



MARINE & GENERAL
BERHAD

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

NEWS RELEASE (Final)

MARINE & GENERAL RECORDS PRE-TAX LOSS OF RM 231 MILLION FOR QUARTER ENDED 31 DECEMBER 2017

KUALA LUMPUR, 28 February 2018 – Marine & General Berhad (“M&G” or “the Company”) announced its results for the quarter ended 31 December 2017, reporting a revenue of RM 38.6 million, 13% lower from the RM 44.6 million revenue reported in the previous corresponding quarter. The lower revenue performance and a RM 202 million impairment loss incurred during the period resulted in the Company incurring a consolidated loss before tax of RM 231.3 million for the quarter ended 31 December 2017.

On a full year basis, the Group recorded a revenue of RM 152 million, 9.8% lower compared to the RM 168.6 million revenue recorded in the previous corresponding period. This, and the RM 251 million vessel impairment loss recognised in the current 12-month period resulted in the Group recording a loss before taxation of RM 368 million for the period.

Marine Logistics – Upstream Division

The Marine Logistics – Upstream Division’s recorded a revenue performance of RM 30.8 million for the quarter, marginally lower compared to the RM 30.9 million revenue recorded in the previous corresponding quarter. The decrease in revenue is in line with the lower charter activity of the 70m anchor handling vessels despite achieving marginally higher fleet utilization of 54% compared to 43% in the preceding year. The Upstream Division recorded RM 232.9 million loss before taxation for the



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current period, a significant increase from the RM 68.5 million recorded during the previous corresponding period. The increased losses is substantially due to the RM 202 million impairment loss recognized during the current period, which is significantly higher than the impairment loss recognised in the preceding year.

On a year-to-date basis, the Marine Logistics – Upstream Division recorded a revenue of RM 107.7 million, 25.6% lower compared to the RM 144.7 million recorded in the previous corresponding period. The lower revenue is attributable to downward pressures on charter rates for new contracts and revised lower charter rates for existing contracts as the market oversupply continues. As a result of lower revenue and the RM 251 million impairment loss recognised in the current period, the Division has recorded a loss before taxation of RM 375 million, a significant increase from the RM 126 million pre-tax loss recorded in the previous financial period.

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

Marine Logistics – Downstream Division

The Marine Logistics – Downstream Division's recorded a revenue of RM 7.8 million for the quarter ended 31 December 2017, a 43% decline over the RM 13.7 million recorded in the previous corresponding quarter. The decrease in revenue is in line with the deployment of the vessels on time charter during the current quarter instead of on voyage charter as was previously. The Downstream Division recorded a pre-tax loss of RM 2.6 million in the current period compared to a pre-tax profit of RM 1.1 million in the preceding corresponding quarter, which is mainly due to the amortization of vessel dry-docking expenses and vessel repair works.



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On a year-to-date basis, the Marine Logistics - Downstream Division recorded revenue of RM 44.3 million and a loss before tax of RM 5.9 million. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding period is not meaningful.

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

Concluding remarks

Dato' Mohd Azlan commented, " The decline in oil price which started in mid-2014 has had a direct and adverse impact on the offshore support vessel industry. Consequently, the Upstream Division's vessel utilisation fell from an average of 88% in 2014 to an average of 51% in 2016 and 48% in 2017 respectively. Furthermore, the Daily Charter Rate (DCR) for its vessels have declined by approximately 38% from 2014. The combination of sustained low charter and utilisation rates has had an adverse impact on revenue. The Board expects that the pressures on charter and utilization rates will continue for the foreseeable future."

"Given this, on 6 February 2018, M&G announced that Jasa Merin (Malaysia) Sdn Bhd ("JMM"), the main operating subsidiary of the Company's Upstream Division, has received approval from the Corporate Debt Restructuring Committee (CDRC) of Bank Negara Malaysia for JMM's application for assistance to mediate between JMM and



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its subsidiaries with 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," clarified Dato' Mohd Azlan.

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

"Moving forward, the focus will be on streamlining the operations at both Divisions to ensure that both are able to be competitive in the long run. The Board is fully aware of the challenges but remains confident in the long-term prospects of both divisions as well as that of the Company as a whole," concluded Dato' Mohd Azlan.



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Marine & General 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 28 June 2017 after the successful completion of the disposal of the Company’s highway assets.

The Company acquired AQL Aman Sdn Bhd, the holding company of the 70% owned Jasa Merin (Malaysia) Sdn Bhd (“JMM”), as part of its successful regularisation scheme completed on 14 October 2009. The Terengganu State Government holds the remaining 30% of JMM via Terengganu Incorporated Sdn Bhd.

JMM was incorporated in December 1980 as Jackson Marine (Malaysia) Sdn Bhd. It commenced operations in October 1982. In 1986, the company name was subsequently changed to its present name. JMM heads the Company’s Marine Logistics - Upstream Division. JMM charters out offshore support vessels (“OSV”) for use by the oil majors in their exploration and production (“E&P”) activities. The OSVs provide support services to the E&P activities by undertaking anchor handling function (positioning and retrieval of drilling rig anchors), towing activities (repositioning of rigs to other drilling locations), firefighting and recovery support, as well as transporting equipment and cargoes to and from offshore installations.

The Company also owns Jasa Merin Labuan PLC (“JML”). JML is part of the Company’s Marine Logistics - Downstream Division. It charters out liquid bulk carriers (“LBC”) to the petro-chemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products in the region.

Forward looking statements

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of Marine & General



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Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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