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MARINE & GENERAL
BERHAD

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

NEWS RELEASE (Final)

MARINE & GENERAL RECORDS PRE-TAX LOSS OF RM 24.1 MILLION FOR QUARTER ENDED 30 SEPTEMBER 2017

KUALA LUMPUR, 29 November 2017 – Marine & General Berhad ("M&G" or "the Company") announced its results for the quarter ended 30 September 2017 by reporting a revenue of RM 44.9 million, a 25% improvement over the RM 35.8 million revenue reported in the previous corresponding quarter. Although revenue has improved compared to the previous corresponding quarter, the Company continues to record a loss before tax ("LBT") for the quarter of RM 24.1 million. This LBT however, is 17% lower compared to the LBT of RM 29 million recorded in the previous corresponding quarter.

On a year-to-date basis, the Company recorded a consolidated revenue of RM 113.4 million, a decline of 8.5% compared to the revenue of RM 123.9 million recorded in the previous corresponding 9-month period. In line with lower revenue for the current 9-month period and the vessel impairment charge of RM 48.9 million incurred earlier during the financial year, the Group recorded a higher LBT of RM 136.7 million, compared to the pre-tax loss of RM 57.3 million recorded in the previous corresponding 9-month period.

Marine Logistics – Upstream Division

The Marine Logistics – Upstream Division's revenue performance of RM 33.6 million for the quarter is 15% higher compared to the performance recorded in the previous corresponding quarter of RM 29.3 million, reflecting improvements in utilization rates from 47% recorded previously to 59% in the current period, despite the continued challenging operating environment prevalent for providers of offshore support vessels ("OSVs"). The Division recorded RM 24.4 million LBT for the current period, an improvement from the LBT of RM 30.2 million recorded in the previous corresponding period. This improvement in the quarterly bottom-line was made possible as a result of the improvement in revenue as well as lower vessel depreciation following the recognition of RM 35 million and RM 49 million impairment loss recognized in the 4th quarter of 2016 and the 2nd quarter of 2017 respectively, and lower finance cost arising from interest rate reduction following the Division's loan restructuring and rescheduling exercise implemented in late 2016.

On a year-to-date basis, the Marine Logistics – Upstream Division recorded a revenue of RM 76.9 million, 32% lower compared to the RM 113.8 million recorded in the previous corresponding period. The lower revenue performance, brought upon by lower activity levels during the current 9-month period, and the RM 48.9 million vessel impairment charge contributed to the LBT of RM 141 million for the current 9-month period, an increase on the LBT of RM 57.5 million recorded during the corresponding 9-month period previously.

The Division recorded an average utilisation rate of 47% for the 9-month period, lower than the 55% utilization rate recorded in the previous corresponding period in line with the market oversupply for offshore support vessels during this period.

Marine Logistics – Downstream Division

The Marine Logistics – Downstream Division recorded a revenue of RM 11 million for the quarter, an improvement over the RM 6.5 million recorded in the previous corresponding quarter. The increase in revenue is mainly due to improved vessel utilization and availability as one of the Division's three vessels was sent for scheduled docking in the previous year. However, the Downstream Division recorded a higher pre-tax loss of RM 2.6 million in the current period compared to RM 0.5 million in the previous year, which is mainly due to the amortization of vessel dry-docking and upgrading works incurred.

On a year-to-date basis, Marine Logistics – Downstream Division recorded revenue of RM 36.5 million and a loss before tax of RM 3.4 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 88% for the quarter. This is significantly above the 69% utilization rate recorded in the previous corresponding quarter. On a year-to-date basis, the Marine Logistics – Downstream Division recorded an average utilization rate of 84%. Given that this Division began operations in June 2016, the comparison to the previous year's corresponding year-to-date period is not meaningful.

Concluding remarks

Dato' Mohd Azlan commented, "The conditions in the offshore support services industry continues to show signs of improvement. This is evidenced by the increasing number of tenders being called by the oil majors. The Upstream Division saw improvement in fleet utilization rates from 33% in the first quarter to 59% in the current quarter. Utilization rates for the Upstream Division continues to see improvements since the end of September and there is expectation that this trend will continue to be positive, as exploration and drilling activities resumes."

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

"With respect to the Marine Logistics – Downstream Division, demand for liquid bulk carriers remain fairly robust during the first 3 quarters of 2017 at between 80% and 88%, mirroring the demand for clean petroleum products. This is expected to remain robust until the end of the year. All three (3) vessels are expected to remain on-contract for the remainder of the year as there are no scheduled dry-dockings for this year," added Dato' Mohd Azlan.

"Moving forward, taking into account the successful completion of the disposal of the Company's entire interest of its highway asset, the Board expects that it will be able to devote significantly more focus, resources and effort to improve the financial and operating conditions in both Marine Logistics Divisions generally, as well as further enhance the competitiveness and growth prospects of the Marine Logistics – Downstream Division. The Company is also expected to undertake several other changes in the coming months, to better reflect its new-found focus in the core business going forward. 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.

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

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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