar role at Proton Holdings Berhad and continues to be a Director of Khazanah Nasional Berhad as well as several other public listed companies.

As Chairman of the Board of Directors, Dato' Mohd Azlan carries out a leadership role in guiding the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close professional relationship with his management team. In addition, he chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board and its processes.

Separation of Positions of Chairman and Chief Executive Officer ("CEO")/Managing Director

Given Dato' Mohd Azlan's strong leadership, business acumen and wide experience, the Board continues to maintain this arrangement which it feels is in the best interest of the Company. The Company has opted to address the issue of adequate checks and balances by having a majority independent Board. During the year, 6 out of 7 Board members are Independent Directors with diverse professional and business backgrounds. Decisions by the Board are only made after the issues had been deliberated at length by the Board, wherein the views of each Board member are sought. In addition, Dato' Mohd Azlan is also not a member of any of the Board Committees established by the Board. This ensures the various Committees are able to discharge their function independently of the Executive Chairman.

The Executive Chairman's role in the day-to-day operations of the Company is explained in the Board Charter and is mainly to provide leadership, strategic vision, high-level business judgment and wisdom, and the ability to meet immediate performance targets without neglecting longer-term growth opportunities of the Company. These include:

a) Ensuring that the Company's strategies and corporate policies are effectively implemented;
b) Ensuring that Board decisions are implemented and Board directions are responded to;
c) Providing directions in the implementation of short and long-term business plans;
d) Providing strong leadership, i.e. effectively communicating the vision, management philosophy and business strategy to the employees;
e) Keeping the Board fully informed of all important aspects of the Company's operations and ensuring that sufficient information is distributed to Board members; and
f) Ensuring the day-to-day business affairs of the Company is effectively managed.

In addition, the day-to-day operations of the operating subsidiaries within the Group are carried out by the respective Heads of Divisions, who report to their respective Boards. The Executive Chairman does not sit on the Boards of the operating subsidiaries and is therefore not a party to the decisions made at the operating subsidiary level.

The Executive Chairman is also subject to the Financial Authority Limits/Limits of Authority which sets pre-defined limits on his authority. For example, under the current limits, the Executive Chairman is only allowed to approve unbudgeted transactions up to RM500,000. Meanwhile, key investment and disposal decisions of the holding company, i.e. those with a value of RM500,000 or more, are only considered by the Board after a recommendation from the Risk Management Committee.

Collectively, these safeguards ensure that no one individual can influence key decisions of the Company. The Board is satisfied with the adequacy of the controls and limitations in place and is of the opinion that retaining the existing arrangement is in the best interest of the Company given its business, size and complexity.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Qualified and competent Company Secretaries

In order to assist the Board with its functions, the Company has appointed two (2) qualified Company Secretaries:

1. Ms Lim Hui Ming; and
2. Ms Chia Poh Tin.

Both are suitably qualified and competent Company Secretaries and are supported by appropriately qualified assistants of their own to ensure they are able to discharge their duties effectively and efficiently.

At least one of the Company Secretaries, assisted by an appropriately qualified staff, will attend the Company's Board or Committee meetings. The Company Secretary in attendance acts as a reference point on matters relating to procedures, governance as well as regulatory requirements.

The Company Secretaries also provide updates and assist the Board with interpreting regulatory and listing requirements related to the Company.

Outside of scheduled meetings, the Company Secretaries also play a key role in advising and guiding Management with respect to compliance matters.

From time to time, the Company Secretaries also update the Board with relevant training courses available for their considerations and assist in registration of the training seminars/workshops attended by the Directors, if any.

During the Annual General Meetings of the Company, the Company Secretaries will also coordinate with the Share Registrar, Independent Scrutineer, Shareholders, Board of Directors, the Management etc to ensure smooth running of the meetings.

Board Charter

The Board has formally adopted and published its Board Charter which will be periodically reviewed and kept up-to-date with changes in regulations and best practices to ensure its effectiveness and relevance to the Board objectives. The Board Charter was last reviewed and amended on 29 November 2017 to incorporate changes made by the Code.

The Board Charter of the Company sets out the role of the Board and it also lists the broad powers of the Board. In addition to this, the Board Charter also elaborates on the following:

- Composition
  - ✓ Tenure of independent director;
  - ✓ Key roles of the Executive Chairman;
  - ✓ Key day-to-day management role of the Executive Chairman; and
  - ✓ Non-Executive Directors' roles;
- Ethics
- Board structure and procedures
  - ✓ Board's role;
  - ✓ Board's power;
  - ✓ Board's performance;
  - ✓ Board's committees; and
  - ✓ Board meeting;
- Access
- Independent professional advice
- Remuneration

The Board Charter is available for viewing on the Company's website (www.marine-general.com.my).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(I) Board Responsibilities (cont'd)

Demarcation of responsibilities

The Board takes it upon itself to ensure that shareholders' interests and its goal of creating sustainable value over the long-term are always kept in view in any major decision it makes. The Board does so by segregating its role to that of overall stewardship and setting the strategic direction for the Company.

The Management manages the day-to-day operations and administration of the Company, in accordance with the strategic direction and delegations of the Board. The Board continuously oversees the activities of Management in carrying out these delegated duties.

The daily running of the business is entrusted to the respective Heads of Divisions of the Company who report directly to the Executive Chairman. At the operating subsidiary level, the Chief Operating Officers ("COO") of Jasa Merin (Malaysia) Sdn Bhd ("JMM"), report directly to the Executive Vice-Chairman of JMM and its Board while in the case of Jasa Merin (Labuan) Plc, the General Manager reports directly to its Board.

The respective Heads of Division at the Company level and COO and the General Manager at the operating subsidiary level carry out their duties under a pre-defined Financial Authority Limits/Limits of Authority set by the respective Boards. These Limits of Authority are reviewed from time to time to ensure continued relevance, effectiveness and efficiency.

The Board is satisfied with the existing demarcation of responsibilities given the business, size and complexity of the Company.

Code of Conduct and Ethics

The Company has an Employee Code of Conduct to guide employees on the Company's expectations as well as set parameters for acceptable professional behaviour.

The Code of Conduct for the Company was originally part of the Staff Handbook made available to employees of the Company. It has, since November 2017, been adopted separately to provide more prominence to the provisions therein. It has also been revised and expanded to add provisions on anti-bribery, corruption, insider trading and money laundering as a means to further strengthen the Code of Conduct and bring it more in-line with the requirements of the Code.

The Code of Conduct is also published on the Company's website (www.marine-general.com.my) for reference.

Whistle-Blowing Policy

The Company adopted a Whistle-Blowing Policy in 2012 to introduce a safe and acceptable platform for employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities so as to ensure that no member of staff should feel at a disadvantage in raising legitimate concerns.

It was reviewed and updated recently on 29 November 2017. The updated Whistle Blowing Policy has kept the safeguards put in place by the original policy but takes into account recent changes to the organisational structure of the Company and its subsidiaries.

The Whistle-Blowing Policy is available for viewing on the Company's website (www.marine-general.com.my).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition

Composition of independent members

During the financial year, the Company's Board of Directors had a total of eight (8) members (including a member who resigned at the end of the financial year). Only one (1) member out of the eight (8) directors who served on the Board is non-independent and performs an executive function, namely Dato' Mohd Azlan Hashim. The remaining members of the Board during the financial year are independent non-executive directors. The profile for each of the members of the Board is contained on pages 4 to 6 of this Annual Report.

The Board believes its composition of independent members who are able to act independently and make positive contribution to the Company remains strong. It is the Board's intention to continue having a majority independent Board to ensure that it is constantly exposed to different perspectives and insights.

The Nomination and Remuneration Committee

During the financial year, the Nomination and Remuneration Committee is comprised as follows:

1. Tan Sri Datuk Seri Razman M Hashim (Chairman of the Nomination and Remuneration Committee, Senior Independent Non-Executive Director);

2. Dato' Harun bin Md Idris (Independent Non-Executive Director);

3. Dato' Abdul Hamid bin Sh Mohamed (Independent Non-Executive Director. Resigned with effect from 31 December 2017); and

4. Shariffuddin bin Khalid (Independent Non-Executive Director. Appointed with effect from 1 December 2017).

The Company's Nomination and Remuneration Committee is guided by a clear Terms of Reference, which is made available on the Company's website (www.marine-general.com.my).

During the financial year, the Nomination and Remuneration Committee convened a total of three (3) meetings, to discuss and deliberate matters within the ambit of its Terms of Reference. Among the matters deliberated during the year include:

1. Consequential changes to the Board Committees, management structure and manpower needs following the disposal of the Company's equity interest in Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd.

2. Annual review of the composition of the Board and various Board Committees.

3. Annual assessment of the Board and Board Committees.

4. Annual review of the Audit Committee's terms of office and performance.

5. Annual review of Independent Directors approaching/past nine (9) years to determine suitability to remain as Independent Directors.

6. Nomination of additional director to the Board of the Company as independent non-executive director.

7. Director's fees for the non-executive directors for 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Annual assessment of the Board and Board Committees

The Company's Board has delegated the task of the preliminary annual evaluation of the effectiveness of the Board, the Board Committees and their respective members to the Nomination and Remuneration Committee.

For the financial year ended 31 December 2017, evaluation questionnaires seeking the feedback on how each Board member views the performance of the Board as a whole and the respective Board Committees reporting to it had been circulated to all the Board in October 2017. The Nomination and Remuneration Committee subsequently deliberated on the summary of the responses provided.

The Nomination and Remuneration Committee found, after considering input provided by each Director, that the various Board Committees generally have the right composition and do provide useful recommendations in assisting the Board to make better decisions.

The Nomination and Remuneration Committee also concluded, amongst others, that the skills and experience mix and composition of the Company's Board of Directors and all Board Committees reporting to it, are generally suitable for the Company, given its size, complexity and the industry it operates in.

The Board subsequently considered and endorsed the findings and conclusion of the Nomination and Remuneration Committee.

Recruitment of new directors

From time to time, there will be a need to recruit new directors to fill a vacancy or to enhance the effectiveness of the Board by adding new skillsets to it. After the Nomination and Remuneration Committee determines the actual additional skillsets and/or experience required by the Company during its annual evaluation of Board effectiveness, the Board will begin sourcing potential candidates primarily through the professional network of the various Board members and occasionally via industry contacts.

The candidates identified by a member of the Board will be evaluated by the Nomination and Remuneration Committee. The evaluation will focus on the candidate's suitability in terms of skillsets and experience being brought to the Board. The evaluation will not take into account the ethnicity or gender of the proposed new director in keeping with norms set by the Board that neither the ethnicity nor gender of a particular candidate for appointment to the Board is an influencing factor.

Upon satisfaction that the candidate is suitable, the Nomination and Remuneration Committee will make a recommendation to the Board of Directors accordingly. Only when a candidate is approved by the Board will he/she be appointed to the Board.

New Directors are expected to have such expertise to qualify them to make positive contributions to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company. They are also briefed by the Chairman, Company Secretaries and members of the management on the nature of business and current issues within the Company and the Group.

Tenure of an Independent Director

The Company's Board Charter states that the tenure of an Independent Director shall be up to the maximum period of nine (9) years. At any stage up to the completion of nine (9) years, an Independent Director may be re-designated to be a Non-Independent Director if the Nomination and Remuneration Committee so finds that the Director no longer qualifies to be an Independent Director. An Independent Director so re-designated, may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board Charter continues to state that if the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Tenure of an Independent Director (cont'd)

The Board firmly believes that an Independent Director who has passed the completion of nine (9) years in that role can continue to remain independent if it can be determined that the person can continue to bring independent and objective judgment to Board deliberations. In determining this, the Board, guided by the Nomination and Remuneration Committee's evaluation of the person, must be satisfied that:

a) The affected Independent Director has the capacity to defend his view without any influence of Management and has retained independence of character and judgment; and

b) The length of service of the affected Independent Director will not compromise his independence nor impede his duties as an Independent Director.

Once satisfied of the above, the Board will seek shareholder approval to retain an affected Independent Director. The Company had, at its 20th Annual General Meeting held on 21 June 2017, sought and obtained the approval of its shareholders to retain Dato' Abdul Hamid bin Sh Mohamed and Mr Tai Keat Chai as Independent Directors past their completion of nine (9) years in that role. At the forthcoming 21st Annual General Meeting, the Company will be seeking the approval of its shareholders to retain Mr Tai Keat Chai and Dato' Harun bin Md Idris as Independent Directors past their completion of nine (9) years in that role.

Board diversity

The Board recognises the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining good governance. A truly diversified Board will include and make good use of differences in the skills, regional origins, industry experience, background, gender, age, ethnicity and other qualities of Directors. With this in mind, the Board adopted a Corporate Diversity Policy on 29 November 2017 to serve as a guide for it, moving forward.

This Corporate Diversity Policy is appended as follows and published on the Company's website (www.marine-general.com.my) for reference:-

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY

1.0 BOARD DIVERSITY POLICY ("BDP")

1.1 Statement of the Policy

1.1.1 The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage.

1.1.2 A truly diversified Board will include and make good use of differences in the skills, regional origins, industry experience, background, gender, age, ethnicity and other qualities of Directors.

1.1.3 These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

1.1.4 All Board appointments are made on merit, in the context of skills and experience ensuring that the Board as a whole, is effective.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

<u>*Board diversity (cont'd)*</u>

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

1.0 BOARD DIVERSITY POLICY ("BDP") (CONT'D)

1.2 Procedures

1.2.1 The Board's Nomination and Remuneration Committee ("the Committee") reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors.

1.2.2 The Committee also oversees the conduct of the annual review of Board effectiveness:

a) In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

b) In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

1.2.3 As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and the diversity representation of the Board.

1.3 Measurable Objectives

1.3.1 The Committee will discuss and agree all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption.

1.3.2 At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

1.3.3 The Board recognises the recommendation of the Malaysian Code of Corporate Governance 2017 issued by the Securities Commission for maintaining at least 30% of the Board with women and will take appropriate measures to meet the target.

1.3.4 However, the selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience.

1.3.5 The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidate will bring to the Board.

1.4 Monitoring and Reporting

1.4.1 The Committee will report annually, in the corporate governance section of the Company's Annual Report, on the process it has used in relation to Board appointments.

1.4.2 Such report will include a summary of the BDP, the measurable objectives set for implementing the BDP and progress made towards achieving those objectives.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Board diversity (cont'd)

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

1.0 BOARD DIVERSITY POLICY ("BDP") (CONT'D)

1.5 Review of the BDP

1.5.1 The Committee will review the BDP from time to time, which will include an assessment of the effectiveness of the BDP.

1.5.2 The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

2.0 EMPLOYEE DIVERSITY POLICY ("EDP")

2.1 Statement of the Policy

2.1.1 The Company is committed to actively managing diversity as a means of enhancing its performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

2.1.2 Diversity involves valuing and recognising the unique contribution people make because of their individual background and different skills, experiences and perspectives, including persons with co-existing domestic responsibilities. Diversity may result from a range of factors including gender, age, ethnicity, cultural background or other personal factors. The Company values the differences between the people and the contribution these differences make to the Company.

2.2 Procedures

2.2.1 The Board of Directors ("the Board") assisted by the Management, is responsible for developing strategies to meet the objective of the Policy, and monitoring the progress of achieving the objectives through the monitoring and evaluation mechanism.

2.2.2 While it is important to promote diversity in terms of gender, age and ethnicity, the Company would take into consideration the following diversity strategies but not limited to:

a) recruiting from a diverse pool of candidates for all positions, including senior management;
b) identifying specific factors to take into account of the recruitment and selection processes to encourage diversity; and
c) any other strategies the Board develops from time to time.

2.2.3 The Company will not set any fixed targets around age, gender and ethnicity, but will actively work towards having the appropriate diversity based on the strategies outlined above.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

<u>Board diversity (cont'd)</u>

MARINE & GENERAL BERHAD'S CORPORATE DIVERSITY POLICY (CONT'D)

2.0 EMPLOYEE DIVERSITY POLICY ("EDP") (CONT'D)

2.3 Measurable Objectives

2.3.1 The Company encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Company has an appropriate mix of skills and talent to conduct its business and achieve the Company's goals. The Company will provide equal opportunities in respect to employment and employment conditions, including:

a) Hiring: The Board will ensure appropriate selection criteria based on diverse skills, experience and perspectives are used when hiring new staff, including Board members. Job specifications, advertisements, application forms and contracts will not contain any direct or inferred discrimination. The Board is empowered to engage professional consultants to assist in the hiring process where it deems necessary.

b) Training: All internal and external training opportunities will be based on merit and in light of the Company's and individual needs. The Board will consider senior management training and executive mentoring programmes to develop skills and experience to prepare employees for senior management and Board positions.

c) Career Advancement: All decisions associated with career advancement, including promotions, transfers, and other assignments, will meet the Company's needs and be determined on skill and merit.

2.4 Monitoring and Reporting

2.4.1 The Board, through the Nomination and Remuneration Committee, will monitor the scope and applicability of this policy, from time to time.

2.4.2 The Management is responsible for implementing, monitoring and reporting on the progress of achieving the objectives.

2.5 Review of the EDP

2.5.1 The Committee will review the EDP from time to time, which will include an assessment of the effectiveness of the Policy.

2.5.2 The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The Policy has been approved by the Board of Directors on 29 November 2017.

At present, the Board has not set any targets nor timeframe with respect to gender diversity for the Board. Having said this, the Board recognises the recommendation of the Code issued by the Securities Commission Malaysia for having the Board with 30% women directors and has discussed the matter at its meetings.

However, the selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience. The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidate will bring to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(II) Board Composition (cont'd)

Access to appropriate continuing education programmes

During the financial year, the Directors attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. These have been summarised as follows:

Name of Director	Topic / Organiser	Date
Dato' Mohd Azlan Hashim	• Malaysia Company Act 2016 • Cyber Security Board Awareness Conference • The 10th Malaysia Software Engineering Conference • The Asian Captive Conference 2017	• 23 February 2017 • 7 June 2017 • 7 August 2017 • 16 – 17 August 2017
Tan Sri Datuk Seri Razman M Hashim	• Sunway Leaders Conference at Sunway Pyramid Convention Centre	• 18 March 2017
Tai Keat Chai	• Cyber Risk: Addressing the Emerging Trends	• 19 April 2017
Nik Abdul Malik bin Nik Mohd Amin	• CG Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Government	• 7 November 2017
Dato' Abdul Hamid bin Sh Mohamed	• The New Companies Act 2016 "Raising the Bar for Directors" • Proposed LR and CA 2016 Workshop – Key Amendments to LR Arising from CA 2016 • Khazanah Megatrends Forum 2017 Cerebrum X Algorithm – Building True Value in a Post-Truth World • KMF 2017 Special Event – Fearless Design – Perspective in Form, Function and the Future	• 29 March 2017 • 8 July 2017 • 2-3 October 2017 • 2 October 2017
Shariffuddin bin Khalid	• Seminar – Companies Act 2016: Key Changes • MIA Corporate Board Symposium 2017 • MIA International Accountants Conference 2017	• 21 June 2017 • 25 October 2017 • 7-8 November 2017

Two of the Directors namely Dato' Harun bin Md Idris and Dato' Haji Razali bin Mohd Yusof did not attend any training programme during the financial year under review. This is due to scheduling conflicts and the inability to identify any training courses that were of particular benefit to their role as a Director of M&G during their available time.

(III) Board Remuneration

Formal and transparent remuneration policies and procedures

The Board adopted a Board Remuneration Policy applicable for its Board on 29 November 2017. The Board Remuneration Policy is available for viewing on the Company's website (www.marine-general.com.my).

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities. The Board as a whole recommends the fees for the Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Directors are subject to the approval of shareholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(III) Board Remuneration (cont'd)

Formal and transparent remuneration policies and procedures (cont'd)

The breakdown of the remuneration for the Directors of the Company during the financial year is as follows:

	Salary RM'000	Bonus RM'000	Fees RM'000	EPF RM'000	Allowances RM'000	Benefits in Kind RM'000	Total RM'000
Executive Director:							
Dato Mohd Azlan Hashim							
- Company	673	324	-	120	-	27	1,144
- Group	964	324	-	155	-	37	1,480
Non-Executive Directors:							
Tan Sri Datuk Seri Razman M Hashim							
- Company	-	-	63	-	9	-	72
- Group	-	-	76	-	11	-	87
Tai Keat Chai							
- Company	-	-	70	-	13	-	83
- Group	-	-	83	-	15	-	98
Nik Abdul Malik bin Nik Mohd Amin							
- Company	-	-	56	-	14	-	70
- Group	-	-	74	-	17	-	91
Dato' Harun bin Md Idris							
- Company	-	-	55	-	13	-	68
- Group	-	-	62	-	13	-	75
Dato' Abdul Hamid bin Sh Mohamed							
- Company	-	-	54	-	12	-	66
- Group	-	-	54	-	12	-	66
Dato' Haji Razali bin Mohd Yusof							
- Company	-	-	49	-	10	-	59
- Group	-	-	49	-	10	-	59
Shariffuddin bin Khalid							
- Company	-	-	5	-	-	-	5
- Group	-	-	5	-	-	-	5

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT

(I) Audit Committee

Effective and independent Audit Committee

The Company's Audit Committee was originally formed by the Board at its meeting on 16 August 2002. During the financial year, the Audit Committee is comprised solely of Independent Directors, as follows:

1. Tai Keat Chai (Chairman of the Audit Committee, Independent Non-Executive Director);
2. Dato' Harun bin Md Idris (Independent Non-Executive Director. Resigned with effect from 1 December 2017);
3. Dato' Abdul Hamid bin Sh Mohamed (Independent Non-Executive Director. Resigned with effect from 1 December 2017);
4. Nik Abdul Malik bin Nik Mohd Amin (Independent Non-Executive Director);
5. Dato' Haji Razali bin Mohd Yusof (Independent Non-Executive Director. Appointed with effect from 1 December 2017); and
6. Shariffuddin bin Khalid (Independent Non-Executive Director. Appointed with effect from 1 December 2017).

The Company's Audit Committee Meetings were convened a total of four (4) times during the financial year ended 31 December 2017. Among the matters deliberated during the year include:

1. The internal audit reports tabled by the Company's internal auditors, Messrs Axcelasia Columbus Sdn Bhd.
2. The Company's quarterly financial results and audited financial statements.
3. The Company's audit plan.

Please refer to Audit Committee Report for the summary of work of the Audit Committee on pages 32 to 33 for further details.

The Company's Audit Committee is made up of members with a wide range of skills and experience. All members are financially literate.

In terms of originating from a financial or accounting background, Mr Tai Keat Chai, the Chairman of the Audit Committee, is a Fellow of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants. In addition, Dato' Abdul Hamid Sh Mohamed (resigned on 1 December 2017) is a Fellow of the Association of Chartered Certified Accountants. The most recent addition to the Audit Committee, Encik Shariffuddin bin Khalid, is a Fellow of the Chartered Institute of Management Accountants.

Policies and procedures to assess the suitability and independence of external auditors

The Board maintains, via the Audit Committee, an active, transparent and professional relationship with its External Auditors. The role of the Audit Committee in relation to the External Auditors is disclosed in the Audit Committee Report set out on pages 32 to 33 of the Annual Report. The Company's current External Auditors, Messrs KPMG PLT, were appointed to the position at the Company's Annual General Meeting since 13 December 2013 replacing the previous External Auditors.

The Company has yet to adopt a formal written policy with respect to assessment of suitability, objectivity and independence of its External Auditors. The Board believes this is an area of importance that will need to be addressed. It is therefore targeting to adopt a suitable policy during the financial year ending 31 December 2018.

In the meantime, the Audit Committee and Board had considered the External Auditor's performance and independence for the financial year ending 31 December 2017, based on an assessment undertaken by Management. This assessment is based on the guidance provided in Exhibit 14 of the Corporate Governance Guide (2nd Edition) issued by Bursa Malaysia Berhad. It has been determined that the External Auditors continue to be objective and remain independent of the Company.

In addition, a written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements have been obtained by the Company.

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT (CONT'D)

(II) Risk management and internal control framework

Establishment of a risk management and internal control framework

The Board acknowledges its overall responsibility for ensuring that a sound system of internal control is maintained throughout the Group and the need to review its effectiveness regularly. The Board recognises that risks cannot be totally eliminated and the system of internal controls instituted can only help to minimise and manage risks and provide some assurance that the assets of the Company and of the Group are safeguarded against material loss and unauthorised use and that the financial statements are not materially misstated.

The Audit Committee is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Company's system of internal controls. The Risk Management and Internal Control Statement set out on page 34 to 37 of this Annual Report provides an overview of the Group's approach to risk management and internal control framework, and the adequacy and effectiveness of this framework.

Internal Audit function

The Company's internal audit function is outsourced to Axcelasia Columbus Sdn Bhd. The internal audit staff on the Engagement Team are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The number of staff deployed for the internal audit reviews ranges from 4 to 5 staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possess the necessary qualification to discharge their function. Most of them are also members of the Institute of Internal Auditors Malaysia.

The Engagement Partner is Encik Noradlan Abdul Latif who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors Malaysia and a chartered member of the Malaysian Institute of Accountants. Encik Noradlan has a Certification in Control Self-Assessment (United States) and a Bachelor's Degree in Accounting from University Utara Malaysia.

The internal audit for the year under review was conducted using a risk-based approach and was guided by the International Professional Practice Framework ("IPPF").

Risk Management Committee

The Board has also set up a Risk Management Committee, comprising a majority of Independent Directors, to assist the Board oversee the Company's investment activities, approving appropriate investment appraisal procedures as well as identification of strategic investment opportunities of the Group.

During the financial year, the Risk Management Committee is comprised as follows:

1. Tai Keat Chai (Chairman of the Risk Management Committee, Independent Non-Executive Director);
2. Dato' Haji Razali bin Mohd Yusof (Independent Non-Executive Director);
3. Nik Abdul Malik bin Nik Mohd Amin (Independent Non-Executive Director);
4. Jamaludin bin Mohd Nor (Resigned with effect from 23 May 2017); and
5. Mohd Nizam bin Abd Wahab (Appointed with effect from 23 May 2017).

The Company's Risk Management Committee Meetings were convened a total of four (4) times during the financial year ended 31 December 2017. Among the matters deliberated during the year include:

1. Review of the cashflow position of subsidiaries.
2. Review of the financing arrangements of the subsidiaries.
3. Incorporation of new subsidiaries.
4. Disposal of vessels.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with stakeholders

Transparent and regular communication with stakeholders

The Board values constant dialogue and is committed to have effective and transparent communication with its stakeholders. While it endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. As such, the Company's General Meetings represents the platform by which the Board maintains its communication with shareholders. During such meetings, shareholders in attendance freely interact with the Board as well as Management, using this opportunity to seek clarification or voice their opinions and concerns regarding the business of the Company.

The Company has also established a website at www.marine-general.com.my from which investors and shareholders can access information relating to the Company, its businesses and periodic performance reports. The website is updated periodically to reflect key changes to the Company. Besides, a designated person is assigned with the email address and contact number to address any queries from the stakeholders and public.

Regarding communication with staff, this is done via the quarterly Board meetings and various Committee meetings attended by both Board members and Management. On a less formal level, the Board will engage with the Management as and when the need arises throughout the year.

In addition to the above, the Company, via its Management, also conducts periodic meetings with its bankers/financiers to ensure they are apprised of the important business developments at the Company.

Existence of appropriate corporate disclosure policies and procedures

The Board acknowledges the importance of ensuring that it has in place appropriate corporate disclosure policies and procedures which leverage on information technology as recommended by the Code. The Company currently observes and complies with the disclosure requirements as set out in Bursa Malaysia Securities Berhad ("Bursa")'s Main Market Listing Requirements, guided by Bursa's Corporate Disclosure Guide. The Board has also approved and adopted a Corporate Disclosure Policy which outlines the Group's approach towards the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained, response to market rumours and restrictions on insider trading. This Policy also provides guidance and structure in disseminating corporate information to, and in dealing with investors, analysts, media and the investing public. The Corporate Disclosure Policy is available for viewing on the Company's website (www.marine-general.com.my).

(II) Conduct of General Meetings

Issuance of Notice

The Board is cognizant of the value of General Meetings as a means whereby the Board and Management of the Company can interact with shareholders. Given this, the Company has always issued Notices to its General Meetings ahead of time and within what is prescribed by the prevailing regulations. It is the Board's intention to ensure that the Company continues to observe the prevailing regulations.

Attendance by Directors

The entire Board was present for the Company's 20th Annual General Meeting held on 21 June 2017 and provided meaningful responses whenever questions were addressed to them. The Board expects that, unless there are unavoidable circumstances, all its members will be in attendance for the upcoming 21st Annual General Meeting as well.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

(II) Conduct of General Meetings (cont'd)

Use of technology to facilitate voting in absentia and remote participation

The Board values the participation of its shareholders at the Company's General Meetings. As such, it has been conducting its General Meetings in easily accessible locations within the Kuala Lumpur/Petaling Jaya area to ensure the majority of its shareholders are able to attend and participate in the meetings, should they choose to do so. Given the reception and participation at the General Meetings held thus far, the Board does not foresee a need for a change in location in the foreseeable future.

The Board is also mindful of the trend to incorporate more technology into General Meetings to enable remote participation. While the Board welcomes this trend, it does not see the need to incorporate such technologies into its General Meetings just yet, given the Company's relatively small shareholder base and the fact that it has historically been holding its General Meetings within the Kuala Lumpur/Petaling Jaya area.

COMPLIANCE STATEMENT

The Board recognises and views that Corporate Governance is an on-going process and is of the view that the Company has substantially complied with the principles of the Code and will take appropriate steps towards embracing the Principles under the Code at a pace and time frame consistent with the size, priority and dynamics of the Group.

This statement is made in accordance to approval of the Board via a Directors' Written Resolution dated 20 April 2018. The accompanying Corporate Governance Report in relation to the Company's application of the Code may be viewed on the Company's website (www.marine-general.com.my).

DATO' MOHD AZLAN HASHIM
Executive Chairman

FORMATION

The Audit Committee was formed by the Board of Directors at its meeting on 16 August 2002.

The objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as financial reporting practices of the Company and its subsidiaries ("the Group").

COMPOSITION

The members of the Audit Committee during the financial year were as follows:

1. Tai Keat Chai – Chairman
   (Independent Non-Executive Director)
2. Nik Abdul Malik bin Nik Mohd Amin
   (Independent Non-Executive Director)
3. Shariffuddin bin Khalid (appointed with effect from 1 December 2017)
   (Independent Non-Executive Director)
4. Dato' Haji Razali bin Mohd Yusof (appointed with effect from 1 December 2017)
   (Independent Non-Executive Director)
5. Dato' Abdul Hamid bin Sh Mohamed (resigned with effect from 1 December 2017)
   (Independent Non-Executive Director)
6. Dato' Harun bin Md Idris (resigned with effect from 1 December 2017)
   (Independent Non-Executive Director)

The composition of the Audit Committee and qualification of its members comply with Paragraph 15.09(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

During the financial year under review, the Audit Committee consists entirely of independent non-executive directors. Mr. Tai Keat Chai, Chairman of the Audit Committee, is a Fellow of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants while Encik Shariffuddin bin Khalid is a Fellow of the Chartered Institute of Management Accountants.

Terms of reference of the Audit Committee are available for viewing on the Company's website at www.marine-general.com.my.

MEETING AND ATTENDANCE

During the financial year ended 31 December 2017, the Audit Committee held 4 meetings and the attendance of the Audit Committee members was as follows:

	Number of Meetings Attended
Tai Keat Chai	4/4
Dato' Harun bin Md Idris	4/4
Nik Abdul Malik bin Nik Mohd Amin	4/4
Shariffuddin bin Khalid	n/a
Dato' Haji Razali bin Mohd Yusof	n/a
Dato' Abdul Hamid bin Sh Mohamed	4/4

The Company Secretaries and the General Manager, Finance attended all meetings, while the External Auditors and Internal Auditors attended three of the meetings. In addition, the Audit Committee had two private sessions with the External Auditors without the presence of the Management during the financial year.

SUMMARY OF ACTIVITIES

The meetings of the Audit Committee and their tentative agendas were scheduled in advance at the beginning of the new financial year to facilitate the Audit Committee to plan and fit the meetings into their schedules. The Audit Committee meets every quarter to review and deliberate on quarterly financial reports and annual financial statements, the enterprise risk management reports, the Group internal audit reports and other relevant matters within the Audit Committee's terms of reference.

Minutes of the Audit Committee meetings which include records of the deliberations, decisions and resolutions of the meetings are properly maintained by the Company Secretaries, who are also the Secretaries of the Audit Committee.

The General Manager, Finance is invited to the Audit Committee meetings to facilitate the discussion as well as to provide explanation on audit issues, risk management, financial and other relevant matters within the terms of reference of the Audit Committee. The divisions' Chief Operating Officers ("COO") together with the relevant management personnel are also invited to provide clarification on any relevant internal audit report tabled to the Audit Committee. The External Auditors are also invited to present their audit plan and audit results and other relevant matters.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2017, the Audit Committee undertook the following activities in discharging its functions and duties: -

a. Financial reporting

- Reviewed and discussed with appropriate officers the quarterly and annual financial statements of the Group and of the Company focusing particularly on:
  - significant changes in accounting policies and estimates;
  - significant judgments made by Management;
  - compliance with the applicable financial reporting standards and other relevant regulatory requirements;
  - significant audit adjustments; and
  - comments and responses to audit issues and other legal requirements to ensure that the financial statements present a true and fair view of the Group and of the Company's financial performances prior to the recommendation of the same to the Board for approval and subsequently for public release.
- Deliberated on the management accounts and reports of operating subsidiaries.
- Discussed the implications of any latest changes and pronouncements issued by the statutory and regulatory bodies on the Group and the Company.
- Deliberated significant accounting/audit issues and unusual events or transactions and reasonableness of accounting standards application highlighted by the External Auditors and/or Management to derive the financial statements, and ensured that appropriate action was taken.

b. External audit

- Prior to the audit, reviewed and discussed with the External Auditors the nature and scope of the audit, and discussed the potential issues that may arise.
- Reviewed all significant judgments made by the Management.
- Reviewed the results and issues arising from the statutory audit and the resolution of issues highlighted in the report to the Audit Committee.
- Met twice with the External Auditors without the presence of the Executive Directors and Management in the Audit Committee meetings to enquire on significant findings and/or Management cooperation level.

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

c. Internal audit

- Reviewed and approved the internal audit plan.

- Key areas of audit engagement covered during the year under review were as follows:

    - operations management;
    - financial management;
    - procurement management; and
    - IT management.

- Reviewed internal audit reports and ensured that appropriate agreed corrective actions are taken by the Management to address the gaps in controls and procedures as identified by the Internal Auditors.

- Reviewed the responses and action plans provided by the Management on the deliberated audit reports.

- Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on all significant and secondary issues raised in the audit reports.

d. Other activities

- In relation to enterprise risk management, reviewed the updated risk profile of the Group and major initiatives having significant impact on the Group businesses.

- Resource requirements of the Finance Department of the Group.

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTIONS

The Company outsourced its internal audit functions to Messrs. Axcelasia Columbus Sdn Bhd in order to discharge its duties and responsibilities more effectively. The Internal Auditors performed the internal audits independently to ensure there were effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board.

In the conduct of their audit, the Internal Auditors placed emphasis on risk-based auditing where the focus was on higher risk areas. The Internal Auditors reviewed the adequacy of the identified mitigations and evaluated the effectiveness and efficiency of the controls to mitigate the risk events.

The internal audit reports provide details of the audit findings and the corresponding recommendations which are monitored periodically to ensure the integrity and effectiveness of the Group's system of internal control.

The Internal Auditors submitted their findings and recommendations to the General Manager, Finance and the COOs for executive review before tabling the reports together with the responses by the General Manager, Finance and the COOs at the Audit Committee meetings for decisions. At the Board meetings, the Chairman of the Audit Committee highlighted the key audit issues and overall decisions and resolutions made during the Audit Committee meetings to the Board members and made the relevant recommendations to the Board for consideration.

During the financial year, the Internal Auditors carried out audits according to the internal audit plan approved by the Audit Committee. Total cost incurred in discharging the internal audit function during the financial year ended 31 December 2017 was RM45,000.

BOARD'S CONCLUSION

The Board is satisfied that the Audit Committee has carried out its functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 stipulates that the Board of Directors ("the Board") of listed companies shall maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Set out below is the Group's Statement on Risk Management and Internal Control ("Statement"), made in compliance with Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

THE BOARD'S RESPONSIBILITY

The Board places importance on, and is committed to maintaining effective risk management practices and a sound system of internal control within the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

The Board, particularly at the operating company level, sets the budgets for the coming year and clear, pre-defined Financial Authority Limits/Limits of Authority on Management to ensure major decisions, specifically with respect to investments or capital expenditures, are only undertaken after careful consideration by the Board and its various Board Committees, where appropriate.

In addition to this, the Board also undertakes greater scrutiny of key decisions through its Board Risk Management Committee. The Board Risk Management Committee is tasked with thoroughly reviewing major investments being proposed and/or major commitments being considered, fine tuning them when necessary before making final recommendations to the Board.

Notwithstanding this, as with any internal control system, the Group's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. It follows, therefore, that the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has in place an on-going process of identifying, evaluating, monitoring and managing the key risks affecting the achievement of its business objectives throughout the year.

ASSURANCE MECHANISM

The Audit Committee ("AC") is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. In carrying out its responsibilities, the Group has appointed Messrs. Axcelasia Columbus Sdn Bhd ("ACSB") to carry out internal audits based on a risk-based audit plan approved by the AC. Based on these audits, the Audit Committee is provided by ACSB with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

In addition to the internal assurance mechanism, the Group also received extensive and detailed AC reports and management letter from its External Auditors that primarily focuses on financial controls. The AC reports and the management letter were also presented to the AC for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

Besides the above, the AC also conducted two (2) private meetings with the External Auditors to give opportunity to the External Auditors to raise any matters without executive Board members or the Management present.

The Report of the AC is set out on pages 31 to 33 of the Annual Report.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, Board Committees and Management at the holding as well as operating company levels, represent the main platform by which the Group's performance and conduct is monitored.

In addition to separate periodic Management meetings at the Divisional level, the Company also undertakes periodic Management meetings at the Group level to ensure the senior management of the entire Group is aware of the key activities taking place within the Group.

Major business proposals and budgets for the coming year are generally recommended by the respective Divisional Management and evaluated and fine-tuned by the appropriate Board Committees before being presented for consideration by the Board of Directors.

In the absence of a Group CEO, the daily running of the business is entrusted to the Chief Operating Officer ("COO") of Jasa Merin (Malaysia) Sdn Bhd ("JMM") and the General Manager of Jasa Merin (Labuan) Plc ("JML") and their management teams for the Marine Logistics – Upstream and the Marine Logistics – Downstream divisions. The COO of JMM reports directly to the Executive Vice-Chairman of JMM while in the case of the Marine Logistics – Downstream division, the General Manager of JML reports to the Board of JML. The COO and the General Manager carry out their duties under pre-defined Financial Authority Limits/Limits of Authority set by the respective Boards. These Limits of Authority are reviewed from time to time to ensure continued relevance, effectiveness and efficiency.

Under the purview of the COO and the General Manager, the heads of department are empowered with the responsibility of managing their respective operations. The COO and the General Manager communicate the Board's expectations to management at management meetings as well as through attendance at various operations meetings. At these meetings, operational and financial risks are discussed and dealt with.

The Board is responsible for setting the business direction and overseeing the conduct of the Group's operations through various management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

Enterprise Risk Management Framework

In dealing with its stewardship responsibilities, the Board recognises that effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk, and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to be able to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner.

The risk management framework has been embedded in the Company's management systems. The Management assists the Board in implementing the process of identifying, evaluating and managing significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.

The key elements of the Enterprise Risk Management ("ERM") activities include:

- Establishing ERM framework
- Risk assessment process
- Risk action implementation process
- Risk action monitoring process
- Continuous ERM monitoring and communication

The Group has completed a comprehensive risk assessment process whereby significant risks are summarised into a risk map and presented to the AC for its consideration. Risk registers have been developed for each of the risks identified. Having identified those risks that can significantly affect the business and operations, dedicated risk owners were appointed (from the management team) to work on the development of key risk action plans required (as well as the implementation of such action plans) together with a group of risk co-owners across the departments. New developments in businesses and operations are subject to the risk assessment process as the risk profile of the business changes.

THE GROUP'S SYSTEM OF INTERNAL CONTROL (CONT'D)

Key Elements of the Group's System of Internal Control

The current system of internal control in the Group has within it, the following key elements:

- Group vision, mission and corporate philosophy and strategic direction, which are communicated to employees.
- A Board which retains control over the Group with appropriate management reporting mechanisms which enable the Board to review the Group's progress.
- Board approved annual budgets and management plans.
- Management meetings involving discussions on operational issues at subsidiary level.
- Comprehensive and clearly documented standard operating policies and procedures manuals that provide guidelines and authority limits over various operating, financial and human resource matters, which are subject to regular review for improvement.
- The use of the intranet as an effective means of communication and knowledge sharing.
- Communication of policies and guidelines in relation to human resource matters to all employees through a staff handbook which is also available on the intranet.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to personnel across all functions to maintain a high level of competency and capability.

Internal Policies To Promote Governance

In addition to the Financial Authority Limits/Limits of Authority which set pre-defined limits on the authority levels of each member of Management up to the Executive Chairman/Vice-Chairman, the Group also adheres to several other sets of policies to ensure the governance structure remains robust.

The Group is committed to high standards of honesty, openness, and accountability. An important aspect of accountability and transparency is a mechanism to enable staff and other members of the Group to voice concerns in a responsible and effective manner. It is a fundamental term of every contract of employment that an employee will faithfully serve his or her employer and not disclose confidential information about the employers' affairs. Nevertheless, where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organisation then this information should be disclosed internally without fear of reprisal.

As such, the Group has introduced and endorsed a Whistle-Blowing Policy ("Policy") in year 2012 and subsequently revised the Policy on 29 November 2017. The Policy introduces a safe and acceptable platform for employees to channel concerns about illegal, unethical or improper business conduct affecting the company and about business improvement opportunities as to ensure that no member of staff should feel at a disadvantage in raising legitimate concerns.

The Policy allows the Management to take appropriate preventive and corrective actions without the negative effects that come with public disclosure, such as loss of image or reputation, financial distress, loss of investor confidence or drop in value of share prices. Through this policy, employees are encouraged to discreetly and anonymously disclose concerns about illegal, unethical or improper business conduct which otherwise may not be easily detected through normal process or transaction.

THE BOARD'S COMMITMENT

The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. To this end, the Board remains committed towards maintaining a sound system of internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Executive Directors of the operating subsidiaries and the General Manager, Finance have provided the Board with assurance that the Group risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

Taking into consideration the assurance from the management team, the Board is of the view that the system of risk management and internal controls in place for the year under review is sound and adequate to safeguard the Group's assets.

REVIEW OF THE STATEMENT BY INDEPENDENT AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that would cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board of Directors dated 20 April 2018.

SUSTAINABILITY STATEMENT

OUR COMMITMENT TO BUSINESS SUSTAINABILITY

Marine & General Berhad's (formerly known as SILK Holdings Berhad)("M&G" or "the Company") Annual Report 2017 includes the first inclusion of M&G's Sustainability Reporting in accordance with the enhanced reporting requirements incorporating Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad in the year 2015.

This Sustainability Statement presents the findings of this process. It describes M&G's performance on key non-financial metrics for the period 1 January 2017 to 31 December 2017 covering its initiatives on economic, environmental, and social related sustainability matters. As part of this drive, M&G considered key sustainability matters affecting direct and indirect stakeholders, which include employees, shareholders and investors, government authorities, the surrounding community and general public. M&G collected data for key sustainability matters disclosure as defined by the Global Reporting Initiative ("GRI") Sustainability Reporting Standards applicable to its business.

The scope of this Statement covers mainly the business operation of Jasa Merin (Malaysia) Sdn Bhd ("JMM"), which is the main operating subsidiary and revenue contributor for M&G during the financial year under review. This Statement, excludes data and information from other companies within the Group.

Sustainability Governance

JMM's sustainability strategy is determined by JMM's Board, who provides oversight of JMM's operations. The JMM Chief Operating Officer ("COO") oversees the implementation of JMM's sustainability approach and processes to ensure key sustainability targets are met and are monitored through monthly management meetings. The M&G Board is informed and updated on sustainability activities during quarterly meetings.

Materiality Assessment and Key Sustainability Matters

JMM engaged stakeholders, both internally and externally, to identify and prioritise its key sustainability matters. The material key sustainability matters with the facilitation from external consultants, were determined based on the review of JMM's business operation and risk areas, input from the Board and Senior Management. JMM identified seven (7) key sustainability matters as outlined in the table below:

Pillar	Key Sustainability Matters	GRI reference
Economic	• Procurement practices	• GRI-204
	• Anti-corruption	• GRI-205
Environmental	• Effluent and waste	• GRI-306
Social	• Employment	• GRI-401
	• Occupational health and safety	• GRI-403
	• Employment diversity and equal opportunity	• GRI-405
	• Local communities	• GRI-413

1. Economic

M&G through JMM, established sustainable procurement and anti-corruption practices, two (2) main themes in the economic topic of GRI Sustainability Reporting Standards. How sustainability practices are applied in each of these topics are explained in the section below:

Sustainable Procurement

Project sub-contractors are selected via tender process. JMM has in place formalised Standard Operating Procedures ("SOP") for tender processes, prioritising local businesses wherever appropriate i.e. satisfactory quality of goods and services, and competitive prices. A Tender Committee was set up to govern the evaluation and selection of sub-contractors, incorporating a combination of technical, financial and pricing criteria.

OUR COMMITMENT INTO BUSINESS SUSTAINABILITY (CONT'D)

Materiality Assessment and Key Sustainability Matters (cont'd)

1. Economic (cont'd)

Anti-Corruption

JMM's Code of Conduct, adopted from the Code of Conduct developed by M&G, prohibits all forms of corruption and bribery, a manifestation of our strong adherence to high ethical standards and anti-corruption laws. In supporting this commitment, all employees must not provide, offer or accept bribes, kickbacks, corrupt payments, facilitation payments, or inappropriate gifts, to Government Officials or any commercial person or entity, regardless of local practices or customs.

The Code of Conduct, contains detailed procedures on dealing with improper solicitation, bribery and corruption. The consequences of breaching the Code of Conduct are clearly set out and subject to the requirements of applicable laws and actions will be taken against any employee for non-compliance. JMM adopted its Whistle-Blowing Policy with the aim of providing a structured mechanism for employees and other stakeholders to raise genuine and legitimate concerns on any suspected or wrongful activities or wrongdoings. These concerns refer to any potential violations or suspected activities relating to any law, rules, regulations, acts, ethics, integrity and business conduct, including any violation or concerns relating to malpractice, illegal, immoral, embezzlement and fraudulent activities which will affect the business and reputation of JMM as well that of its ultimate parent company, M&G.

A whistle-blower will be safeguarded with protection of confidentiality of identity, to the extent reasonably practicable. Such protection is accorded along with the disclosure made in good faith, even if the investigation later reveals that the whistle-blower is mistaken as to the facts and the rules and procedures involved.

The Whistle-Blowing Policy is implemented to emphasise JMM's commitment to the highest standards of quality, honesty, openness, and accountability, in ensuring that discrepancies are reported and dealt promptly to ensure ethical business practices, and to protect the employee.

2. Environmental

Effluent and waste

JMM monitors any effluent and waste generated by its vessels through physical observation and on a sample basis, tests any suspected leakages, effluent and waste around the vessels. Preventive actions are identified and controls are established to prevent any pollution and environmental hazards.

3. Social

Employment diversity and equal opportunity

M&G and its subsidiary company, JMM value their employees as they believe they are key to competitive success in the marketplace, which is vital for business sustainability. JMM is a firm believer in the benefits that can be derived from different perspectives, and positively embraces diversity as a key component of its human development agenda. JMM does not discriminate against any gender, nationality or race. For FY2017, JMM women workforce represented almost 29% of our employees. JMM recognises the women statistics and will increase the intake of potential female employees based on their experience, skills and working requirements. Developing gender diversity across the Company is a long-term business imperative.

OUR COMMITMENT INTO BUSINESS SUSTAINABILITY (CONT'D)

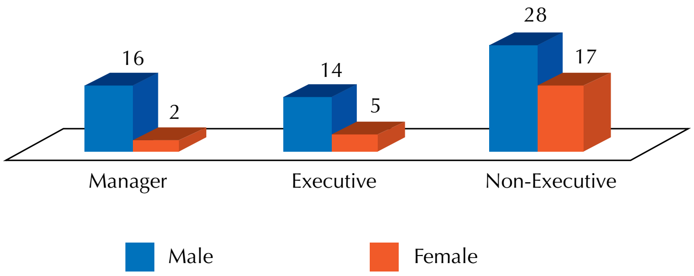
Materiality Assessment and Key Sustainability Matters (cont'd)

3. Social (cont'd)

Employment diversity and equal opportunity (cont'd)

The statistics below indicate the gender profile and employee category of JMM:

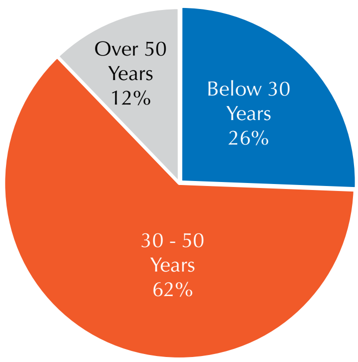
Total Employees By Gender & Employee Category



Note: Information above includes fulltime and contractual employees

During FY2017, JMM has a total workforce of 82 employees (inclusive of fulltime and contractual employees). The following chart shows the percentage of employees by age category:

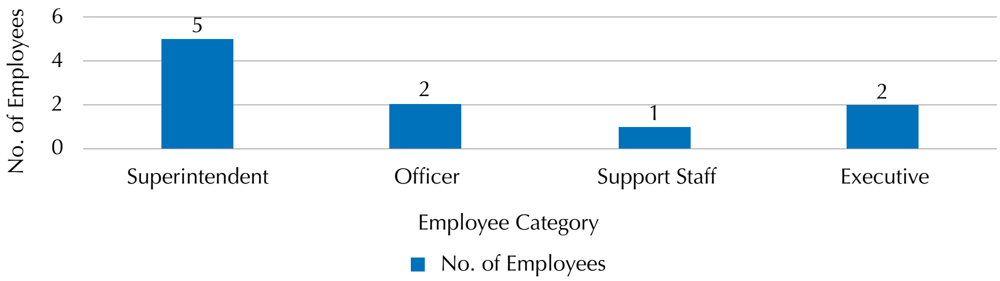
Employees by Age Category



Employment

The retention rate for JMM is 88%. During FY2017, JMM has a total of 82 employees (inclusive of fulltime and contractual employees) and ten (10) resignations. The resignations were mostly relating to non-executive positions with two (2) resignations from executive positions as highlighted in the table below:

Turnover by Employee Category



OUR COMMITMENT INTO BUSINESS SUSTAINABILITY (CONT'D)

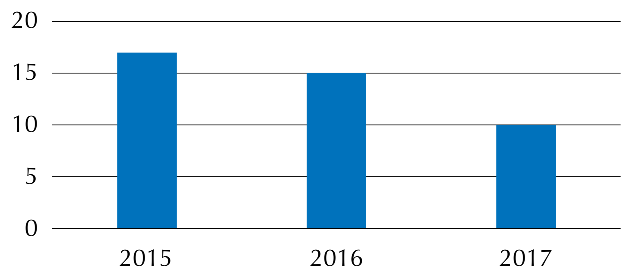
Materiality Assessment and Key Sustainability Matters (cont'd)

3. Social (cont'd)

Employment (cont'd)

Nevertheless, there has been a decreasing trend in employee resignations in the last three years as indicated in the graph below:

Employee resignations 2015 - 2017



In 2017, a total of ten (10) employees resigned from JMM as compared to a total of fifteen (15) and seventeen (17) resignations for year 2016 and 2015 respectively.

JMM hired a total of eight (8) employees by the end of year 2017 to ensure smooth continuation of its operations.

Employee Benefits

JMM offers attractive benefits in addition to basic salary. These benefits cover car and petrol allowances, housing, medical and birth, and pilgrimage allowances. In addition, Group Accidental Death & Disablement Benefits insurance covers any accidental death and disablement as a result of any accidents for all our employees, and the Group Crisis Cover Benefit covers employees who are diagnosed with critical illnesses.

Parental Leave

JMM thrives to foster a work-life balance culture that caters to employees' physical and emotional needs. In JMM, we understand that a work-life balance culture, can lead to the greater retention of qualified employees and boost employee morale and productivity.

To empower and support our employee's work-life balance needs and preferences, JMM provides all male and female employees (inclusive of fulltime and contractual employees) up to three (3) days of paternity leave and sixty (60) days maternity leave respectively.

Occupational Health and Safety

JMM deems the protection of Health and Safety of its employees at work and Environmental protection and conservation, to be an essential part of all Managers' duties and responsibilities for which they and their subordinates are accountable and aware over their day-to-day work.

To promote safe and healthy working environment for all employees and to prevent unsafe actions and substandard conditions, JMM complies with, and expands on the statutory rules and requirements related to Health, Safety and Environment protection, including those under International Maritime Organization and International Safety Management ("ISM") Code and Health, Safety and Environment Management System ("HSEMS").

To this end, JMM also maintains an Alcohol and Drug Policy and a Stop Work Policy amongst other operational safety SOPs.

OUR COMMITMENT INTO BUSINESS SUSTAINABILITY (CONT'D)

Materiality Assessment and Key Sustainability Matters (cont'd)

3. Social (cont'd)

Alcohol and Drug Policy

The Alcohol and Drug Policy gives JMM the right to conduct searches and tests of alcohol and drugs abuse on any employee.

Stop Work Policy

The Stop Work Policy empowers each employee to have the right to stop work if deemed necessary for the preservation of Health and Safety of themselves and their fellow colleagues, damage to property and protecting the environment from any pollution.

Safety Milestones

JMM recognises safety as an ongoing journey and aims to continuously improve its safety performance to further strengthen its position as a preferred service provider with a strong safety track record. In FY2017, 1,303,702 man hours were worked on JMM's 21 vessels and JMM achieved the following safety milestones:

- JMM recorded zero (0) Lost Time Injuries ("LTI") and maintained its record of zero (0) LTI for the past three (3) years.

JMM encourages its crew and supervisors to always be vigilant and report potential safety threats to promote continuous improvement. Monthly monitoring reports were compiled for Senior Management for analysis and monitoring of the implementation of safety, health and environment and continuous improvement efforts in JMM.

Local Communities

JMM strives to give back to the community. In 2017, JMM made monetary donations to the community and local clubs to fulfil the needs of local communities.

Besides monetary donations, JMM donated life jackets to Non-Governmental Organisation ("NGO") for flood preparation. JMM also provided life jackets to its employees and nearby local communities located close to its offices as they are highly vulnerable to floods.

In addition to donations, JMM is also a firm believer in conducting knowledge sharing sessions as a means to engage with the local communities. As an example, in November 2017, students from University Malaysia Terengganu majoring in Human Resources visited JMM. The purpose of the visit was to conduct a knowledge sharing session related to the importance of Human Resources to an organisation.

In addition, Pusat Pengajian Informatik dan Matematik Gunaan ("PPIMG") conducted an Industrial Roadshow in JMM to assess the needs and requirements of the maritime industry. This activity provided opportunity for industry research collaboration between JMM and PPIMG researchers.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("CA") to prepare the financial statements for each financial year which has been made out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the requirements of the CA and Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA and Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The Directors have the overall responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Securities:-

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

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

	Notes	Proposed RM'000	Utilised RM'000	Variance RM'000	Timeframe from Completion Date
Distribution to shareholders	a.	70,153	70,153	-	Within 6 months
Investments	b.	200,000	-	200,000	Within 24 months
Working capital	c.	111,847	83,391	28,456	Within 24 months
Transaction cost	d.	8,000	6,300	1,700	Within 6 months
		390,000	159,844	230,156	

Note a. Distribution to shareholders

The proposed distribution to shareholders has been fully implemented on 23 August 2017 with the payment of the 2017 Special Dividend of 10 sen per share.

Note b. Investments

As at 31 December 2017, the Company has not utilised any amount that has been set aside for investments.

As stated in Note 1(b) to the audited financial statements, the Group plans to expand the operation of the Marine Logistics – Downstream Division by acquiring used and new tanker vessels.

Note c. Working capital

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

Note d. Transaction cost

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

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees paid or payable to the external auditors, Messrs. KPMG PLT, for services rendered to the Group and the Company for the financial year ended 31 December 2017 amounted to RM192,000 and RM50,000 respectively.

The non-audit fees paid or payable to the external auditors, Messrs. KPMG PLT, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2017 amounted to RM88,000 and RM88,000 respectively.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests during the financial year ended 31 December 2017.

4. REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have a revaluation policy on landed properties.

5. RECURRENT RELATED PARTY TRANSACTIONS

There were no material recurrent related party transactions of a revenue nature entered into during the financial year ended 31 December 2017.

FINANCIAL CONTENTS

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	152,429	86,354
Non-controlling interests	(101,244)	-
	51,185	86,354

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 12 of the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

In respect of the financial year ended 31 December 2017:

i. A special dividend of 10 sen per ordinary share totalling RM70,153,356 declared on 21 June 2017 and paid on 23 August 2017; and

ii. An interim dividend of 5 sen per ordinary share totaling RM35,076,678 declared on 21 June 2017. Total of RM27,926,220 was paid on 23 August 2017 and the remaining RM7,150,458 was converted into shares pursuant to a Dividend Reinvestment Plan.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Mohd Azlan Hashim
Tan Sri Datuk Seri Razman M Hashim
Dato' Harun bin Md Idris
Dato' Haji Razali bin Mohd Yusof
Tai Keat Chai
Nik Abdul Malik bin Nik Mohd Amin
Shariffuddin bin Khalid (appointed on 1 December 2017)
Dato' Abdul Hamid bin Sh. Mohamed (resigned on 31 December 2017)

DIRECTORS OF THE COMPANY (CONT'D)

The Directors who held office in the subsidiaries of the Company as disclosed in Note 4 during the financial year and up to the date of this report are:

Subsidiaries	AQL	Jasa Merin	JMG1	JMG2	JMG3	JMG4	JML	JMEV	RCSB	SILK	MTSB
Dato' Mohd Azlan Hashim										√ (iv)	
Tan Sri Datuk Seri Razman M Hashim										√ (iv)	
Dato' Harun bin Md Idris									√ (ii)		
Tai Keat Chai										√ (iv)	
Nik Abdul Malik bin Nik Mohd Amin										√ (iv)	
Haji Abdul Rahman bin Ali	√	√	√	√	√	√	√	√			
Mohd Noor Ismardi bin Idris	√		√	√	√	√	√				√ (iv)
Tuan Kamal Rul Altta bin Tuan Abd Aziz Mohamad			√	√	√	√	√				
Dato' Haji Wan Zakaria bin Haji Abd Rahman		√									
Dato' Haji Mohtar bin Nong		√									
Dato' Haji Adzlan bin Mohd Dagang		√									
Dato' Haji Osman bin Muda		√									
Dato' Wan Nawawi bin Haji Wan Ismail		√ (i)									
Safian bin Mohd Yunus								√			
Najidi Abdul Shukor									√		
Mohd Nizam bin Abd Wahab									√ (ii)		
Jamaludin Mohd Nor									√ (iii)		√ (iv)
Dato' Haji Din bin Adam										√ (iv)	

(i) Appointed on 30 January 2017
(ii) Appointed on 23 May 2017
(iii) Resigned on 24 May 2017
(iv) Resigned on 28 April 2017

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	Acquired	Sold	At 31.12.2017
Direct interest				
Dato' Mohd Azlan Hashim	19,622,467	-	-	19,622,467
Dato' Haji Razali bin Mohd Yusof	2,000,000	-	-	2,000,000
Nik Abdul Malik bin Nik Mohd Amin	2,400,000	-	-	2,400,000
Deemed interest				
Dato' Mohd Azlan Hashim	140,831,759	10,000,000	-	150,831,759
Dato' Haji Razali bin Mohd Yusof	30,000,000	-	-	30,000,000
Tai Keat Chai	1,000,000	-	-	1,000,000

By virtue of their interest in the shares of the Company, they are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Marine & General Berhad (formerly known as SILK Holdings Berhad) has an interest.

None of the other Directors holding office at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

On 21 June 2017, the shareholders of the Company approved a Dividend Reinvestment Plan ("DRP") that gives its shareholders the option to reinvest their cash dividend(s) declared by the Company in new shares. In conjunction with the 2017 Special and Interim dividend payments, the Company has, on 23 August 2017, issued 22,345,183 new shares at RM0.32 per share amounting to RM7,150,458 to the shareholders who opted to convert their dividends into shares.

Except for the above, there were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for each of the Directors and Officers of the Company was RM50 million per occurrence and in the aggregate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the disposal of subsidiary as disclosed in Note 23, and impairment loss on property, vessels and equipment for the Group and impairment losses on investment in subsidiaries and amount due from subsidiaries for the Company as disclosed in Note 21 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are as disclosed in Note 32 and Note 33 to the financial statements.

AUDITORS

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………..
Dato' Mohd Azlan Hashim
Director

…………………………………………………………..
Tan Sri Datuk Seri Razman M Hashim
Director

Kuala Lumpur,

Date: 20 April 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Marine & General Berhad (formerly known as SILK Holdings Berhad), which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern	
Refer to Note 1(b) – Basis of measurement and Note 33.1 Subsequent events : Proposed Debt Restructuring Scheme.	
The key audit matter	**How the matter was addressed in our audit**
We refer to Note 1(b) on Basis of measurement where the Directors highlighted the significant judgments in the preparation of the financial statements using the going concern basis. We identified this as a key audit matter because this is a pervasive matter in the preparation of the financial statements.	We performed the following audit procedures, among others: • We read and analysed the financials of the Group to evaluate the liquidity position of the Group; • We tested the loan covenants to determine any breach, on or before the financial year end; • We assessed whether there is any restriction imposed on the proceeds from the disposal of SILK Group; • We read the Proposal on Debt Restructuring Scheme submitted by Jasa Merin Group for the assistance to mediate by the CDRC of Bank Negara Malaysia; and • We read minutes and interviewed Directors to understand the future plans and actions to improve cash flow of the Group.

Key Audit Matters (cont'd)

<table>
<tr><td colspan="2">Impairment of vessels</td></tr>
<tr><td colspan="2">Refer to Note 2(d) - Significant accounting policy: Property, vessels and equipment and Note 3 - Property, vessels and equipment.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2017, the Group reported vessels together with dry docking expenditure with aggregate carrying amount of RM854 million (75% of total assets of the Group). The slump in the oil and gas pricing affecting the offshore activities and offshore support vessels, gave rise to a risk that the carrying amount of the Group's vessels and dry docking expenditure might exceed their recoverable amounts, and therefore the carrying amount had to be impaired.

The Group via external valuers estimated the recoverable amount for each cash generating unit ("CGU") (see Note 3 to the financial statements) based on fair value less cost of disposal relevant to each of the CGU. As a result, an impairment loss of RM250 million was recognised in the current financial year.

We have identified the aforesaid carrying value of the Group's vessels together with dry docking expenditure as a key audit matter because:
• of its significance to total assets in the consolidated financial statements; and
• the estimation of recoverable amount involved a significant degree of judgment and assumptions made by the Group such as estimated utilisation, disposal values, charter hire rates and discount rates applied to future cash flows.</td><td>We performed the following audit procedures, among others:

• We assessed the methodologies used by the external valuers to estimate the fair values less cost of disposal;

• We evaluated and challenged the key assumptions used to estimate the fair value less cost of disposal based on our knowledge of the offshore oil services industry;

• We evaluated the independent external valuer's competence and capabilities;

• We checked, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; and

• We also considered the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment assessment is most sensitive.</td></tr>
</table>

Key Audit Matters (cont'd)

Disposal of subsidiary	
Refer to Note 23 – Disposal of subsidiary	
The key audit matter	**How the matter was addressed in our audit**
On 28 April 2017, the Group had completed the Share Purchase Agreement with Permodalan Nasional Berhad ("PNB") in relation to the disposal of its entire interest in the Highway Division, which comprised Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. and its subsidiary, Manfaat Tetap Sdn. Bhd. ("SILK Group") We identified disposal of this subsidiary as key audit matter because it is a material transaction during the year, which resulted the Group reported a profit from discontinued operations, net of tax of RM385 million.	We performed the following audit procedures, among others: • We reviewed the Share Purchase Agreement and considered the terms and conditions on the disposal, including contingency clauses and its impact to the financial statements; • We performed audit procedures on the statement of financial position and statement of comprehensive income of SILK Group as at 28 April 2017; • We evaluated and challenged key assumptions used in the cash flows on traffic volume by evaluating the independent external valuer's competence, capabilities and objectivity, and assessed the historical accuracy of the traffic volume projections; • We checked the mathematical accuracy of the cash flows; • We considered the adequacy of the Group's disclosures about those assumptions used in the cash flows forecasts and its relation to the areas of the financial statements; • We recalculated the profit from discontinued operation, after considering all the net assets and liabilities of SILK Group on the date of disposal and the relevant consolidated adjustments; and • We also considered the adequacy of the Group's disclosures on the disposal of subsidiary.

Impairment of investments in subsidiaries - Company	
Refer to Note 1(d)(vi) - Use of estimates and judgements: Impairment of investments in subsidiaries and Note 4 - Investments in subsidiaries.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2017, the Company had investment in subsidiaries with aggregated carrying amount of RM29 million (11% of total assets of the Company) mainly in respect of investments in AQL Aman Sdn. Bhd. and Jasa Merin (Labuan) Plc. These two entities had incurred operating losses for the year ended 31 December 2017. This increased the risk that the carrying amount of the Company's investment in subsidiaries might exceed their recoverable amount. Based on the impairment assessment carried by the management, an impairment loss of RM81 million was recorded for the current year. We identified the carrying value of the Company's investment in subsidiaries as a key audit matter because: • of it significant to total assets in the Company's financial statements; and • it required us to exercise judgement in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the adequacy of management impairment loss provision.	We performed the following audit procedures, among others: • We re-assessed the Group's assessment on indicators of impairment in investment in subsidiaries; • We assessed management's determination of the impairment loss based on use of external valuers providing the fair value less cost of disposal in respect of the assets held by the said subsidiaries; and • In addition to the above, we: - Evaluated the independent external valuer's competence, capabilities and objectivity; - Checked, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; and - Considered the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment assessment is most sensitive.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2020 J
Chartered Accountant

Petaling Jaya

Date: 20 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, vessels and equipment	3	856,736	1,200,428	1,221	84
Investments in subsidiaries	4	-	-	28,678	269,650
Concession intangible assets	5	-	934,884	-	-
Goodwill on consolidation	6	-	13,236	-	-
Deferred tax assets	7	-	139,879	-	-
Total non-current assets		856,736	2,288,427	29,899	269,734
Inventories	8	1,076	1,206	-	-
Other investments	9	235,776	-	235,776	-
Trade and other receivables	10	32,427	60,332	2,512	9,554
Tax recoverable		-	63	-	26
Cash and cash equivalents	11	5,320	111,878	57	13
Total current assets		274,599	173,479	238,345	9,593
Total assets		1,131,335	2,461,906	268,244	279,327
Equity					
Share capital	12	270,003	175,383	270,003	175,383
Share premium	12	-	87,470	-	87,470
Reverse acquisition deficit	12	(92,791)	(92,791)	-	-
Capital reserve	12	-	-	36,297	36,297
Accumulated losses		(10,134)	(57,333)	(39,665)	(20,789)
Equity attributable to owners of the Company		167,078	112,729	266,635	278,361
Non-controlling interests		(68,132)	33,112	-	-
Total equity		98,946	145,841	266,635	278,361
Liabilities					
Deferred tax liabilities	7	-	36,296	-	-
Loans and borrowings	13	825,664	1,282,865	-	-
Ijarah rental payable	15	-	378,730	-	-
Provisions	16	-	65,088	-	-
Total non-current liabilities		825,664	1,762,979	-	-
Loans and borrowings	13	165,962	348,825	-	-
Trade and other payables	17	40,255	96,560	1,077	732
Ijarah rental payable	15	-	59,329	-	-
Provisions	16	-	48,102	-	-
Taxation		508	270	532	234
Total current liabilities		206,725	553,086	1,609	966
Total liabilities		1,032,389	2,316,065	1,609	966
Total equity and liabilities		1,131,335	2,461,906	268,244	279,327

The notes on pages 62 to 121 are an integral part of these financial statements.

	Note	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Revenue	18	152,076	168,586	7,412	7,374
Direct costs		(198,449)	(175,833)	-	-
Gross (loss)/profit		(46,373)	(7,247)	7,412	7,374
Other income		-	345	223,991	-
Administrative expenses		(15,604)	(14,249)	(4,031)	(1,175)
Other expenses		(251,054)	(34,795)	(146,690)	(33,042)
Results from operating activities		(313,031)	(55,946)	80,682	(26,843)
Finance income	19	7,405	755	8,319	149
Finance costs	20	(62,261)	(67,175)	-	-
Net finance (costs)/income		(54,856)	(66,420)	8,319	149
(Loss)/Profit before tax	21	(367,887)	(122,366)	89,001	(26,694)
Tax expense	22	33,602	27,524	(2,647)	(1,310)
(Loss)/Profit from continuing operations		(334,285)	(94,842)	86,354	(28,004)
Discontinued operations					
Profit/(Loss) from discontinued operations, net of tax	23	385,470	(8,164)	-	-
Profit/(Loss) net of tax, representing total comprehensive income/(expense) for the year		51,185	(103,006)	86,354	(28,004)
Profit/(Loss) and total comprehensive income/(expense) attributable to:					
Owners of the Company		152,429	(74,018)	86,354	(28,004)
Non-controlling interests		(101,244)	(28,988)	-	-
Profit/(Loss) and total comprehensive income/(expense) for the year		51,185	(103,006)	86,354	(28,004)
Earning/(Loss) per ordinary share (sen)					
- from continuing operations		(32.85)	(9.39)		
- from discontinued operations		54.33	(1.16)		
Basic	24	21.48	(10.55)		

The notes on pages 62 to 121 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Share capital RM'000	Share premium RM'000	Reverse acquisition deficit RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<---------- Attributable to equity holders of the Group			---------->			
		<---------------- Non-distributable		---------------->	Distributable			
At 1 January 2016		175,383	87,470	(92,791)	16,741	186,803	62,044	248,847
Changes in ownership interest in a subsidiary		-	-	-	(56)	(56)	56	-
Total comprehensive loss for the year		-	-	-	(74,018)	(74,018)	(28,988)	(103,006)
At 31 December 2016/1 January 2017		175,383	87,470	(92,791)	(57,333)	112,729	33,112	145,841
Adjustment for effects of Companies Act 2016	12.3	87,470	(87,470)	-	-	-	-	-
Total comprehensive income/(loss) for the year		-	-	-	152,429	152,429	(101,244)	51,185
Transaction with owners:								
Payment of dividends		-	-	-	(98,080)	(98,080)	-	(98,080)
Issue of shares pursuant to Dividend Reinvestment Plan		7,150	-	-	(7,150)	-	-	-
	25	7,150	-	-	(105,230)	(98,080)	-	(98,080)
At 31 December 2017		270,003	-	(92,791)	(10,134)	167,078	(68,132)	98,946
		Note 12	**Note 12**	**Note 12**				

Company	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	(Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
		<--------- Attributable to equity holders of the Company -------->				
		<----------------- Non-distributable --------------->			Distributable	
At 1 January 2016		175,383	87,470	36,297	7,215	306,365
Total comprehensive loss for the year		-	-	-	(28,004)	(28,004)
At 31 December 2016/ 1 January 2017		175,383	87,470	36,297	(20,789)	278,361
Adjustment for effects of Companies Act 2016	12.3	84,470	(87,470)	-	-	-
Total comprehensive income for the year		-	-	-	86,354	86,354
Transaction with owners:						
Payment of dividends		-	-	-	(98,080)	(98,080)
Issue of shares pursuant to Dividend Reinvestment Plan		7,150	-	-	(7,150)	-
	25	7,150	-	-	(105,230)	(98,080)
At 31 December 2017		270,003	-	36,297	(39,665)	266,635
		Note 12	**Note 12**	**Note 12**		

The notes on pages 62 to 121 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Collection of revenue	203,660	321,966	1,252	5,786
Collection of other income	8,311	4,723	6,574	217
Cash generated from operations	211,971	326,689	7,826	6,003
Payment of expenses	(165,493)	(95,069)	(9,733)	(1,135)
Net tax paid	(2,393)	(1,261)	(2,323)	(1,082)
Net cash generated from/(used in) operating activities	44,085	230,359	(4,230)	3,786
Cash flows from investing activities				
Proceeds from disposal of a subsidiary	352,212	-	390,000	-
Proceeds from sale of property, vessels and equipment	-	248	-	-
Purchase of property, vessels and equipment	(12,801)	(108,209)	(1,230)	-
Payment for highway development expenditure	(1,142)	(2,421)	-	-
Investment in subsidiaries	-	-	(122)	(100)
Advances to subsidiaries	-	-	(50,518)	(20,496)
Purchase of other investments	(235,776)	-	(235,776)	-
Decrease in pledged deposits	2,556	5,113	-	-
Net cash generated from/(used in) investing activities	105,049	(105,269)	102,354	(20,596)
Cash flows from financing activities				
Payment of dividends	(98,080)	-	(98,080)	-
Drawdown of borrowings	8,000	82,885	-	-
Repayment of borrowings	(40,213)	(74,237)	-	-
Payment of finance costs	(122,843)	(110,753)	-	-
Net cash used in financing activities	(253,136)	(102,105)	(98,080)	-

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net (decrease)/increase in cash and cash equivalents		(104,002)	22,985	44	(16,810)
Cash and cash equivalents at beginning of year		107,604	84,619	13	16,823
Cash and cash equivalents at end of year	*(i)*	3,602	107,604	57	13

(i) **Cash and cash equivalents**

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

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances		1,214	3,428	57	13
Deposits placed with licensed banks		4,106	108,450	-	-
	11	5,320	111,878	57	13
Less: Pledged deposits		(1,718)	(4,274)	-	-
		3,602	107,604	57	13

The notes on pages 62 to 121 are an integral part of these financial statements.

Marine & General Berhad (formerly known as SILK Holdings Berhad) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Level 23, Plaza VADS
No.1, Jalan Tun Mohd Fuad
Taman Tun Dr Ismail
60000 Kuala Lumpur

Registered office
Level 22, Axiata Tower
No.9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise those of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2017 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 20 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contract with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combination (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associate and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *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.*

The Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for IC Interpretation 22, amendments to MFRS 1, MFRS 4, and MFRS 140 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendments MFRS 11 and interpretation to IC interpretation 23 which is not applicable to the Group and the Company.

The Group and the Company is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Currently, the Group and the Company recognise revenue from contracts with customers based on existing policy as disclosed in Note 2(m). Upon adoption of MFRS 15, the Group and the Company will recognise the revenue from contracts with customers on the basis when a customer obtains control of the goods or services that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company plan to elect to use the cumulative effect transition approach for the adoption of MFRS 15.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised costs ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL") and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables ("L&R") and available for sale.

Based on an analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

Classification of financial assets

Based on the Directors' assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

Financial assets	2017 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
Group			
Trade and other receivables	32,427	L&R	AC
Other investments	235,776	FVTPL – Held for trading	FVTPL
Cash and cash equivalents	5,320	L&R	AC
Company			
Trade and other receivables	2,512	L&R	AC
Other investments	235,776	FVTPL – Held for trading	FVTPL
Cash and cash equivalents	57	L&R	AC

Consequently, for financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss. For financial assets to be measured at FVOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by MFRS 9.

In general, the Directors anticipate that the application of the expected credit loss model of MFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognise for these items.

The Group and the Company are currently assessing the financial impact of the new impairment model that may arise from the adoption of MFRS 9.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

(ii) MFRS 9, *Financial Instruments* (cont'd)

Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in fair value is presented in profit or loss.

The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities.

(iii) MFRS 16, *Leases*

MFRS 16 replaces existing leases guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether and Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives*, and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements, and on the assumption that the Group and the Company will continue on a going concern basis.

The Group incurred a loss from the continuing operations of approximately RM334 million for the year because of the continued deperessed market condition of the oil and gas support industry.

On 6 February 2018, Jasa Merin (Malaysia) Sdn. Bhd. ("Jasa Merin"), a subsidiary held through AQL Aman Sdn. Bhd. ("AQL"), received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for Jasa Merin's application for assistance to mediate between Jasa Merin and some of its subsidiaries with its financiers.

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

(i) Jasa Merin is required to submit a Proposal for Debt Restructuring Scheme ("Proposal") within 60 days from the date of the CDRC Approval Letter;

(ii) Jasa Merin's admission to CDRC is limited to 12 months or upon signing of a debt restructuring agreement, whichever is earlier; and

(iii) The Proposal must comply with the CDRC's restructuring principles.

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (cont'd)

At the date of this report, Jasa Merin has submitted the Proposal which is currently subject to negotiation with Lenders under the aegis of CDRC.

In consideration of the preparation of the financial statements on the going concern basis, the Director have considered the following:

(i) The expansion in the Marine Logistics - Downstream Division to improve cash flow of the operation;

(ii) The sufficiency of the highly liquid investment which will enable the Group to continue to service the loan obligation within the next 12 months and to invest into other more profitable ventures; and

(iii) The probability of a successful outcome of the Proposal.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(i) Forecast of future cash flows of tolled highway concessionaire

The Group prepared a projection of future cash flows of the tolled highway concessionaire. The information of the projected cash flows is used to measure the Sukuk Mudharabah at amortised cost using the effective interest method, provide for heavy repairs and assess the recognition of deferred tax assets. The key assumptions applied in the preparation of the forecast of future cash flows are:

- Traffic volume is expected to grow at an average rate of 5.7% from financial year 2018 until end of the concession period in the financial year 2037; and
- Inflation rate at 5%.

(ii) Effective interest rate of the Sukuk Mudharabah

The Group measures the Sukuk Mudharabah at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of the Sukuk Mudharabah and allocating the interest expense over the relevant period of the Sukuk Mudharabah.

The effective interest rate is the rate that exactly discounts the estimated future cash payments throughout the expected period of the Sukuk Mudharabah, or when appropriate, a shorter period to the net carrying amount of the Sukuk Mudharabah.

The future cash payments of Sukuk Mudharabah is dependent on the forecasted future cash flows prepared by the Group. In calculating the effective interest rate of the Sukuk Mudharabah, the Group estimated the future cash payments of the Sukuk Mudharabah based on the assumptions disclosed in Note 1(d)(i).

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (cont'd)

(iii) Amortisation of concession intangible assets

The cost of the concession intangible assets and government grants received is amortised over the concession period by applying the formula in Note 2(f)(i). The numerator and denominator of the formula include projected revenue and projected total revenue respectively for subsequent years to the end of the concession period and are based on the projected revenue as included in the Supplemental Agreement dated 1 August 2001 entered into between Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. and the Government of Malaysia. The carrying amount of the Company's concession assets at the reporting date is disclosed in Note 5.

(iv) Provision for heavy repairs

The Group has recognised a provision for heavy repairs based on independent pavement condition assessment that estimates the future requirements for pavement re-surfacing and management's estimate of the incidental costs. In determining the amount of the provision, assumptions applied are:

- Traffic volume is expected to grow at an average rate of 5.7% from financial year 2018 until end of the concession period in the financial year 2037; and
- Discount rate at 7.6%.

(v) Deferred tax

Deferred tax assets are recognised for unabsorbed capital allowances and unutilised tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is available. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

The recognition of deferred tax assets are dependent on the achievability of the Group's future cash flows.

(vi) Impairment of investments in subsidiaries

The Company assesses the impairment in subsidiaries when there is indicator of impairment.

Based on this assessment, the Company has evaluated the carrying amounts of investment in subsidiaries against their recoverable amounts and recorded an impairment charge to the carrying value of investment in subsidiaries of RM81,094,000 (2016: RM33,042,000) as disclosed in Note 4 and Note 21.

(vii) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Determining whether goodwill is impaired requires an estimation of the value in use and fair value less costs of disposal of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Fair value less costs of disposal is determined based on indicative values on a willing buyer willing seller basis, as provided by an independent valuer. The recoverable amounts of goodwill have been determined based on the higher of fair value less costs of disposal and value in use calculations, which resulted in no impairment loss during the year.

The carrying amount of goodwill and estimates used in the calculation are disclosed in Note 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements and have been applied consistently by Group entities from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The acquisition of AQL Aman Sdn. Bhd. ("AQL") was completed on 14 October 2009. Pursuant to Appendix B of MFRS 3 - Business Combinations, this acquisition was deemed a reverse acquisition arrangement. Due to the application of MFRS 3 rules relating to reverse acquisitions, AQL, the legal subsidiary, became the acquirer of the Group for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the financial statements of AQL, but under the name of the Company, the legal parent.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (refer to Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(v) Effective interest of the Sukuk Mudharabah

The Group measures the Sukuk Mudharabah at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of the Sukuk Mudharabah and allocating the interest expense over the relevant period of the Sukuk Mudharabah.

The effective interest rate is the rate that exactly discounts the estimated future cash payments throughout the expected period of the Sukuk Mudharabah, or when appropriate, a shorter period to the net carrying amount of the Sukuk Mudharabah.

The Group periodically re-estimate the future cash payment of the Sukuk Mudharabah to reflect future cash flows entitled to the Sukuk Holders (refer to Note 14(c)) which alters the effective interest rate of the Sukuk Mudharabah in accordance to MFRS 139, AG7.

(d) Property, vessels and equipment

(i) Recognition and measurement

Items of property, vessels and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, vessels and equipment have different useful lives, they are accounted for as separate items (major components) of property, vessels and equipment.

The gain or loss on disposal of an item of property, vessels and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, vessels and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, vessels and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, vessels and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, vessels and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, vessels and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, vessels and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Vessels	15 - 25 years
Vessels equipment	5 years
Dry docking expenditure	2.5 - 5 years
Motor vehicles	5 years
Boat	10 years
Renovation	12 years
Computer system, furniture, fittings and other equipment	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Concession intangible assets ("CIA")

The cost of CIA is determined by capitalising the fair value of the concession obligations.

The CIA are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (cont'd)

(i) Concession intangible assets ("CIA") (cont'd)

Upon commencement of tolling operations, at each reporting date, the CIA is amortised to profit or loss based on maximum toll revenue stipulated in the Supplemental Agreement of Privatisation of the Kajang Traffic Dispersal Ring Road between the Government of Malaysia and Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. dated 1 August 2001 which is the pre-dominant factor in determining the toll rate at each operating cycle.

The amortisation rate arrived based on this factor are as follows:

Cycle	Period	Amortisation rate per annum
Third Operating Period	2016 to 2020	3% to 4%
Fourth Operating Period	2020 to 2037	4% to 6%

(ii) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is determined using the first-in, first-out method. The cost comprises all direct and indirect costs.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Equity instruments (cont'd)

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to the statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group or the Company has no further payment obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for heavy repairs being the contractual obligations to maintain and restore the infrastructure to a specified standard of serviceability, is recognised and measured at the present value of the estimated expenditure required to settle the obligation at the reporting date. The unwinding of discount is expensed as incurred and recognised in profit or loss as a finance cost.

(m) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Toll revenue

Toll revenue is accounted for as and when toll is chargeable for the usage of the expressway.

Pursuant to the Concession Agreements, the Government of Malaysia reserves the right to restructure or to restrict the imposition of unit toll rate increases, and in such event, the Government shall compensate for any reduction in toll revenue, subject to negotiation and other considerations that the Government may deem fit. Toll compensation is recognised in profit or loss over the period in which the compensation relates to based on the arrangement as disclosed in Note 18 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue and other income (cont'd)

(ii) Vessel charter

Revenue from vessel charter is recognised on a time-apportionment basis using the straight-line method.

(iii) Interest income/profits from Syariah deposits

Interest income/profits from Syariah deposits are recognised on an accrual basis using the effective interest method.

(iv) License fee

License fee is recognised based on contract value upon transfer of all the rights to the licensees to enter and occupy the designated land area for permitted use for the entire duration of the concession period.

(v) Advertising income and highway access fee

Advertising income and highway access fee are recognised when services are rendered.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Management fee

Management fee is recognised when services are rendered.

(viii) Guarantee fee

Guarantee fee is recognised on an accrual basis.

(ix) Construction revenue

Construction revenue is recognised by reference to the stage of completion of the construction activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the construction cannot be estimated reliably, revenue is recognised to the extent of construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sales, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative period.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of event or change in circumstances that caused the transfers.

3. PROPERTY, VESSELS AND EQUIPMENT

Group	Buildings RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Dry docking expenditure RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Cost										
At 1 January 2016	940	1,438,459	105,662	4,505	24,539	1,516	4,075	1,629	3,514	1,584,839
Additions	-	72,784	8,981	-	8,015	-	966	293	2,804	93,843
Disposals	-	-	-	-	-	-	(756)	-	(1)	(757)
Reclassification	-	112,687	(114,643)	-	3,472	(1,516)	-	-	-	-
Transfer from assets held for sale	-	78,925	-	-	11,335	-	-	-	-	90,260
At 31 December 2016/ 1 January 2017	940	1,702,855	-	4,505	47,361	-	4,285	1,922	6,317	1,768,185
Additions	-	-	-	-	10,451	953	611	562	224	12,801
Disposal of subsidiary	-	-	-	-	-	-	(1,280)	(1,127)	(3,991)	(6,398)
At 31 December 2017	940	1,702,855	-	4,505	57,812	953	3,616	1,357	2,550	1,774,588

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Group	Buildings RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Dry docking expenditure RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Accumulated depreciation and impairment loss										
At 1 January 2016										
Accumulated depreciation	246	337,987	-	3,586	19,446	-	2,589	1,317	2,526	367,697
Accumulated impairment loss	-	11,823	-	-	-	-	-	-	-	11,823
	246	349,810	-	3,586	19,446	-	2,589	1,317	2,526	379,520
Charge for the year	19	96,589	-	699	6,708	-	655	118	729	105,517
Impairment loss	-	34,389	-	-	406	-	-	-	-	34,795
Disposals	-	-	-	-	-	-	(756)	-	(1)	(757)
Transfer from assets held for sale	-	37,401	-	-	11,281	-	-	-	-	48,682
At 31 December 2016/ 1 January 2017										
Accumulated depreciation	265	471,977	-	4,285	37,435	-	2,488	1,435	3,254	521,139
Accumulated impairment loss	-	46,212	-	-	406	-	-	-	-	46,618
	265	518,189	-	4,285	37,841	-	2,488	1,435	3,254	567,757
Charge for the year	19	95,874	-	220	4,979	-	241	31	121	101,485
Impairment loss	-	243,269	-	-	6,777	-	-	-	-	250,046
Disposal of subsidiary	-	-	-	-	-	-	-	(543)	(893)	(1,436)
At 31 December 2017										
Accumulated depreciation	284	567,851	-	4,505	42,414	-	2,729	923	2,482	621,188
Accumulated impairment loss	-	289,481	-	-	7,183	-	-	-	-	296,664
	284	857,332	-	4,505	49,597	-	2,729	923	2,482	917,852

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Group	Buildings RM'000	Vessels RM'000	Vessels under construction RM'000	Vessels equipment RM'000	Dry docking expenditure RM'000	Work-in-progress RM'000	Motor vehicles and boat RM'000	Renovations RM'000	Computer system, furniture, fittings and other equipment RM'000	Total RM'000
Carrying amount										
At 1 January 2016	694	1,088,649	105,662	919	5,093	1,516	1,486	312	988	1,205,319
At 31 December 2016/ 1 January 2017	675	1,184,666	-	220	9,520	-	1,797	487	3,063	1,200,428
At 31 December 2017	656	845,523	-	-	8,215	953	887	434	68	856,736

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

Company	Motor vehicles RM'000	Computer system, furniture, fitting and other equipment RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2016/31 December 2016/ 1 January 2017	153	-	-	153
Additions	611	57	562	1,230
At 31 December 2017	764	57	562	1,383
Accumulated depreciation				
At 1 January 2016	38	-	-	38
Charge for the year	31	-	-	31
At 31 December 2016/1 January 2017	69	-	-	69
Charge for the year	68	6	19	93
At 31 December 2017	137	6	19	162
Carrying amount				
At 1 January 2016	115	-	-	115
At 31 December 2016/1January 2017	84	-	-	84
At 31 December 2017	627	51	543	1,221

3.1 Impairment loss

In the financial year ended 31 December 2017, the prolonged decline in the global oil prices has resulted in a decrease in charter contracts for the Group vessels. Accordingly, the Company reviewed the recoverable amount of its vessels culminating in the recognition of impairment loss of RM250,046,000 (2016: RM34,795,000).

The recoverable amount of the vessels of RM863,419,000 (2016: RM1,143,120,000) was determined based on fair value less cost of disposal, which was determined based on the market comparable approach that reflects recent transaction prices for similar vessels, with similar age and specifications. In valuing the vessels, the appraisers had taken into consideration the prevailing market conditions and have made adjustments for differences such as 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.

Key assumptions applied by external valuer in measuring the fair value:

i. Valuation based on comparison to market value of the type of vessel fitted with the same fittings/equipment of similar nature or as closed in similarity of which recently transacted around the region.

ii. Full equipment, full valid class/trading certificates and in operational condition.

iii. Free of charter commitment and to be freely transferable.

The fair value measurement is classified within Level 3 of the fair value hierarchy.

3. PROPERTY, VESSELS AND EQUIPMENT (CONT'D)

3.2 The carrying amount of motor vehicles of the Group held under hire purchase at the reporting date was RM117,000 (2016: RM263,000).

3.3 Certain property, vessels and equipment of the Group are pledged as securities for borrowings as disclosed in Note 13.

3.4 The Group's property, vessels and equipment include borrowing costs from bank loans borrowed specifically for the purpose of the construction of the vessels. During the financial year, the borrowing costs capitalised as cost of property, vessels and equipment amounted to RM Nil (2016: RM1,543,000).

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At 1 January	302,692	302,692
Addition	122	-
Disposal	(160,000)	-
At 31 December	142,814	302,692
Less: Accumulated impairment loss		
At 1 January	33,042	-
Impairment loss charged to profit or loss	81,094	33,042
At 31 December	114,136	33,042
Carrying amount	28,678	269,650

Impairment review of investment in subsidiaries

In the financial year ended 31 December 2017, a subsidiary of the Company (an immediate holding company of offshore support vessel services subsidiaries), made a net loss and as at that date, the subsidiary had a deficit in shareholder fund.

Due to the presence of impairment indicator during the financial year arising from operation of this subsidiary, the Company has undertaken an impairment assessment on investment in the subsidiary.

The recoverable amount of the impaired subsidiary of RM Nil (2016: RM74,006,000) was determined based on the fair value less cost of disposal ("FVLCOD"). The Company used fair value of the vessels owned by indirect subsidiaries which were held through the impaired subsidiary to estimate the fair value of the cost of investment in the subsidiary.

The fair value of the vessels was based on valuation performed by an independent valuer using the market approach, including consideration of the recent market transaction of vessels of similar type and age. The fair value was based on key assumptions as disclosed in Note 3.1.

The valuation technique is therefore classified as Level 3 of the fair value hierarchy.

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/Country of incorporation	Effective ownership interest 2017 %	2016 %
Held by the Company:				
AQL Aman Sdn. Bhd. ("AQL")	Investment holding	Malaysia	100	100
Red Centennial Sdn. Bhd. ("RCSB")	Dormant	Malaysia	100	100
Jasamerin Energy Ventures Sdn. Bhd. ("JMEV")	Dormant	Malaysia	51	51
Jasa Merin (Labuan) Plc ("JML")	Marine logistics	Malaysia	100	100
Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK")*	Tolled highway concessionaire	Malaysia	-	100
Held through SILK:				
Manfaat Tetap Sdn. Bhd. ("MTSB")*	Special Purpose Vehicle to facilitate the issuance of Sukuk Mudharabah (Note 14)	Malaysia	-	100
Held through AQL:				
Jasa Merin (Malaysia) Sdn. Bhd. ("Jasa Merin")	Provision of offshore marine support services	Malaysia	70	70
Held through Jasa Merin:				
JM Global 1 (Labuan) Plc ("JMG1")	Provision of offshore marine support services	Malaysia	70	70
JM Global 2 (Labuan) Plc ("JMG2")	Provision of offshore marine support services	Malaysia	70	70
JM Global 3 (Labuan) Plc ("JMG3")	Provision of offshore marine support services	Malaysia	70	70
JM Global 4 (Labuan) Plc ("JMG4")	Provision of offshore marine support services	Malaysia	70	70

* During the current year, the Company has disposed of its investment in SILK and MTSB to Permodalan Nasional Berhad ("PNB") for a cash consideration of RM390 million as stated in Note 23.

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests ("NCI") are as follows:

2017	NCI percentage of ownership interest %	Carrying amount of NCI RM'000	Loss allocated to NCI RM'000
Material NCI			
Name of subsidiary			
Jasa Merin (Malaysia) Sdn. Bhd. and subsidiaries ("Jasa Merin Group")	30	(68,385)	(101,174)
Immaterial NCI			
Name of subsidiary			
Jasamerin Energy Ventures Sdn. Bhd. ("JMEV")	49	253	(70)
		(68,132)	(101,244)

Summarised financial information before intra-group elimination

	Jasa Merin Group RM'000	JMEV RM'000	Total RM'000
As at 31 December 2017			
Non-current assets	780,262	-	780,262
Current assets	34,361	525	34,886
Non-current liabilities	(787,375)	-	(787,375)
Current liabilities	(255,197)	(7)	(255,204)
Net (liabilities)/assets	(227,949)	518	(227,431)
Year ended 31 December 2017			
Revenue	107,747	-	107,747
Loss for the year	(337,247)	(142)	(337,389)
Cash flows from operating activities	39,435	(142)	39,293
Cash flows from investing activities	6,956	-	6,956
Cash flows from financing activities	(101,043)	-	(101,043)
Net decrease in cash and cash equivalents	(54,652)	(142)	(54,794)
Dividends paid to NCI	-	-	-

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests ("NCI") are as follows:

2016	NCI percentage of ownership interest %	Carrying amount of NCI RM'000	Loss allocated to NCI RM'000
Material NCI			
Name of subsidiary			
Jasa Merin (Malaysia) Sdn. Bhd. and subsidiaries ("Jasa Merin Group")	30	32,788	(28,914)
Immaterial NCI			
Name of subsidiary			
Jasamerin Energy Ventures Sdn. Bhd. ("JMEV")	49	324	(74)
		33,112	(28,988)

Summarised financial information before intra-group elimination

	Jasa Merin Group RM'000	JMEV RM'000	Total RM'000
As at 31 December 2016			
Non-current assets	1,118,957	-	1,118,957
Current assets	43,788	666	44,454
Non-current liabilities	(667,400)	-	(667,400)
Current liabilities	(386,052)	(6)	(386,058)
Net assets	109,293	660	109,953
Year ended 31 December 2016			
Revenue	144,748	-	144,748
Loss for the year	(96,380)	(151)	(96,531)
Cash flows from operating activities	23,171	(152)	23,019
Cash flows from investing activities	(5,096)	-	(5,096)
Cash flows from financing activities	(37,911)	-	(37,911)
Net decrease in cash and cash equivalents	(19,836)	(152)	(19,988)
Dividends paid to NCI	-	-	-

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Significant restrictions

Other than those disclosed elsewhere in the financial statements, the carrying amounts of assets to which significant restrictions apply are as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cash and cash equivalents	672	4,384

Restriction imposed by Sukuk Mudharabah Agreement

In the previous financial year, for SILK and MTSB, the Sukuk holders hold protective rights restricting SILK's and MTSB's ability to utilise its cash and bank balances. SILK maintained an operating account to capture proceeds from the toll operations and all other form of revenues and receivables of SILK to meet the payment of the operating and transaction costs budgeted for that period, which the budget will be submitted to the Facility Agent or Trustee every period.

The cash and bank balances of SILK and MTSB were subject to a distribution scheme (refer Note 14) as stipulated in Sukuk Mudharabah agreements.

Restriction imposed by bank covenants

The covenants of bank loans taken by Jasa Merin, a subsidiary of the Company, restrict the ability of the subsidiary to utilise its cash and bank balances of RM672,000 (2016: RM7,000) until settlement of the term loans.

5. CONCESSION INTANGIBLE ASSETS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At beginning of year	1,042,317	1,020,566
Additions	-	21,751
Disposal of subsidiary	(1,042,317)	-
At end of year	-	1,042,317
Accumulated amortisation		
At beginning of year	107,433	84,194
Additions	953	23,239
Disposal of subsidiary	(108,386)	-
At end of year	-	107,433
Net carrying amount	-	934,884

5. CONCESSION INTANGIBLE ASSETS (CONT'D)

On 8 October 1997, SILK signed a Concession Agreement with the Government of Malaysia pertaining to the privatisation of the Kajang Traffic Dispersal Ring Road (the "Expressway"). By virtue of the Concession Agreement, SILK was responsible for the construction of the Expressway which involves the upgrading and widening of existing roads, and the design and construction of a new alignment and thereafter its operation, including deriving toll revenue and maintenance, for 33 years. On 1 August 2001, SILK entered into a Supplemental Concession Agreement with the Government of Malaysia whereby the concession period was extended from 33 years to 36 years.

The Concession Agreement might be terminated by either the Government or SILK if either party fails to remedy its default within the period specified in the Concession Agreement.

The Government might terminate the Concession Agreement by expropriation of the Concession or SILK by giving notice not less than three months to that effect to SILK if it considers that such expropriation is in the national interest. On expiry of the concession period, SILK was to hand over the concession area to the Government in a well-maintained condition and make good any defects at SILK's own expenses within one year after the date of hand over.

Expressway development expenditure incurred in connection with the concession was classified as "Concession intangible assets" while the amortisation of concession intangible assets is included in the "Direct costs" line item in the statements of comprehensive income.

Concession intangible assets were amortised based on the following formula:

$$\left[\frac{\text{Current year actual traffic volume}}{\text{(Current year actual traffic volume + projected total traffic volume for the remaining concession period)}}\right] \times \text{(Opening net carrying amount of concession intangible assets + current year additions)}$$

The Group amortised the concession intangible assets based on maximum toll revenue stipulated in the Supplemental Agreement of Privatisation of the Kajang Traffic Dispersal Ring Road between the Government of Malaysia and Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd dated 1 August 2001 which was the pre-dominant factor in determining the toll rate at each operating cycle.

The amortisation rate arrived based on this factor were as follows:

Cycle	Period	Amortisation rate per annum
Third Operating Period	2016 to 2020	3% to 4%
Fourth Operating Period	2020 to 2037	4% to 6%

6. GOODWILL ON CONSOLIDATION

	Group	
	2017 RM'000	2016 RM'000
At beginning of year	13,236	13,883
Impairment of goodwill	-	(647)
Disposal of subsidiary	(13,236)	-
At end of year	-	13,236

For the purpose of impairment testing in the previous financial year, goodwill was allocated to the Group's operating division which represented the lowest level within the Group at which the goodwill was monitored for internal management purpose.

6. GOODWILL ON CONSOLIDATION (CONT'D)

The aggregate carrying amounts of goodwill allocated to each unit was as follows:

	Group	
	2017	2016
	RM'000	RM'000
Tolled highway concessionaire	-	13,236

Impairment review of goodwill

Tolled highway concessionaire

In the previous financial year, the recoverable amount of the tolled highway concessionaire was based on the fair value less cost of disposal, derived from the disposal consideration of the concessionaire as stated in Note 23. The valuation technique was therefore classified as Level 2 measurement of the fair value hierarchy.

Based on the above, the recoverable amount of the unit of RM372 million was determined to be significantly higher than its carrying value and therefore, no impairment loss was recognised.

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, vessels and equipment and concession intangible assets	-	(170,226)	-	(36,709)	-	(206,935)
Ijarah rental payable	-	59,351	-	-	-	59,351
Trade and other payables	-	3,521	-	-	-	3,521
Unutilised capital allowances	-	87,443	-	-	-	87,443
Unutilised tax losses	-	159,790	-	-	-	159,790
Other items	-	-	-	413	-	413
Net tax assets/(liabilities)	-	139,879	-	(36,296)	-	103,583

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Movement in temporary differences during the year

	At 1.1.2015 RM'000	Recognised in profit or loss RM'000	At 31.12.2015/ 1.1.2016 RM'000	Disposal of subsidiary RM'000	Recognised in profit or loss RM'000	At 31.12.2017 RM'000
Group						
Property, vessels and equipment and concession intangible assets	(328,959)	(6,805)	(335,764)	179,292	156,472	-
Ijarah rental payable	52,844	6,605	59,449	(59,449)	-	-
Trade and other payables	2,923	500	3,423	(3,423)	-	-
Unutilised capital allowances	145,712	27,050	172,762	(53,514)	(119,248)	-
Unutilised tax losses	203,100	200	203,300	(202,785)	(515)	-
Other items	647	(234)	413	-	(413)	-
Net tax assets/(liabilities)	76,267	27,316	103,583	(139,879)	36,296	-
		Note 22		**Note 23**	**Note 22**	

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2017 RM'000	2016 RM'000
Property, vessels and equipment	98,760	-
Tax losses carry-forwards	30,960	-
Other provisions	58,380	-
At 31 December	188,100	-
Tax at 24%	45,144	-

Deferred tax assets have not been recognised in respect of unutilised property, vessels and equipment amounting to RM98,760,000, tax loss carry-forwards amounting to RM30,960,000 and other provisions amounting to RM58,380,000 because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

8. INVENTORIES

	Group 2017 RM'000	2016 RM'000
Spare parts for vessels	1,076	1,206

9. OTHER INVESTMENTS

	2017 RM'000
Group and Company	
Financial assets at fair value through profit or loss	
- Held for trading	135,452
Deposits placed with licensed banks	100,324
	235,776

The financial assets at fair value through profit or loss represents investment in short term money market instruments.

10. TRADE AND OTHER RECEIVABLES

	Notes	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Toll compensation recoverable from Government of Malaysia		-	16,501	-	-
Charter hire income from national oil corporation		4,760	3,770	-	-
Charter hire income from multinational oil corporations		16,491	27,567	-	-
Other trade receivables		2,318	1,080	-	-
Less: Impairment loss		(1,008)	-	-	-
		22,561	48,918	-	-
Non-trade					
Amount due from subsidiaries	10.1	-	-	67,324	9,545
Less: Impairment loss		-	-	(65,595)	-
		-	-	1,729	9,545
Other receivables		1,623	-	643	-
Sundry receivables	10.2	5,251	6,865	-	-
Staff advances		110	115	-	-
Prepayments		2,559	3,846	27	5
Deposits		323	588	113	4
		9,866	11,414	2,512	9,554
		32,427	60,332	2,512	9,554

10.1 Amount due from subsidiaries

Amount due from subsidiaries represents advances, dividends, fees and interest receivable. The amount is unsecured and is repayable on demand.

10.2 Sundry receivables

Sundry receivables comprise mainly non-trade receivables from charterers.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	1,214	3,428	57	13
Deposits placed with licensed banks	4,106	108,450	-	-
	5,320	111,878	57	13

Included in the deposits placed with licensed banks of the Group is RM Nil (2016: RM2,363,000) charged to performance bonds in favour of Lembaga Lebuhraya Malaysia.

Deposits placed with licensed banks of the Group amounting to RM1,718,000 (2016: RM1,911,000) are pledged as securities for banking facilities granted to the Group.

12. SHARE CAPITAL, SHARE PREMIUM, REVERSE ACQUISITION DEFICIT AND CAPITAL RESERVES

	2017		2016	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Group and Company				
Issued and fully paid ordinary shares				
At 1 January	175,383	701,534	175,383	701,534
Transition in accordance with Section 618(2) of the Companies Act 2016 (Note 12.3)				
- Share premium	87,470	-	-	-
Issued for Dividend Reinvestment Plan	7,150	22,345	-	-
At 31 December	270,003	723,879	175,383	701,534

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

12. SHARE CAPITAL, SHARE PREMIUM, REVERSE ACQUISITION DEFICIT AND CAPITAL RESERVES (CONT'D)

12.1 Issue of new ordinary shares

On 21 June 2017, the shareholders of the Company approved a Dividend Reinvestment Plan ("DRP") that gives its shareholders the option to reinvest their cash dividend(s) declared by the Company in new shares. In conjunction with the 2017 Special and Interim dividend payments, the Company has, on 23 August 2017, issued 22,345,183 new shares at RM0.32 per share amounting to RM7,150,000 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 year.

12.2 Share premium, reverse acquisition deficit and capital reserve

Share premium arose from the issuance of ordinary shares and conversion of loan stocks.

Reverse acquisition deficit arose from the reverse acquisition of the Company by AQL.

Capital reserve arose from capital reduction exercise in prior years.

12.3 Transition in accordance with Section 618(2) of the Companies Act 2016

Pursuant to Section 74 of the Companies Act 2016 ("the Act"), the Company's shares no longer have a par or nominal value with 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 share premium account and the capital redemption reserve becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise 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 year, the Company has not utilised any of the credit in the share premium account which is now part of share capital.

13. LOANS AND BORROWINGS

		Group	
	Note	2017 RM'000	2016 RM'000
Non-current			
Secured term loans	13.1	815,634	654,942
Hire purchase payables	13.2	30	97
Revolving credit	13.3	10,000	20,000
Sukuk Mudharabah	14	-	607,826
		825,664	1,282,865
Current			
Secured term loans	13.1	118,308	284,576
Hire purchase payables	13.2	78	101
Bank overdrafts		9,576	9,071
Revolving credit	13.3	38,000	20,000
Sukuk Mudharabah	14	-	35,077
		165,962	348,825
		991,626	1,631,690

13. LOANS AND BORROWINGS (CONT'D)

13.1 Secured term loans

The term loans of the Group are secured by the followings:

(a) debentures created over fixed and floating assets of subsidiaries;
(b) first legal/mortgage charge over the vessels;
(c) an irrevocable joint and several guarantee by a director and a third party of AQL;
(d) assignment of charter proceeds in respect of the vessels;
(e) assignment of all benefit, interest, rights and property over or in respect of the vessels under construction contracts;
(f) assignment of insurance policy for all vessels in favour of the banks; and
(g) corporate guarantees from the immediate and ultimate holding company of the subsidiaries.

13.2 Hire purchase payables

Hire purchase liabilities are payable as follows:

	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Less than one year	82	4	78	126	25	101
Between one and five years	31	1	30	105	8	97
	113	5	108	231	33	198

13.3 Revolving credit

The revolving credits of the Group are secured by the following:

(a) shares in subsidiaries held by Jasa Merin; and
(b) corporate guarantees of the Company.

13.4 Proposed Debt Restructuring Scheme

As stated in Note 33, on 6 February 2018, the Company announced that its operating subsidiary, Jasa Merin has received approval from the CDRC of Bank Negara Malaysia for its application for assistance to mediate between Jasa Merin and its subsidiaries with its financiers.

This admission to CDRC is consistent with the Company's strategy to streamline its operation and optimise its financial resources to focus and proactively enhance both its upstream and downstream marine logistics business pursuant to the disposal of its entire investment in SILK.

13. LOANS AND BORROWINGS (CONT'D)

13.5 Reconciliation of movement of loans and borrowings to cash flow from financing activity

	At 1.1.2017 RM'000	Net changes from financing cash flow RM'000	Disposal of subsidiary RM'000	Finance cost RM'000	At 31.12.2017 RM'000
Secured term loans	939,518	(64,821)	-	59,245	933,942
Hire purchase payables	198	(95)	-	5	108
Bank overdrafts	9,071	505	-	-	9,576
Revolving credit	40,000	4,989	-	3,011	48,000
Sukuk Mudharabah	642,903	(95,634)	(607,851)	60,582	-
	1,631,690	(155,056)	(607,851)	122,843	991,626

14. SUKUK MUDHARABAH

Sukuk Mudharabah of RM752 million was issued by MTSB on 25 January 2008, and is constituted by a Trust Deed dated 17 January 2008 and Supplemental Trust Deed dated 15 March 2011 entered into by MTSB, SILK and the Trustee for all the Sukuk holders.

The Sukuk Mudharabah, which was issued at par, had a tenure of up to twenty-one (21) years and four (4) months from the date of issuance.

The Sukuk Mudharabah was structured to be repaid progressively. It was:

(i) non-transferable;
(ii) not listed;
(iii) not underwritten;
(iv) not rated; and
(v) non-tradable.

(a) Capital repayment terms under Mudharabah contract

SILK should refund the capital to MTSB, subject to the availability of funds, based on the distribution scheme as follow:

	Pay to MTSB	Retained by SILK
1st to 7th distributions	10% of Excess Funds	90% Excess Funds, or RM3 million per annum whichever is lower
8th to 22nd distributions	94% of Excess Funds	6% of Excess Funds, or RM2 million per annum whichever is lower.

Excess Funds were defined as follows (on a 12-month period basis):

Total available cash flow
Less:
Taxes and any other payment/fees to the authorities
Operating expenditure
Capital expenditure
Minimum Ijarah Rental A
Periodic Ijarah Rental B
Any accrued Minimum Ijarah Rental A and accrued Periodic Ijarah Rental B

14. SUKUK MUDHARABAH (CONT'D)

(a) Capital repayment terms under Mudharabah contract (cont'd)

The Issuer (MTSB) should subsequently refund the capital, subject to the availability of funds at the ratio of 1:99 for Issuer: Investor, provided at the outset of the venture in full to the Investors (Sukuk holders). Further, a minimum RM2.0 million per annum should be paid annually commencing from 3rd anniversary from the date of issuance (to be known as "Periodic Ijarah Rental B").

The Periodic Ijarah Rental B was:

(i) for the amount of RM2 million per annum;
(ii) payable annually in arrears;
(iii) payable commencing 3rd year from the issue date;
(iv) RM38 million for the whole period of the Ijarah;
(v) not constitute an event of default for any non-payment of Periodic Ijarah Rental B from the issue date until the 7th anniversary and continue to accrue notwithstanding the same; and
(vi) constitute a default under the Ijarah Agreement for any non-payment of accrued and current Periodic Ijarah Rental B from the 8th anniversary from the issue date.

(b) Profit payment was by way of Periodic Ijarah ("lease") Rental A as follows:

The Periodic Ijarah Rental A was:

(i) the amount calculated at 8.0% per annum on the outstanding Sukuk Mudharabah;
(ii) payable commencing the 1st year from the issue date;
(iii) payable semi-annually in arrears;
(iv) up to RM1.49 billion for the period of the Ijarah;
(v) subject to payment of minimum rental of 3.5% per annum calculated on the outstanding Sukuk Mudharabah {"Minimum Ijarah Rental A"} that is payable commencing the 1st anniversary from the issue date;
(vi) not constitute an event of default for non-payment of Minimum Ijarah Rental A from the issue date until the 7th anniversary and continue to accrue notwithstanding the same;
(vii) not constitute an event of default for non-payment of Periodic Ijarah Rental A throughout the Sukuk tenure; and
(viii) constitute a default under the Ijarah Agreement for any non-payment of accrued and current Minimum Ijarah Rental A from the 8th anniversary from the issue date.

(c) Profit Payment C and Profit Payment D

The Excess Funds of the Sukuk Mudharabah should be distributed based on the distribution scheme as per Note 14(a).

Sums exceeding the amount payable to the MTSB should be payable to the Sukuk Investors and should form part of Profit Payment C and Profit Payment D that should be distributed between the Issuer and the Investors pursuant to the distribution scheme as follows:

	1st to 7th distributions	8th to 22nd distributions
Percentage of Issuer's portion of the Excess Funds ("Profit Payment C")	49.5%	59.4%
Percentage of Issuer's portion of the Excess Funds ("Profit Payment D")	49.5%	39.6%

The credit balance of the Profit Payment Account in respect of the Expected Profit Payment C received by the Issuer should be applied in the following order of priority:

(i) any accrued Periodic Ijarah Rental A;
(ii) current year shortfall of Periodic Ijarah Rental A;
(iii) any balance thereof as additional profit for distribution of the Investors.

14. SUKUK MUDHARABAH (CONT'D)

(c) Profit Payment C and Profit Payment D (cont'd)

The credit balance of the Profit Payment Account in respect of the Expected Profit Payment D should be utilised as the Mudharabah capital payments under the Sukuk Mudharabah transaction.

(d) Securities

The Sukuk Mudharabah was secured by:

(i) fixed and floating charge over all the assets and undertaking of SILK;
(ii) fixed and floating charge over all the assets and undertaking of MTSB; and
(iii) limited guarantee given by the Company.

Under the limited guarantee given by the Company:

(i) the total amount recoverable from the Company should not exceed the amount actually realised from the sale of its shares in SILK or the sale by SILK of the Ijarah Asset (the Concession);

(ii) if the Company fails to make payment of the outstanding amount under the Sukuk Mudharabah on demand, then the Company should transfer its shares in SILK to the Security Agent (Affin Hwang Investment Bank Berhad) in full settlement of its obligations under the limited guarantee; and

(iii) if upon a sale thereafter by the Security Agent of the shares in SILK, the proceeds of sale should exceed the outstanding amount under the Sukuk Mudharabah, the Security Agent should refund to the Company an amount equivalent to such excess.

(e) Prepayment option of Sukuk Mudharabah

Prepayment was only allowed vide Expected Profit Payment D and/or refinancing through Islamic financing facility (be it financing facility or Islamic securities) by the Investors ("Sukuk holders"). The refinancing by the Investors should be led by Affin Hwang Investment Bank Berhad.

Should the Group intend to refinance the Sukuk Mudharabah, a special resolution needs to be passed at the meeting of the Sukuk holders (duly convened and held in accordance with the provisions contained in the Trust Deed signed on 17 January 2008), which should be carried by 2 or more Sukuk Holders, holding in aggregate not less than 2/3 of the Sukuk Mudharabah remaining outstanding.

15. IJARAH RENTAL PAYABLE

	Group	
	2017	**2016**
	RM'000	**RM'000**
Non-current		
Accrued Ijarah Rental A	-	131,435
Additional financial cost pursuant to MFRS 139	-	247,295
	-	378,730
Current		
Accrued Ijarah Rental A	-	59,329
	-	438,059

Ijarah rental payable to Sukuk Mudharabah holders represented the balance due after payment of 3.5% Minimum Ijarah Rental A as disclosed in Note 14(b)(v) and was calculated on the effective yield basis by applying the effective interest rate of 7.49% (2016: 7.49%) per annum.

16. PROVISIONS

Group	Heavy repairs RM'000	Lane widening RM'000	Total RM'000
2017			
At 1 January	7,632	105,558	113,190
Additional provision during the year	1,426	-	1,426
Unwinding of discount	657	2,601	3,258
Utilised during the year	(3,606)	(1,142)	(4,748)
Disposal of subsidiary	(6,109)	(107,017)	(113,126)
At 31 December	-	-	-
2016			
At 1 January	4,891	78,734	83,625
Additional provision during the year	4,262	21,751	26,013
Unwinding of discount	1,282	7,582	8,864
Utilised during the year	(2,803)	(2,509)	(5,312)
At 31 December	7,632	105,558	113,190
Analysed as:			
2017			
Current	-	-	-
Non-current	-	-	-
	-	-	-
2016			
Current	4,988	43,114	48,102
Non-current	2,644	62,444	65,088
	7,632	105,558	113,190

Heavy repairs

Provision for heavy repairs was related to the estimated costs of the contractual obligations to maintain and restore the highway infrastructure to a specified standard of serviceability.

Lane widening

Provision for lane widening was related to the estimated costs of the contractual obligations to upgrade the highway infrastructure as specified in the Concession Agreement. The Group had provided for lane widening costs during the period pursuant to its contractual obligation to begin the second phase of upgrading the highway infrastructure. The provision was made based on current costs of completion of the first phase highway infrastructure upgrading works and was capitalised into CIA.

17. TRADE AND OTHER PAYABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade payables		31,357	62,543	-	-
Non-trade					
Advance license and access fees	17.1	-	17,833	-	-
Accruals		3,572	8,538	1,077	445
Sundry payables		3,009	3,865	-	-
Deposits received		497	81	-	-
Amount due to a shareholder	17.2	1,820	3,700	-	-
Amount due to subsidiaries	17.2	-	-	-	287
		8,898	34,017	1,077	732
		40,255	96,560	1,077	732

17.1 Advance license and access fees

Advance license fees were related to fees charged for the transfer of all the rights to the licensees to enter and occupy the designated land area for permitted use for the entire duration of the concession period, subject to the terms and conditions specified in the license agreement ("Agreement"). The license fees, after setting off against its associated costs, would be recognised in profit or loss over the remaining concession period upon completion of the relevant terms in the Agreement.

17.2 Amount due to a shareholder and subsidiaries

Amount due to a shareholder and subsidiaries are unsecured, interest-free and are repayable on demand.

18. REVENUE

	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Vessel charter services	152,076	168,586	-	-
Management and guarantee fees from subsidiaries	-	-	6,362	6,331
Dividend income from subsidiaries	-	-	1,050	1,043
	152,076	168,586	7,412	7,374

19. FINANCE INCOME

	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Financial assets at fair value through profit or loss	816	-	816	-
Other finance income recognised in profit or loss	6,589	755	7,503	149
	7,405	755	8,319	149

20. FINANCE COSTS

	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Finance costs on:				
Term loan	59,245	65,565	-	-
Revolving credits	3,011	2,363	-	-
Hire purchase payables	5	15	-	-
Other finance costs	-	775	-	-
	62,261	68,718	-	-
Less: Finance costs capitalised in property, vessels and equipment	-	(1,543)	-	-
Total finance costs	62,261	67,175	-	-

21. (LOSS)/PROFIT BEFORE TAX

	Note	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
KPMG PLT		192	153	50	44
- Non-audit fees					
KPMG PLT		88	7	88	7
Local affiliates of KPMG PLT		-	79	-	-
Impairment loss on subsidiaries		-	-	81,094	33,042
Impairment loss on property, vessels and equipment	3	250,046	34,795	-	-
Impairment of trade and other receivables		1,008	-	65,595	-
Depreciation of property, vessels and equipment	3	101,485	104,503	93	31

21. (LOSS)/PROFIT BEFORE TAX (CONT'D)

	Note	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Employee benefits expense	21.1	36,038	32,593	2,722	407
Non-executive directors' remuneration	21.2	684	423	423	423
Rental of office and warehouse		388	256	61	-
Net foreign exchange (gain)/loss		(44)	734	-	-
and after crediting:					
Gain on disposal of subsidiaries		-	-	(223,991)	-
Dividend income from unquoted shares		-	-	(1,050)	(1,043)

21.1 Employee benefits expenses

	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Wages and salaries	27,952	27,695	2,417	360
Defined contribution plan	2,533	2,512	198	43
Social security contributions	208	205	4	-
Other staff related expenses	5,345	2,181	103	4
	36,038	32,593	2,722	407

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,425,000 (2016: RM284,000) and RM1,144,000 (2016: RM284,000) respectively.

21.2 Directors' remuneration

	Group 2017 RM'000	Group 2016 RM'000 Re-presented	Company 2017 RM'000	Company 2016 RM'000
Executive directors:				
- salaries	1,711	254	673	254
- bonus	389	-	324	-
- fees	10	-	-	-
- defined contribution plan	244	30	120	30
- allowances and other emoluments	30	-	-	-
- benefits-in-kind	41	-	27	-
Total executive directors' remuneration	2,425	284	1,144	284
Non-executive directors:				
- fees	411	341	352	341
- other emoluments	237	82	71	82
- benefits-in-kind	36	-	-	-
Total non-executive directors' remuneration	684	423	423	423
Total directors' remuneration including benefits-in-kind	3,109	707	1,567	707

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
		Re-presented		
Current tax expense				
Malaysian				
- current year	2,600	1,412	2,553	1,310
- prior year	94	-	94	-
	2,694	1,412	2,647	1,310
Deferred tax expense				
- origination and reversal of temporary differences	(38,035)	(23,871)	-	-
- over provision in prior years	1,739	(5,065)	-	-
	(36,296)	(28,936)	-	-
Total income tax expense	(33,602)	(27,524)	2,647	1,310
Reconciliation of tax expense				
(Loss)/Profit before tax	(367,887)	(122,366)	89,001	(26,694)
Income tax using Malaysian tax rate of 24%	(88,293)	(29,367)	21,360	(6,406)
Different tax rate in Labuan	6,743	6,084	-	-
Non-deductible expenses, income tax in prior years	971	824	(18,807)	7,716
Under/(over) provision of deferred income tax in prior years	1,739	(5,065)	-	-
Deferred tax assets not recognised during the year	45,144	-	-	-
Under provision of current income tax expense in prior year	94	-	94	-
	(33,602)	(27,524)	2,647	1,310

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Company being Malaysian tax residents incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of profit before tax, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

23. DISPOSAL OF SUBSIDIARY

On 28 April 2017, the Company had completed the Share Purchase Agreement with Permodalan Nasional Berhad ("PNB") in relation to the disposal of its entire interest in the Highway Division, which comprised SILK and its subsidiary, MTSB.

The segment was not a discontinued operations 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 operations separately from continuing operations.

23. DISPOSAL OF SUBSIDIARY (CONT'D)

Profit/(Loss) attributable to the discontinued operations was as follows:

	2017 RM'000	2016 RM'000
Revenue	43,758	134,838
Expenses	(40,287)	(143,002)
Results from operating activities	3,471	(8,164)
Tax expenses	-	-
Results from operating activities, net of tax	3,471	(8,164)
Gain on sale of discontinued operations	381,999	-
Profit/(Loss) for the year	385,470	(8,164)
Included in the results of the operating activities are:		
Depreciation of plant and equipment	48	1,014
Amortisation of concession intangible assets	953	22,857

The profit from discontinued operations of RM385,470,000 (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) 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

Profit and cash flows of the discontinued operations for the year ended 31 December 2017 were made up to 28 April 2017 being the completion date of the disposal.

Effect of disposal on the financial position of the Group

	2017 RM'000
Plant and equipment	4,962
Concession intangible assets	933,931
Deferred tax assets	139,879
Trade and other receivables	18,829
Cash and cash equivalents	37,788
Goodwill	13,236
Trade and other payables	(22,117)
Borrowings	(1,011,389)
Provisions	(113,126)
Net assets and liabilities	1,993
Gain on sale of discontinued operations	381,999
Transaction cost	6,008
Consideration received, satisfied in cash	390,000
Cash and cash equivalents disposed off	(37,788)
Net cash inflow	352,212

24. EARNING/(LOSS) PER ORDINARY SHARE

Basic earning/(loss) per ordinary share

The calculation of basic earning/(loss) per ordinary share at 31 December 2017 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding is calculated as follows:

	Continuing operations	Discontinued operations	Total
At 31 December 2017			
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)	(233,041)	385,470	152,429
Weighted average number of ordinary in share issue ('000)	709,492	709,492	709,492
Basic (loss)/earning per share (sen)	(32.85)	54.33	21.48
At 31 December 2016			
Loss net of tax attributable to owners of the parent (RM'000)	(65,854)	(8,164)	(74,018)
Weighted average number of ordinary in share issue ('000)	701,534	701,534	701,534
Basic loss per share (sen)	(9.39)	(1.16)	(10.55)

25. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Amount RM'000	Date of payment
2017			
Special 2017	10	70,154	23 August 2017
Interim 2017	5	35,076	23 August 2017
		105,230	

In relation to the Interim 2017 dividend, a total of RM27,926,220 of the dividend were paid in cash while the balance of RM7,150,458 were settled by the issue of 22,345,183 new ordinary shares at RM0.32 sen per share to the shareholders who opted to convert their dividends into shares pursuant to a Dividend Reinvestment Plan as stated in Note 12.1.

26. CONTINGENT LIABILITIES

The Directors are of the opinion that provision is not required in respect of this matter, as it is not probable that a future outflow of economic benefits will be required.

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contingent liability not considered remote					
Litigation (unsecured)	26.1	17,800	17,800	17,800	17,800
Corporate guarantees	26.2	-	-	659,265	661,608
		17,800	17,800	677,065	679,408

26. CONTINGENT LIABILITIES (CONT'D)

26.1 Litigation (unsecured)

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.

26.2 Corporate guarantees

The Company provided corporate guarantees on the secured term loans and revolving credit of its subsidiaries as per Note 13.1(g) and 13.3(b). Any loss arising from the guarantee is dependent on the successful implementation of the Proposal as stated in Note 1(b).

27. OPERATING SEGMENTS

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 in SILK to PNB ("Transaction"). The Transaction was completed on 28 April 2017. Results and the cash flows of SILK have been classified as those of the Discontinued Operations, and are disclosed in Note 23.

Following the completion of the Transaction, the Group's remaining business activities are primarily the provision of vessel charter services serving the upstream oil and gas industry via the offshore support vessel services subsidiaries, Jasa Merin and its subsidiaries, and the downstream oil and gas sector via the chemical vessel subsidiary, JML.

The Group has re-aligned its business segment based on the services provided – the Marine Logistics Services, and the customer groups' activities – the Upstream and Downstream activities. 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.

Performance is measured based on segment profit after tax as included in the management reports that are reviewed by the Chief Operating Decision Maker ("CODM") (i.e the Executive Vice Chairman of Jasa Merin for the Offshore Marine Support Services). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total liabilities is used to measure the gearing of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, vessels and equipment and intangible assets other than goodwill.

27. OPERATING SEGMENTS (CONT'D)

	Marine Logistics – Upstream		Marine Logistics – Downstream		Highway Division (Discontinued)		Investment Holding and Others		Adjustments and elimination		Per consolidated financial statements	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue:												
External customers	107,747	144,748	44,329	23,838	43,670	134,838	-	-	(43,670)	(134,838)	152,076	168,586
Inter-segment	-	-	-	-	-	-	7,412	7,374	(7,412)	(7,374)	-	-
Total revenue	107,747	144,748	44,329	23,838	43,670	134,838	7,412	7,374	(51,082)	(142,212)	152,076	168,586
Segment (loss)/profit	(338,160)	(97,126)	(5,957)	(30,765)	(4,005)	(8,409)	151,793	-	247,514	33,294	51,185	(103,006)
Included in the measure of segment (loss)/profit are:												
Interest income	167	578	3	-	1,154	-	8,337	177	(2,256)	-	7,405	755
Impairment of property, vessels and equipment	(250,046)	(34,795)	-	-	-	-	-	-	-	-	(250,046)	(34,795)
Depreciation and amortisation	(95,900)	(101,836)	(5,444)	(2,667)	(349)	(23,239)	(93)	-	301	23,239	(101,485)	(104,503)
Finance costs	(65,796)	(70,297)	(5,494)	(3,979)	(30,007)	(88,172)	-	-	39,036	95,273	(62,261)	(67,175)
Income tax benefit/ (expense)	36,253	(28,840)	-	127	-	2,247	(2,651)	1,062	-	52,928	33,602	27,524
Segment assets	814,623	1,162,839	78,404	280,002	1,120,896	1,191,313	334,381	81,861	(1,216,969)	(254,109)	1,131,335	2,461,906
Included in the measure of segment assets are:												
Additions to non-current assets other than financial instruments and deferred tax assets	7,251	10,631	4,177	79,156	143	25,807	1,230	-	-	-	12,801	115,594
Segment liabilities	1,042,572	1,052,627	81,856	80,568	1,151,499	1,218,204	1,649	980	(1,245,187)	(36,314)	1,032,389	2,316,065

27. OPERATING SEGMENTS (CONT'D)

Note:
Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment transactions and balances are eliminated on consolidation;
(b) Other non-cash expenses; and
(c) Additions to non-current assets consist of:

	Note	Group 2017 RM'000	Group 2016 RM'000
Additions to non-current assets			
Property, vessels and equipment	3	12,801	93,843
Concession intangible assets	5	-	21,751
		12,801	115,594

Geographical information

Revenue from the tolled highway concessionaire segment and the offshore marine support services segments are attributable to customers in Malaysia.

All of the Group's non-current assets are located in Malaysia.

Major customers

During the financial year, the number of major customers of the Group with revenue equal or more than 10% of the Group's total revenue is three (3) (2016: two (2)) representing offshore marine support services segment and the total revenue contributed by these major customers are RM103,071,000 (2016: RM74,656,000).

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT");

(b) Loans and receivables ("L&R"); and
(c) Financial liabilities measured at amortised cost ("FL").

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

2017	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
Group			
Financial assets			
Trade and other receivables	29,868	29,868	-
Other investments	235,776	100,324	135,452
Cash and cash equivalents	5,320	5,320	-
	270,964	135,512	135,452
Financial liabilities			
Loans and borrowings	(991,626)	(991,626)	-
Trade and other payables	(40,255)	(40,255)	-
	(1,031,881)	(1,031,881)	-
2016			
Group			
Financial assets			
Trade and other receivables	56,486	56,486	-
Cash and cash equivalents	111,878	111,878	-
	168,364	168,364	-
Financial liabilities			
Loans and borrowings	(1,631,690)	(1,631,690)	-
Ijarah rental payable	(438,059)	(438,059)	-
Trade and other payables	(96,560)	(96,560)	-
	(2,166,309)	(2,166,309)	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

2017	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
Company			
Financial assets			
Trade and other receivables	2,485	2,485	-
Other investments	235,776	100,324	135,452
Cash and cash equivalents	57	57	-
	238,318	102,866	135,452
Financial liabilities			
Trade and other payables	(1,077)	(1,077)	-
2016			
Company			
Financial assets			
Trade and other receivables	9,549	9,549	-
Cash and cash equivalents	13	13	-
	9,562	9,562	-
Financial liabilities			
Trade and other payables	(732)	(732)	-

28.2 Net losses and gains arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000 Re-presented	2017 RM'000	2016 RM'000
Net (losses)/gains on:				
Fair value through profit or loss				
- Held for trading	816	-	816	-
Loans and receivables	5,625	(21)	(58,092)	149
Financial liabilities	(62,261)	(67,175)	-	-
	(55,820)	(67,196)	(57,276)	149

28.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables. The Company's exposure to credit risk arises principally from amount due from subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. The trade receivables mainly represent amount due from three (3) (2016: 3) of its major customers in the oil and gas industry and receivables from the Government of Malaysia amounting to RM12,845,000 (2016: RM12,461,000) and RM Nil (2016: RM16,501,000) respectively. The Directors closely monitor the Group's credit risk exposure to these customers.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting year was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	12,014	-	12,014
Past due 1 - 30 days	5,715	-	5,715
Past due 31 - 90 days	4,321	-	4,321
Past due more than 90 days	1,519	(1,008)	511
	23,569	(1,008)	22,561
2016			
Not past due	14,197	-	14,197
Past due 1 - 30 days	8,909	-	8,909
Past due 31 - 90 days	5,394	-	5,394
Past due more than 90 days	20,418	-	20,418
	48,918	-	48,918

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The receivables from related companies principally arise from dividends and fees receivable. The Company does not specifically monitor the recoverability of these amounts as balances are repayable on demand.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk represented by their carrying amounts in the statement of financial position.

Impairment losses

Impairment loss in respect of charter hire income from multinational oil corporations of the Group and amount due from subsidiaries of the Company was recognised during the financial year.

The movement in the allowance for impairment loss during the financial year were:

	2017	
	Group RM'000	**Company RM'000**
At 1 January	-	-
Impairment loss recognised	1,008	65,595
At 31 December	1,008	65,595

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM659,265,000 (2016: RM661,608,000) representing the outstanding banking facilities of the Group as at end of the reporting period which are guaranteed by the Company.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group and the Company are also exposed to counterparty credit risk from licensed financial institutions through placement of deposits and bank balances. Placements are only made with approved counterparties who met the appropriate rating and other relevant criteria.

Exposure to credit risk, credit quality and collateral

Most of these balances are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

28.5 Liquidity risk

Liquidity risk is the risk that the Group will not able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2017	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Secured term loans	933,942	4.9% - 7.7%	1,165,898	173,272	172,792	460,503	359,331
Hire purchase liabilities	108	2.30% - 2.90%	109	78	31	-	-
Revolving credit	48,000	6.15% - 7.40%	51,704	40,964	10,740	-	-
Bank overdrafts	9,576	7.9% - 8.1%	10,351	10,351	-	-	-
Trade and other payables	40,255		40,255	40,255	-	-	-
	1,031,881		1,268,317	264,920	183,563	460,503	359,331
Company							
Trade and other payables	1,077		1,077	1,077	-	-	-
Financial guarantees	-		659,265	659,265	-	-	-
	1,077		660,342	660,342	-	-	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (cont'd)

2016	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Secured term loans	939,518	4.90% - 7.70%	1,153,953	84,456	165,007	446,095	458,395
Sukuk Mudharabah and Ijarah rental payable	1,080,962	8% plus profit sharing as disclosed in Note 14	1,729,038	106,887	79,731	352,717	1,189,703
Hire purchase liabilities	198	2.30% - 2.90%	232	109	82	41	-
Revolving credit	40,000	5.95% - 7.20%	46,870	2,630	12,450	31,790	-
Bank overdrafts	9,071	7.60% - 8.10%	10,634	10,634	-	-	-
Trade and other payables	96,560		96,560	96,560	-	-	-
	2,166,309		3,037,287	301,276	257,270	830,643	1,648,098
Company							
Trade and other payables	732		732	732	-	-	-
Financial guarantees	-		661,608	661,608	-	-	-
	732		662,340	662,340	-	-	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and other prices that will affect the Group's financial position or cash flows.

28.6.1 Currency risk

The Group is exposed to foreign currency risk on purchases and bank balances that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollars ("SGD"), Euro ("EUR") and Japanese Yen ("YEN").

Risk management objectives, policies and processes for managing the risk

Exposure to foreign currency risk is monitored on an ongoing basis. The Group does not perform hedging on foreign currency transactions.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD	**SGD**	**EUR**	**YEN**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2017				
Trade and other receivables	1,105	-	-	47
Cash and cash equivalents	574	-	-	-
Trade and other payables	(2,393)	(140)	(10)	-
Net exposure in the statement of financial position	(714)	(140)	(10)	47
2016				
Trade and other receivables	3,420	-	-	-
Cash and cash equivalents	12	-	-	-
Trade and other payables	(1,735)	(658)	(393)	(339)
Net exposure in the statement of financial position	1,697	(658)	(393)	(339)

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates remained constant.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

27.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

	Profit or loss	
	2017	**2016**
	RM'000	**RM'000**
Group		
USD	(71)	170
SGD	(14)	(66)
EUR	(1)	(39)
YEN	5	(34)
	(81)	31

A 10% (2016: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

28.6.2 Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Management has an informal interest rate policy in place and management reviews interest rates exposure closely.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	239,882	108,450	235,776	-
Financial liabilities	(668,755)	(661,479)	-	-
	(428,873)	(553,029)	235,776	-
Floating rate instruments				
Financial liabilities	(322,871)	(970,211)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% (2016: 1%) in effective interest rates at the end of the reporting period would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity and profit or loss	
	1% Increase RM'000	**1% Decrease RM'000**
Group		
2017		
Floating rate instruments	(3,229)	3,229
2016		
Floating rate instruments	(9,702)	9,702

28.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of loans and borrowings, together with the carrying amounts shown in the statement of financial position, are as follows:

	Fair value of financial instruments not carried at fair value*				Carrying amount
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**
Group					
2017					
Financial liabilities					
Secured term loans	-	-	866,017	866,017	933,942
Hire purchase payables	-	-	105	105	108
Revolving credits	-	-	40,000	40,000	48,000
	-	-	906,122	906,122	982,050
2016					
Financial liabilities					
Secured term loans	-	-	970,282	970,282	939,518
Hire purchase payables	-	-	198	198	198
Revolving credits	-	-	19,759	19,759	20,000
Sukuk Mudharabah and ijarah rental payable	-	-	1,080,962	1,080,962	1,080,962
	-	-	2,071,201	2,071,201	2,040,678

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

	Fair value of financial instruments not carried at fair value*				Carrying amount
	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
2017					
Financial liabilities					
Corporate guarantees	-	-	329,633	329,633	-
2016					
Financial liabilities					
Corporate guarantees	-	-	330,804	330,804	-

* There are no financial instruments carried at fair value.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Fair value of Secured term loans, hire purchase payables, revolving credits and Sukuk Mudharabah and ijarah rental payable is estimated using unobservable inputs for the financial liabilities using discounted cash flow method.

Fair value of corporate guarantees is estimated based on 50% possibility of the guaranteed secured term loans outstanding (refer to Note 13) being defaulted by the subsidiaries.

29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

29. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group considers the net debt as loans and borrowings, trade and other payables, ijarah rental payable, less cash and cash equivalents.

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Loans and borrowings	13	991,626	1,631,690	-	-
Trade and other payables	17	40,255	96,560	1,077	732
Ijarah rental payable	15	-	438,059	-	-
Less: Cash and cash equivalent	11	(5,320)	(111,878)	(57)	(13)
Total net debt		1,026,561	2,054,431	1,020	719
Total equity attributable to the owners of the Company		167,078	112,729	267,148	278,361
Capital and net debt		1,193,639	2,167,160	268,168	279,080
Gearing ratio		86%	95%	n/a	n/a

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group.

Significant related party transactions

The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Shareholder				
Advances to a subsidiary	1,820	3,700	-	-
Subsidiaries				
Advances to a subsidiary	-	-	50,000	-
Dividend income	-	-	1,050	1,043
Management fees	-	-	420	420
Corporate guarantee fees	-	-	5,941	5,911
Payment on behalf by the Company	-	-	70	-
Acquisition of a subsidiary	-	-	-	(100)

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed between the companies.

The outstanding balances arising from the above transactions have been disclosed in Note 10 and Note 17 to the financial statements.

30. RELATED PARTIES (CONT'D)

Compensation of key management personnel

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000 Re-presented**	**RM'000**	**RM'000**
Salaries and bonus	3,443	1,639	1,564	254
Fees	10	10	-	-
Allowance and other emoluments	133	33	70	-
Defined contribution plan	408	187	196	30
Other benefits	49	17	36	-
	4,043	1,886	1,866	284

31. CAPITAL COMMITMENTS

Capital expenditure as at the reporting date is as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for:		
Property, vessels and equipment	-	1,926
Highway development expenditures	-	1,001
Approved but not contracted for:		
Property, vessels and equipment	135,650	26,224
Highway development expenditures	-	119,340

32. SIGNIFICANT EVENTS

On 18 January 2017, the Company entered into conditional Share Purchase Agreement ("SPA") with Permodalan Nasional Berhad ("PNB" or "the Purchaser") in relation to the proposed disposal of 100% equity interest in SILK ("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.

33. SUBSEQUENT EVENTS

33.1 Proposed Debt Restructuring Scheme

On 6 February 2018, the Company announced that its operating subsidiary, Jasa Merin has received approval from the CDRC of Bank Negara Malaysia for its application for assistance to mediate between Jasa Merin and its subsidiaries ("the Applicant Company") with its financiers ("Lenders").

This admission to CDRC is consistent with Group 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 the disposal of its entire investment in the SILK as disclosed in Note 32.

The approval from CDRC in its letter dated 5 February 2018 is subject to the conditions as stated in Note 1(b).

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 Jasa Merin to be better positioned in the upstream marine logistics segment and ensure its underlying viability going forward.

33.2 Incorporation of new subsidiaries

Subsequent to the financial year end, the Company incorporated three (3) wholly-owned subsidiaries in Labuan as follows:

i. M&G Tankers (L) Pte. Ltd. ("MGT") and M&G Ship Management (L) Pte. Ltd. ("MGSM") on 8 January 2018; and
ii. M&G Marine Logistics (L) Pte. Ltd. ("MGML") on 30 March 2018.

All the three (3) subsidiaries have a share capital of One Hundred United States Dollars (USD 100) each.

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

33.3 Subscription of shares in TKH Marine (L) Ltd

On 1 March 2018, the Company via its wholly-owned subsidiary JML has entered into a Subscription Agreement with TKH Marine (L) Ltd ("TKH Marine") and Teng Keng Han ("TKH") for JML to initially subscribe 277,000 shares representing a 50% equity interest in TKH Marine for a cash consideration of USD 277,000.

Subsequent to this initial subscription, JML and TKH shall each subscribe for such number of additional shares in TKH Marine as may be agreed between JML and TKH, to raise an additional USD 1.939 million.

JML has undertaken to subscribe for such number of shares in TKH Marine such that the shareholding proportion of JML in TKH Marine on the Completion Date shall not be less than 70%.

The funds raised from the two (2) subscription exercises will facilitate TKH Marine's acquisition of a product tanker, which will subsequently be added to JML's fleet of tankers and further enhance capacity and their ability to compete in the downstream marine logistics business.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 56 to 121 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Mohd Azlan Hashim
Director

....
Tan Sri Datuk Seri Razman M Hashim
Director

Kuala Lumpur,

Date: 20 April 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Mohd Nizam bin Abd Wahab**, the officer primarily responsible for the financial management of Marine & General Berhad (formerly known as SILK Holdings Berhad), do solemnly and sincerely declare that the financial statements set out on pages 56 to 121 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Nizam bin Abd Wahab, NRIC: 680510-10-6051, at Kuala Lumpur in the Federal Territory on 20 April 2018.

....
Mohd Nizam bin Abd Wahab

Before me:

SUBSTANTIAL SHAREHOLDERS
AS AT 10 APRIL 2018

		Ordinary Shares	
		No. of Shares	%
1.	Abdul Rahman bin Ali*	213,090,834	29.44%
2.	Dato' Mohd Azlan Hashim**	170,454,226	23.55%
3.	Johan Zainuddin bin Dzulkifli***	99,878,126	13.80%
4.	Bijak Permai Sdn Bhd	91,236,333	12.60%
5.	Infra Bumitek Sdn Bhd	59,555,426	8.23%

Notes

* Direct and deemed interest through Temuras Jaya Sdn Bhd

** Direct interest through RHB Capital Nominees (Tempatan) Sdn Bhd and deemed interests through Infra Bumitek Sdn Bhd and Bijak Permai Sdn Bhd

*** Direct and deemed interest through Infra Bumitek Sdn Bhd

DIRECTORS' INTERESTS IN SHARES

AS AT 10 APRIL 2018
(CONT'D)

		Ordinary Shares	
		No. of Shares	**%**
1.	Dato' Mohd Azlan Hashim - direct and deemed interest*	170,454,226	23.55%
2.	Dato' Haji Razali bin Mohd Yusof - direct and deemed interest**	32,000,000	4.42%
3.	Nik Abdul Malik bin Nik Mohd Amin - direct interest***	2,400,000	0.33%
4.	Tai Keat Chai - deemed interest****	1,000,000	0.14%

Notes:

* Direct interest through RHB Capital Nominees (Tempatan) Sdn Bhd and deemed interests through Bijak Permai Sdn Bhd and Infra Bumitek Sdn Bhd

** Direct interest through Amanahraya Trustees Berhad and deemed interest through Titian Tegap Sdn Bhd

*** Direct interest through Public Nominees (Tempatan) Sdn Bhd

**** Deemed interest through the shares held by his spouse

	Ordinary Shares	Total (RM)
Issued and paid up share capital	723,878,744	182,533,849
Class of shares	Ordinary Shares	
Voting rights	One vote per ordinary share	

ORDINARY SHARES

Distribution of shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
1 - 99	36	1.17%	1,028	0.00%
100 - 1,000	562	18.34%	473,632	0.06%
1,001 - 10,000	1,102	35.95%	6,780,439	0.94%
10,001 - 100,000	1,084	35.37%	39,752,823	5.49%
100,001 - 36,193,936*	278	9.07%	352,530,038	48.70%
36,193,937 and above**	3	0.10%	324,340,784	44.81%
	3,065	100.00%	723,878,744	100.00%

* Less than 5% of issued shares
** 5% and above of the issued shares

THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF DEPOSITORS

	Name of Shareholders	Name of Beneficial Owners	No. of Share	%
1.	Abdul Rahman Bin Ali		192,781,751	26.63%
2.	Bijak Permai Sdn Bhd		91,236,333	12.60%
3.	Johan Zainuddin Bin Dzulkifli		40,322,700	5.57%
4.	ABB Nominee (Tempatan) Sdn Bhd	Pledged Securities Account For Infra Bumitek Sdn Bhd	35,090,802	4.85%
5.	Titian Tegap Sdn Bhd		30,000,000	4.14%
6.	Infra Bumitek Sdn Bhd		24,464,624	3.38%
7.	Temuras Jaya Sdn Bhd		20,309,083	2.81%
8.	Suasa Unggul Sdn Bhd		20,000,000	2.76%
9.	RHB Capital Nominees (Tempatan) Sdn Bhd	Pledged Securities Account For Mohammed Azlan Bin Hashim	19,662,467	2.72%
10.	Nor Ashikin Binti Khamis		11,828,200	1.63%
11.	EB Nominees (Tempatan) Sendirian Berhad	Pledged Securities Account For Tey Chee Thong (SFC)	10,500,000	1.45%
12.	Cimsec Nominees (Tempatan) Sdn Bhd	CIMB Bank For Mohammed Amin Bin Mahmud (Mm1004)	10,167,000	1.40%
13.	Tey Chee Thong		10,072,321	1.39%
14.	Pelaburan Mara Berhad		8,174,600	1.13%
15.	Maybank Nominees (Tempatan) Sdn Bhd	Exempt AN for Maybank Islamic Asset Management Sdn Bhd (Resident) (475391)	7,882,700	1.09%
16.	Ong Lee Veng @ Ong Chuan Heng		7,678,800	1.06%
17.	Mazlan Bin Ismail		6,800,000	0.94%
18.	Maybank Nominees (Tempatan) Sdn Bhd	Wee Seng Yeen	5,249,800	0.73%
19.	Tengku Uzir Bin Tengku Ubaidillah		4,489,000	0.62%
20.	Ong Wee Kuan		3,339,900	0.46%
21.	Tengku Uzir Bin Tengku Ubaidillah		2,902,300	0.40%
22.	Ng Ko Chee		2,500,000	0.35%
23.	MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.	Pledged Securities Account for Intan Ainirawati Binti Abdul Razak	2,400,000	0.33%
24.	Mohtar Bin Nong		2,400,000	0.33%
25.	Public Nominees (Tempatan) Sdn. Bhd.	Pledges Securities for Nik Abdul Malik Bin Nik Mohd Amin	2,400,000	0.33%
26.	RHB Nominees (Tempatan) Sdn Bhd	Pledged Securities Account For Tey Suu Tain	2,308,000	0.32%
27.	Geo-Mobile Asia Sdn. Bhd.		2,150,000	0.30%
28.	Abdul Hamid Bin Sh Mohamed		2,000,000	0.28%
29.	Amanahraya Trustees Berhad	Razali Bin Mohd Yusof	2,000,000	0.28%
30.	Fakhri Yassin Bin Mahiaddin		2,000,000	0.28%

NOTICE OF 21ST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of Marine & General Berhad (formerly known as SILK Holdings Berhad) ("the Company") will be held at Dewan Perdana, Bukit Kiara Equestrian & Country Resort, 1st Floor, Sports Complex, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 30 May 2018 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note 1**
2. To re-elect Shariffuddin bin Khalid who retires pursuant to the Company's Constitution (Article 89 of the Articles of Association as adopted before the enforcement of the Companies Act 2016), and being eligible, offers himself for re-election. **(Resolution 1)**
3. To re-elect the following Directors who retire by rotation pursuant to the Company's Constitution (Article 107 of the Articles of Association as adopted before the enforcement of Companies Act 2016), and being eligible, offer themselves for re-election:
   (i) Dato' Harun bin Md Idris **(Resolution 2)**
   (ii) Nik Abdul Malik bin Nik Mohd Amin **(Resolution 3)**
4. To approve the payment of Directors' fees for the financial year ending 31 December 2018 of up to RM900,000, on quarterly basis after the end of each quarter. **(Resolution 4)**
5. To approve the payment of Directors' benefits (other than Directors' fees) of up to RM475,000 to Non-Executive Directors for the period from 1 June 2018 until the next Annual General Meeting of the Company. **(Resolution 5)**
6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following Resolutions:-

7. **Continuing in Office as Independent Non-Executive Directors**
   (i) "THAT subject to the passing of Ordinary Resolution No. 2, authority be and is hereby given to Dato' Harun bin Md Idris , who has served as an Independent Non-Executive Director of the Company for a cumulative term of near to nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **(Resolution 7)**
   (ii) "THAT authority be and is hereby given to Tai Keat Chai, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **(Resolution 8)**
8. **Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016** **(Resolution 9)**
   "THAT pursuant to Section 75 and 76 of the Companies Act 2016 and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any point of time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
9. To transact any other business of the Company of which due notice shall have been given.

By Order of the Board

LIM HUI MING (BC/L/740)
CHIA POH TIN (MAICSA 7055061)
Company Secretaries

Kuala Lumpur
30th day of April, 2018

NOTES:

1. Appointment of Proxy

i. A member of the Company entitled to attend and vote, is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
ii. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 5:00 p.m. on 23 May 2018. Only a depositor whose name appears on the Record of Depositors as at 5:00 p.m. on 23 May 2018 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his stead.
iii. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under the corporation's seal, or under the hand of its attorney or duly authorised officer.
iv. If a member appoints 2 proxies, the appointment will be invalid unless he states the percentage of his shareholding to be represented by each proxy.
v. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 22, Axiata Tower, No. 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post or fax to (03) 2273 8310. In the case where the member is a corporation and the proxy form is delivered by fax, the original form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.

2. Explanatory Notes :-

i. Audited Financial Statements (Item No. 1)
The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, is not put forward for voting.

ii. Payment of Directors' Fees and Benefits (Items No. 4 & 5)
At the 20th Annual General Meeting, the Company has obtained shareholders' approval to pay Directors' fees of not more than RM700,000 and Directors' remunerations (other than Directors' fees) of RM350,000. The total actual amount of fees and other remuneration payable to the Non-Executive Directors are RM615,000 and RM294,000 respectively.

iii. Continuing in Office as Independent Non-Executive Directors (Item No. 7)
The Ordinary Resolutions proposed under Item No. 7 (Resolutions 7 & 8) of the Notice of 21st Annual General Meeting relate to the approval by shareholders for the named directors to continue in office as Independent Non-Executive Directors. The Nomination and Remuneration Committee ("NRC") has assessed the independence of each of the directors who has served as Independent Non-Executive Directors of the Company for a cumulative term of near/more than nine (9) years. The NRC is satisfied that each of these directors has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The length of their service does not interfere with their ability and exercise of independent judgment as Independent Directors. Therefore, the Board has endorsed the recommendation of the NRC that the approval of the shareholders be sought for Dato' Harun bin Md Idris and Tai Keat Chai to continue to act as Independent Non-Executive Directors of the Company.

iv. Authority to Allot and Issue Shares pursuant to Section 75 and 76 of the Companies Act 2016 (Item No. 8)
The Ordinary Resolution proposed under item No. 8 (Resolution 9) is to seek a renewal of the general mandate which was approved at the 20th Annual General Meeting of the Company held on 21 June 2017 and will lapse at the conclusion of the 21st Annual General Meeting to be held on 30 May 2018.
The general mandate, if approved, will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment project(s) and acquisition(s) and for strategic reasons.
In order to eliminate any delay and costs in convening a general meeting to specifically approve such issuance of shares, it is considered appropriate that the Directors be empowered, as proposed under item No. 8 of the Agenda, to allot and issue new shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

DIRECTORS WHO ARE STANDING FOR RE-ELECTION

(a) Shariffuddin bin Khalid
(b) Dato' Harun bin Md Idris
(c) Nik Abdul Malik bin Nik Mohd Amin

DIRECTORS WHO ARE SEEKING FOR CONTINUATION OF OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

(a) Dato' Harun bin Md Idris
(b) Tai Keat Chai

The details of the above Directors who are standing for re-election and continuation of office as Independent Non-Executive Directors are set out on page 5 and page 6 of the Annual Report.

Their interests in the securities of the Company are set out on page 124 of the Annual Report.

GENERAL MANDATE FOR ISSUE OF SECURITIES

The Company will seek shareholders' approval on the renewal of general mandate ("General Mandate") for the issues of securities in accordance with Paragraph 6.03(3) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. Please refer to the proposed resolution No. 9 as stated in this Notice for the details.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted by the Shareholders of the Company at the 20th Annual General Meeting held on 21 June 2017 and will lapse at the conclusion of the 21st Annual General Meeting.

The General Mandate will provide flexibility to the Company for allotment of shares for any possible funding future investment project(s) and acquisition(s) and for strategic reasons.

FORM OF PROXY

21st Annual General Meeting

Number of share(s) held	
CDS Account No.	

MARINE & GENERAL BERHAD (405897-V)
(formerly known as SILK HOLDINGS BERHAD)
(Incorporated in Malaysia)

PROXY "A"

I/We ______________________ *NRIC No./Passport No./Company No ______________________

Tel./HP No ______________________ of ______________________

______________________ being a member of MARINE & GENERAL BERHAD (formerly known as SILK Holdings Berhad) and entitled to vote hereby appoint ______________________ *NRIC No./Passport No ______________________

Tel./HP No ______________________ of ______________________

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held at Dewan Perdana, Bukit Kiara Equestrian & Country Resort, 1st Floor, Sports Complex, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 30 May 2018 at 10.00 am and at any adjournment thereof.

WHERE THE MEMBER DESIRES TO APPOINT A 2ND PROXY, THIS SECTION MUST ALSO BE COMPLETED, OTHERWISE IT SHOULD BE DELETED

PROXY "B"

I/We ______________________ *NRIC No./Passport No./Company No ______________________

Tel./HP No ______________________ of ______________________

______________________ being a member of MARINE & GENERAL BERHAD (formerly known as SILK Holdings Berhad) and entitled to vote hereby appoint ______________________ *NRIC No./Passport No ______________________

Tel./HP No ______________________ of ______________________

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held at Dewan Perdana, Bukit Kiara Equestrian & Country Resort, 1st Floor, Sports Complex, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 30 May 2018 at 10.00 am and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows :

1st Proxy "A" - ________ % (to be completed)
2nd Proxy "B" - ________ % (to be completed)
Total: 100 %

* Delete if inapplicable

My/our proxy/proxies shall vote as follows :
(Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion)

No.	RESOLUTIONS	1ST PROXY "A"		2ND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	To re-elect Shariffuddin bin Khalid				
2.	To re-elect Dato' Harun bin Md Idris				
3.	To re-elect Nik Abdul Malik bin Nik Mohd Amin				
4.	To approve the payment of Directors' fees				
5	To approve the payment of Directors' benefits				
6	To re-appoint Messrs. KPMG PLT as Auditors				
7.	Retention of Dato' Harun bin Md Idris as Independent Non-Executive Director				
8.	Retention of Tai Keat Chai as Independent Non-Executive Director				
9.	To authorise the issuance of shares pursuant to Section 75 and 76 of the Companies Act 2016				

Dated this __________ day of ______________ 2018 Signature of Member ______________________

NOTES:

1. A member of the Company entitled to attend and vote, is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 5:00 p.m. on 23 May 2018. Only a depositor whose name appears on the Record of Depositors as at 5:00 p.m. on 23 May 2018 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his stead.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under the corporation's seal, or under the hand of its attorney or duly authorised officer.
4. If a member appoints 2 proxies, the appointment will be invalid unless he states the percentage of his shareholding to be represented by each proxy.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 22, Axiata Tower, No. 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post or fax to (03) 2273 8310. In the case where the member is a corporation and the proxy form is delivered by fax, the original form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

The Secretary

MARINE & GENERAL BERHAD (405897-V)
(formerly known as SILK HOLDINGS BERHAD)
Level 22, Axiata Tower,
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

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

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