

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

The condensed consolidated interim financial statements and the notes thereto do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 July 2010.

A1. ACCOUNTING POLICIES

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

A2. CHANGE IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the period ended 31 July 2010, except for the adoption of the following new/revised Financial Reporting Standards ("FRS") and Interpretations effective 1 August 2010 as disclosed below:-

Effective for financial period beginning on or after 1 January 2010:

FRS 1	First Time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellation
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Cash Flow Statements
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 12	Service Concession Arrangement
IC Interpretation 14	FRS 119 – The Limit of a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above pronouncements do not have significant impact to the Company and the Group, except as described below;-

(a) FRS 139: Financial Instruments: Recognition and Measurement

Accounting policies

FRS 139 establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 from 1 August 2010. The effect arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 August 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below;

▪ **Other investments**

Prior to 1 August 2010, the Group classified its investment in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated as at 1 August 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM584,000. The adjustments to their previous carrying amounts are recognized as adjustments to the opening balance of retained earnings as at 1 August 2010.

▪ **Trade and other receivables**

Prior to 1 August 2010, trade and other receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, these receivables are initially measured at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses arising from the de-recognition of the receivables, amortization and impairment losses are recognized in the income statement.

▪ **Financial Liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings at amortised cost, or as derivatives designed as hedging instruments in an effective hedge as appropriate. The Group financial liabilities include trade and other payables, debt securities and borrowings. Under FRS 139, these financial liabilities are measured initially at fair value and subsequently carried at amortised cost using effective interest rate method.

▪ **Financial impact**

In accordance with the transitional provisions for the first time adoption of FRS 139, the above changes are applied prospectively and the comparatives as at 31 July 2010 are not restated. Instead, the changes would be accounted for by restating the following opening balances in the statement of financial position as at 1 August 2010 as follows;-

	As previously reported RM '000	Effect of adopting FRS 139 RM '000	As restated RM '000
Group			
Statement of Financial Position			
As at 1 August 2010			
Other investment	600	16	584

In addition, the adoption of FRS 139 has the effect of reducing the profit before tax for the current financial period by RM16,000 arising from recognition of changes in fair values of non-current investment re-designated as available-for-sale in the statement of comprehensive income.

(b) FRS 101(Revised): Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as single line.

The Standard also introduces Statement of Comprehensive Income with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognised directly in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted by the Group and the Company on 1 August 2010, and has no impact on the results of the Group since the changes affect only the presentation of items of income and expense.

(c) IC Interpretation 12: Service Concession Arrangements

The Interpretation requires the Group to:-

- record its concession assets comprising Expressway development expenditure ("EDE") and Heavy repairs as Intangible assets at cost less amortisation,
- amortise the concession assets pursuant to FRS 138 – Intangible Assets, and
- provide for the maintenance obligations such as pavement upgrades and slope repairs, pursuant to FRS 137 – Provisions, Contingent Liabilities and Contingent Assets

Prior to the adoption of IC Interpretation 12, the Group amortise EDE using revenue method over the concession period, and Heavy repairs using straight line method over a period of 7 years. Consequent to the Group adopting the pronouncement retrospectively on 1 August 2010, the Group has:-

- changed the amortization method of EDE to unit of production method pursuant to FRS 138,
- reversed the net book value of Heavy repairs as at 31 July 2010 to the retained earnings, and provided for the maintenance obligations pursuant to FRS 137.

A3. QUALIFICATION OF FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 July 2010 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any significant seasonal or cyclical factors.

A5. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size and incidence in the current period.

A6. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior interim period of the current financial period and in the prior financial year that would have material effect in the current period.

A7. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period ended 30 April 2011 except for the issuance of 674,229 new 3% Redeemable Unsecured Loan Stock (CR) ("RCULS (CR)") at the nominal value of RM1.00 each to the holders of 3% Redeemable Unsecured Loan Stock (B) ("RCULS-B") in lieu of the cash payment of its dividends.

The salient terms for both RCULS-B and RCULS (CR) were described in the Company's Circular to Shareholders and CN-RPS Holders dated 8 April 2009.

A8. DIVIDEND

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

A9. SEGMENT REPORTING

Segment information for the financial period as presented in respect of the Group's business segment.

	Investment Holding Division RM '000	Highway Division RM '000	Oil & Gas Division RM '000	Adjustments RM '000	Total RM '000
REVENUE					
Revenue	316	15,786	47,319	(316)	63,105
RESULTS					
Interest income	1	109	17	-	127
Depreciation	-	(115)	(9,835)	-	(9,950)
Amortisation	-	(2,576)	(506)	(54)	(3,136)
Provision for heavy repairs	-	(594)	-	-	(594)
Finance costs	(320)	(14,453)	(8,073)	232	(22,614)
Profit/(loss) after taxation	(40)	(5,255)	(611)	(214)	(6,120)
Minority interests	-	-	1,108	-	1,108
Profit/(loss) attributable to the shareholders of the Company	(40)	(5,255)	497	(214)	(5,012)
ASSETS AND LIABILITIES					
Segment assets	251,084	937,097	921,840	(249,307)	1,860,714
Segment liabilities	28,747	873,285	777,600	(17,354)	1,662,278

A10. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

There is no valuation of property, vessels and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on property, vessels and equipment.

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD UNDER REVIEW

There is no material event subsequent to the end of the period under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period under review.

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise of the followings:-

	As at 30 Apr 2011 RM '000	As at 31 July 2010 RM '000
Bank guarantee to charterers and suppliers	8,476	8,476
Highway maintenance bond	1,500	1,500
	<u>9,976</u>	<u>9,976</u>

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

B1. REVIEW OF PERFORMANCE

	Revenue RM '000	EBITDA RM '000	Profit Before Taxation RM '000	Profit After Taxation & Minority Interests RM '000
Current quarter				
(Feb - Apr 2011):				
Investment holding	316	144	(175)	(40)
Highway	15,786	12,319	(5,255)	(5,255)
Oil and Gas	47,319	18,596	182	497
	<u>63,421</u>	<u>31,059</u>	<u>(5,248)</u>	<u>(4,798)</u>
Consolidation adjustments	(316)	(226)	(212)	(214)
Total	<u><u>63,105</u></u>	<u><u>30,833</u></u>	<u><u>(5,460)</u></u>	<u><u>(5,012)</u></u>
Preceding year corresponding				
quarter (Feb - Apr 2010):				
Investment holding	-	(61)	(1,083)	(790)
Highway	13,890	10,808	(4,936)	(4,936)
Oil and Gas	44,018	26,629	17,257	8,944
	<u>57,908</u>	<u>37,376</u>	<u>11,238</u>	<u>3,218</u>
Consolidation adjustments	-	-	-	-
Total	<u><u>57,908</u></u>	<u><u>37,376</u></u>	<u><u>11,238</u></u>	<u><u>3,218</u></u>

For the current quarter under review, the Group recorded revenue of RM63.1 million, earnings before interest, depreciation and amortization (“EBITDA”) of RM30.8 million and loss before taxation of RM5.5 million. After deducting current period and deferred tax charge on the profits, the Group recorded loss after tax and minority interest of RM5.0 million.

Compared to the preceding year corresponding quarter, the Group recorded 9.0% higher revenue mainly following the RM3.3 million higher contributions from the Oil and Gas Division arising from deployment of three new vessels during the current period and RM1.8 million higher contributions from the Highway Division in line with the increase in the traffic volume.

Nevertheless, the Group recorded 17.5% lower EBITDA during the current period. The increase in revenue above was offset by lower other income due to RM10.4 m non-recurring gain from sale of a vessel in the preceding year corresponding period.

The Group recorded loss before taxation of RM5.5 million in the current quarter compared to profit before taxation of RM11.2 million in the preceding year corresponding quarter. Results of the current quarter was subjected to:-

- higher amortization of expressway development expenditure and provision for heavy repairs following the adoption of IC Interpretation 12, and
- higher depreciation charges and financial costs in line with the Oil and Gas Division’s fleet renewal programme,

while the preceding year corresponding quarter included RM10.4 million gain from sale of a vessel.

After taking into account tax charge of RM0.7 million, the Group recorded loss after taxation and minority interest of RM5.0 million as compared to profit of RM3.2 million in the preceding year corresponding quarter.

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

	Revenue	EBITDA	Profit Before Taxation	Profit After Taxation & Minority Interests
	RM '000	RM '000	RM '000	RM '000
Current quarter				
(Feb - Apr 2011):				
Investment holding	316	144	(175)	(40)
Highway	15,786	12,319	(5,255)	(5,255)
Oil and Gas	47,319	18,596	182	497
	<u>63,421</u>	<u>31,059</u>	<u>(5,248)</u>	<u>(4,798)</u>
Consolidation adjustments	(316)	(226)	(212)	(214)
Total	<u><u>63,105</u></u>	<u><u>30,833</u></u>	<u><u>(5,460)</u></u>	<u><u>(5,012)</u></u>
Immediate preceding quarter				
(Nov 2010 -Jan 2011):				
Investment holding	335	105	(227)	(87)
Highway	16,679	13,435	(4,667)	(4,667)
Oil and Gas	43,955	17,439	3,118	1,795
	<u>60,969</u>	<u>30,979</u>	<u>(1,776)</u>	<u>(2,959)</u>
Consolidation adjustments	(335)	(245)	(203)	(206)
Total	<u><u>60,634</u></u>	<u><u>30,734</u></u>	<u><u>(1,979)</u></u>	<u><u>(3,165)</u></u>

Compared to the immediate preceding quarter, the Group recorded marginally higher revenue of RM63.1 million from RM60.6 million. This arose from higher contributions from both the Oil and Gas Division due to the deployment of two additional vessels, and from the Highway Division arising from higher traffic volume.

As mentioned in Note B1, results of the current quarter were affected by higher depreciation charges and finance costs in line with the Oil and Gas Division's fleet renewal programme.

B3. FUTURE YEAR PROSPECTS

Barring unforeseen circumstances, the Board of Directors is of the view that:

- a. contributions from the Oil & Gas Division is expected to remain positive, and
- b. traffic volume utilising the expressway will continue to grow in the near term as:-
 - as a result of SILK Highway's improved connectivity with new highways recently introduced along its alignment together with the availability of installed capacity, and
 - increasing development and urbanization in the surrounding vicinity of SILK Highway.

However, the Highway Division will continue to record accounting losses, albeit on a declining basis.

The Group is expected to remain cashflow positive on an operational basis as a result of the restructuring of the long term debt whereby the Sukuk Mudharabah obligation payments until 25 January 2015 will be limited to the available cash flow generated from the Kajang SILK Highway.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore, no comparison is available.

B5. INCOME TAX

Income tax comprises:

	Individual Quarter		Cumulative Period	
	Current Year	Preceding Year	Current Year To	Preceding Year
	Quarter	Corresponding	Date	Corresponding
	<u>30 Apr 2011</u>	<u>Quarter 30 Apr 2010</u>	<u>30 Apr 2011</u>	<u>Period 30 Apr 2010</u>
	RM '000	RM '000	RM '000	RM '000
Current year tax charge	-	22	3	22
Transfer to deferred taxation	794	4,060	5,082	10,446
	794	4,082	5,085	10,468
Less transfer from deferred taxation	(135)	-	(419)	-
	659	4,082	4,666	10,468

B6. PROFIT/ (LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There has been no sale of unquoted investments and/or properties during the period.

B7. QUOTED SECURITIES

	<u>30 Apr 2011</u>	<u>31 July 2010</u>
	RM '000	RM '000
Shares quoted in Malaysia, at cost	-	285
Provision for diminution in value	-	(155)
	-	130
Market value of quoted shares	-	156

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There is no corporate exercise that has been completed during the current period or is still pending as at the end of the current period.

Utilisation of proceeds raised from Rights Issue completed in the preceding year:

Purpose	Proposed	Actual	Balance	Intended
	Utilisation	Utilisation		Timeframe for
	RM '000	RM '000	RM '000	Utilisation
(i) Working capital	3,259	3,259	-	Fully utilised during the current period
(ii) Regularisation Scheme expenses	1,700	2,443	-	Fully paid

The actual utilisation for the Regularisation Scheme expenses is higher than initially budgeted. Therefore, the deficit was funded out of the portion allocated for working capital.

The unutilised proceeds as at 31 July 2010 were made available to meet current working capital requirements.

B9. GROUP BORROWINGS AND DEBT SECURITIES

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

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
	RM '000	RM '000	RM '000
<u>Secured:</u>			
Sukuk Mudharabah	2,000	738,701	740,701
Term loans	54,459	468,079	522,538
Hire purchase	232	486	718
	<u>56,691</u>	<u>1,207,266</u>	<u>1,263,957</u>
<u>Unsecured:</u>			
Liability component of preference shares	-	13,257	13,257
Liability component of loan stocks	-	4,107	4,107
	<u>-</u>	<u>17,364</u>	<u>17,364</u>
Total borrowings	<u>56,691</u>	<u>1,224,630</u>	<u>1,281,321</u>

Included in Other payables in the Consolidated Balance Sheet as at 30 April 2011 are;

- RM110.1 million profits accrued up to 30 April 2011 due to Sukukholders on Sukuk Mudharabah. As stated in Note B3, the Sukuk Mudharabah obligation payments until 25 January 2015 are now limited to the available cash flow generated from the Kajang SILK Highway, and
- RM2.3 million dividends payable to the holders of RCULS and CCRPS.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risks as at the date of issue of the report.

B11. MATERIAL LITIGATION

Following the compulsory acquisition of land falling under the Expressway, which was undertaken by the Company pursuant to the Concession Agreement, certain land owners whose land have been acquired, have filed their objection in Court against the Company for higher compensation. In the Company funded stretch, there are 240 cases comprising 212 cases with claims amounting to RM485.96 million while the land owners' claim for 28 cases are yet to be determined. Out of the 240 cases, 218 cases have been settled while other cases are still pending Court hearing.

Pursuant to the Turnkey Contract dated 31 July 2001 between the Company and Sunway Construction Sdn Bhd ("SCSB"), the amount payable by the Company 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 out to SCSB at a ceiling amount of RM215 million. Any further amounts that may be awarded by the courts beyond RM215 million will be the obligation of and will therefore be borne by SCSB.

B12. EARNINGS/ (LOSS) PER SHARE

	Individual Quarter		Cumulative Period	
	Current Year (3 months) <u>30 Apr 2011</u> RM '000	Preceding Year (3 months) <u>30 Apr 2010</u> RM '000	Current Year (9 months) <u>30 Apr 2011</u> RM '000	Preceding Year (9 months) <u>30 Apr 2010</u> RM '000
<u>Basic earnings per share:</u>				
(Loss)/profit for the period attributable to equity holders of the parent	(5,012)	3,218	(9,324)	7,100
Weighted average number of ordinary shares ('000)	381,849	374,836	381,006	322,023
Basic earnings per share (sen)	(1.31)	0.86	(2.45)	2.20
<u>Diluted earnings per share:</u>				
(Loss)/profit for the period attributable to equity holders of the parent	(4,709)	3,218	(8,378)	7,100
Weighted average number of ordinary shares ('000)	381,849	374,836	381,006	322,023
Additional ordinary shares issuable from conversion of loan stocks	180,539	175,000	179,191	175,000
Additional ordinary shares issuable from conversion of convertible preference shares	68,936	89,179	69,375	89,179
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	631,324	639,015	629,572	586,202
Diluted (loss)/earnings per share (sen)	(0.75)	0.50	(1.33)	1.21

B13. COMMITMENTS

	<u>30 Apr 2011</u> RM '000	<u>31 July 2010</u> RM '000
Approved and contracted for:		
Property, vessels and equipment	106,170	274,325

The commitments represent vessels which are due for delivery between 2011 and 2012.

B14. REALISED AND UNREALISED PROFITS OF THE GROUP

	<u>30 Apr 2011</u> RM '000	<u>31 July 2010</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(62,844)	(28,854)
- unrealised loss	(32,310)	(27,117)
	<u>(95,154)</u>	<u>(55,971)</u>
Less consolidation adjustments	136,214	111,960
Total Group retained profits as per consolidated accounts	<u>41,060</u>	<u>55,989</u>

B15. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 29 June 2011.

**BY ORDER OF THE BOARD
SECRETARIES**