



**SILK HOLDINGS BERHAD (405897-V)**

**INTERIM RESULTS FOR THE QUARTER ENDED  
31 JANUARY 2013 (Q2 2013)**

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**SILK HOLDINGS BERHAD (405897-V)****(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2013****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Jan-2013 RM '000	31-Jan-2012 RM '000	31-Jan-2013 RM '000	31-Jan-2012 RM '000
<b>Revenue</b>	<b>99,096</b>	98,094	<b>197,049</b>	162,747
Direct costs	<b>(34,093)</b>	(36,381)	<b>(67,476)</b>	(56,049)
Gross profit	<b>65,003</b>	61,713	<b>129,573</b>	106,698
Other items of income:				
Interest income	<b>388</b>	246	<b>772</b>	621
Other income	<b>239</b>	169	<b>471</b>	404
Other item of expenses:				
Staff expenses	<b>(5,284)</b>	(5,172)	<b>(10,600)</b>	(10,592)
Administrative expenses	<b>(1,629)</b>	(3,973)	<b>(2,984)</b>	(5,297)
Professional fees	<b>(297)</b>	(375)	<b>(632)</b>	(767)
	<b>(7,211)</b>	(9,520)	<b>(14,217)</b>	(16,656)
<b>EBITDA</b>	<b>58,419</b>	52,608	<b>116,599</b>	91,067
Depreciation	<b>(19,406)</b>	(15,581)	<b>(37,025)</b>	(27,998)
Amortisation	<b>(3,725)</b>	(2,903)	<b>(7,328)</b>	(5,748)
Finance costs	<b>(27,362)</b>	(26,981)	<b>(53,641)</b>	(51,285)
	<b>(50,493)</b>	(45,465)	<b>(97,994)</b>	(85,031)
<b>Profit/(loss) before taxation</b>	<b>7,926</b>	7,143	<b>18,605</b>	6,036
Taxation	<b>(1,591)</b>	(1,788)	<b>(4,016)</b>	(2,769)
<b>Net profit/(loss) for the period</b>	<b>6,335</b>	5,355	<b>14,589</b>	3,267
Net profit/(loss) and total comprehensive income attributable to:				
Owners of the parent	<b>1,970</b>	1,741	<b>4,789</b>	(446)
Non-controlling interests	<b>4,365</b>	3,614	<b>9,800</b>	3,713
	<b>6,335</b>	5,355	<b>14,589</b>	3,267
Earnings/(loss) per share (sen)				
- basic	<b>0.51</b>	0.46	<b>1.25</b>	(0.12)
- diluted	<b>0.35</b>	0.32	<b>0.83</b>	0.01

*The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2012 and the accompanying explanatory notes attached to the interim financial statements.*

**SILK HOLDINGS BERHAD (405897-V)****(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2013****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31-Jan-2013 RM '000	Audited 31-Jul-2012 RM '000	Audited 1-Aug-2011 RM '000
<b>Assets</b>			
<b>Non-current assets</b>			
Concession intangible assets	883,130	890,458	901,648
Property, vessels and equipment	1,113,766	898,553	871,329
Goodwill on consolidation	647	647	647
Available for sale financial assets	-	-	600
	<u>1,997,543</u>	<u>1,789,658</u>	<u>1,774,224</u>
<b>Current assets</b>			
Inventories	876	939	168
Trade and other receivables	107,341	85,009	56,380
Tax recoverable	622	804	1,743
Deposits with licensed financial institutions	35,963	51,746	52,546
Cash and bank balances	11,588	19,669	12,198
	<u>156,390</u>	<u>158,167</u>	<u>123,035</u>
Non-current assets classified as held for sale	315	630	1,071
<b>Total assets</b>	<u>2,154,248</u>	<u>1,948,455</u>	<u>1,898,330</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	102,219	99,262	99,262
Share premium	53,963	53,670	53,670
Equity component of loan stocks	37,271	37,271	37,271
Equity component of preference shares	1,587	1,901	1,901
Employee trust shares	(6,688)	(6,688)	(6,688)
Retained earnings	39,346	34,857	35,536
Reverse acquisition deficit	(92,791)	(92,791)	(92,791)
	<u>134,907</u>	<u>127,482</u>	<u>128,161</u>
Non-controlling interests	85,555	75,755	63,560
<b>Total equity</b>	<u>220,462</u>	<u>203,237</u>	<u>191,721</u>

**SILK HOLDINGS BERHAD (405897-V)****(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2013****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31-Jan-2013	Audited 31-Jul-2012	Audited 1-Aug-2011
	RM '000	RM '000	RM '000
<b>Non-current liabilities</b>			
Borrowings	1,506,795	1,375,115	1,348,694
Ijarah rental payable	96,814	93,550	73,329
Liability component of convertible preference shares	12,043	14,132	13,426
Liability component of convertible loan stocks	6,197	5,971	5,547
Deferred tax liabilities	56,469	52,660	46,490
Retirement benefits obligation	-	4,637	3,334
Provision for heavy repairs	3,032	2,536	3,703
	<u>1,681,350</u>	<u>1,548,601</u>	<u>1,494,523</u>
<b>Current liabilities</b>			
Borrowings	128,271	92,466	82,015
Trade and other payables	85,115	64,488	91,169
Ijarah rental payable	38,166	38,408	38,866
Provision for taxation	884	1,255	36
	<u>252,436</u>	<u>196,617</u>	<u>212,086</u>
<b>Total liabilities</b>	<u>1,933,786</u>	<u>1,745,218</u>	<u>1,706,609</u>
<b>Total equity and liabilities</b>	<u>2,154,248</u>	<u>1,948,455</u>	<u>1,898,330</u>
<b>Net assets per share attributable to equity holders of the Company</b>	<u>RM 0.54</u>	<u>RM 0.51</u>	<u>RM 0.48</u>

*The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2012 and the accompanying explanatory notes attached to the interim financial statements.*

**SILK HOLDINGS BERHAD (Company No: 405897-V)**  
**Incorporated in Malaysia**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2013**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to equity holders of the Company →						Distributable	Non-Controlling interests	Total
	Share capital	Share premium	Employee trust shares	Non-distributable Equity component of preference shares	Equity component of loan stocks	Reverse acquisition deficit			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 August 2012</b>	99,262	53,670	(6,688)	1,901	37,271	(92,791)	34,857	75,755	203,237
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	4,789	9,800	14,589
Transaction with Owners:									
Conversion of preference shares	2,957	293	-	(314)	-	-	-	-	2,936
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	(300)	-	(300)
	2,957	293	-	(314)	-	-	(300)	-	2,636
<b>At 31 January 2013</b>	<b>102,219</b>	<b>53,963</b>	<b>(6,688)</b>	<b>1,587</b>	<b>37,271</b>	<b>(92,791)</b>	<b>39,346</b>	<b>85,555</b>	<b>220,462</b>
<b>At 1 August 2011</b>	99,262	53,670	(6,688)	1,901	37,271	(92,791)	35,536	63,560	191,721
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(446)	3,713	3,267
Transaction with Owners:									
Contribution by a non-controlling shareholder	-	-	-	-	-	-	-	3,626	3,626
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	(900)	(900)
	-	-	-	-	-	-	-	2,726	2,726
<b>At 31 January 2012</b>	<b>99,262</b>	<b>53,670</b>	<b>(6,688)</b>	<b>1,901</b>	<b>37,271</b>	<b>(92,791)</b>	<b>35,090</b>	<b>69,999</b>	<b>197,714</b>

*The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July*

**SILK HOLDINGS BERHAD (405897-V)****(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2013****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>31-Jan-2013</b>	<b>31-Jan-2012</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of revenue	<b>173,565</b>	104,172
Collection of other income	<b>1,650</b>	1,249
	<b>175,215</b>	105,421
Payment of expenses	<b>(88,082)</b>	(75,651)
Net tax (paid) / recovered	<b>(371)</b>	433
Net cash generated from operating activities	<b>86,762</b>	30,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments	-	600
Proceeds from sale of property, vessels and equipment	<b>198</b>	81
Capital contributions by non-controlling interests	-	3,626
Purchase of property, vessels and equipment	<b>(228,229)</b>	(71,947)
Payment of expressway heavy repairs	<b>(888)</b>	(1,370)
Net cash used in investing activities	<b>(228,919)</b>	(69,010)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	<b>216,540</b>	85,407
Repayment of borrowings	<b>(49,055)</b>	(38,481)
Payment of finance costs	<b>(48,693)</b>	(50,397)
Dividends paid to a subsidiary's non-controlling shareholder	<b>(300)</b>	
Net cash generated from financing activities	<b>118,492</b>	(3,471)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,665)</b>	(42,278)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<b>71,216</b>	64,744
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>47,551</b>	22,466

*The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2012 and the accompanying explanatory notes attached to the interim financial statements.*

## **PART A: EXPLANATORY NOTES PURSUANT TO MFRS 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 2012.

### **A1. CORPORATE INFORMATION**

SILK Holdings Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 March 2013.

### **A2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)**

These condensed consolidated interim financial statements, for the period ended 31 January 2013, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the financial year ended 31 July 2012, the Group prepared its financial statements accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the financial year ended 31 July 2012 which were prepared under FRS are available upon request from the Company registered office at D2-3-2, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the financial year ending 31 July 2013. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards*. (“MFRS 1”) has been applied.

The adoption of MFRS 1 did not result in any significant changes in accounting policies and presentation of the financial statements of the Group.

### **A3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1**

The audited financial statements of the Group for the financial year ended 31 July 2012 were prepared in accordance with FRS. Except for the certain differences, the requirement under FRs and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 July 2012. In compliance with MFRS 1, the Group has presented the statement of financial position as at 1 August 2011, which is the beginning of the earliest comparative period, in the interim financial report without any restatement on the financial information.

#### **Standards issued but not yet effective**

At the date of authorisation of this Report, the following MFRS, Amendments to MFRSs and IC Interpretation (“IC Int”) were issued but not yet effective and have not been applied by the Group:

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>		<b>Effective Date</b>
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1, 101, 116,132 & 134	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015



**A4. CHANGES IN ESTIMATES**

There were no changes in estimates of amounts that would have material effect in the current period.

**A5. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**A6. SEGMENT INFORMATION**

	<b>Investment Holding Division RM '000</b>	<b>Highway Division RM '000</b>	<b>Oil &amp; Gas Division RM '000</b>	<b>Adjustments RM '000</b>	<b>Total RM '000</b>
<b><u>Quarter ended 31 January 2013:</u></b>					
<b>REVENUE</b>					
<b>Revenue</b>					
External customers	-	19,024	80,072	-	99,096
Inter-segment	591	-	5,236	(5,827)	-
<b>Total revenue</b>	<b>591</b>	<b>19,024</b>	<b>85,308</b>	<b>(5,827)</b>	<b>99,096</b>
<b>Segment profits</b>	<b>(22)</b>	<b>(3,636)</b>	<b>11,389</b>	<b>195</b>	<b>7,926</b>
<b>Segment assets</b>	<b>254,045</b>	<b>900,259</b>	<b>1,249,228</b>	<b>(249,284)</b>	<b>2,154,248</b>

**Quarter ended 31 January 2012:**

<b>REVENUE</b>					
<b>Revenue</b>					
External customers	-	17,935	80,159	-	98,094
Inter-segment	338	-	6,139	(6,477)	-
<b>Total revenue</b>	<b>338</b>	<b>17,935</b>	<b>86,298</b>	<b>(6,477)</b>	<b>98,094</b>
<b>Segment profit</b>	<b>(218)</b>	<b>(3,513)</b>	<b>10,921</b>	<b>(47)</b>	<b>7,143</b>
<b>Segment assets</b>	<b>251,606</b>	<b>914,695</b>	<b>1,034,524</b>	<b>(250,006)</b>	<b>1,950,819</b>

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.

**A7. SEASONAL OR CYCLICAL FACTORS**

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

**A8. PROFIT BEFORE TAX**

Included in the profit before tax are the following items:

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31-Jan-2013	31-Jan-2012	31-Jan-2013	31-Jan-2012
	RM '000	RM '000	RM '000	RM '000
Interest income	365	246	749	621
Other income (including investment income)	262	169	494	404
Interest expenses	(27,362)	(26,981)	(53,641)	(51,285)
Depreciation of property, vessel and equipment	(19,406)	(15,581)	(37,025)	(27,998)
Amortisation of concession intangible assets	(3,725)	(2,903)	(7,328)	(5,748)
Allowance for impairment	-	(2,455)	-	(2,455)
Forex loss	(23)	(12)	(23)	(53)

**A9. INCOME TAX**

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31-Jan-2013	31-Jan-2012	31-Jan-2013	31-Jan-2012
	RM '000	RM '000	RM '000	RM '000
Current period tax charge:				
Malaysian income tax	342	1,857	771	2,904
Deferred income tax:				
Relating to origination and reversal of temporary difference	1,249	(69)	3,245	(135)
	<u>1,591</u>	<u>1,788</u>	<u>4,016</u>	<u>2,769</u>

The effective tax rates of the Oil and Gas subsidiaries differ from the Malaysian statutory tax rate as subsidiaries incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of their profit before taxation, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

## A10. EARNINGS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period, excluding employee trust shares held by the Company.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period, plus the number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31-Jan-2013	31-Jan-2012	31-Jan-2013	31-Jan-2012
<b>Basic earnings/(loss) per share:</b>				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	1,970	1,741	4,789	(446)
Weighted average number of ordinary shares in issue ('000)	385,751	381,849	383,992	381,849
<b>Basic earnings/(loss) per share (sen)</b>	<b>0.51</b>	<b>0.46</b>	<b>1.25</b>	<b>(0.12)</b>
<b>Diluted earnings/(loss) per share:</b>				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	2,265	2,012	5,380	86
Weighted average number of ordinary shares at beginning of the period ('000)	385,751	381,849	383,992	381,849
Effects of dilution:				
- Convertible loan stocks	191,676	185,745	190,246	184,421
- Convertible preference shares	68,896	70,054	70,956	69,750
Total number of ordinary shares for diluted earnings/(loss) per share computation ('000)	646,323	637,648	645,194	636,020
<b>Diluted earnings/(loss) per share (sen)</b>	<b>0.35</b>	<b>0.32</b>	<b>0.83</b>	<b>0.01</b>

**A11. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT**

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

**A12. NON-CURRENT ASSETS HELD FOR SALE**

Assets with a carrying value of RM177,000 were disposed of by the Group during the three months ended 31 January 2013 (31 January 2012: RM1,000), resulting in a gain on disposal of RM33,000 (31 January 2012: RM80,000), recognized and included in other income in the statement of comprehensive income.

**A13. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following amounts:

	<b>31-Jan-13</b>	<b>31-Jul-12</b>	<b>1-Aug-11</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Cash and bank balances	11,588	19,669	12,198
Short term deposits	35,963	51,746	52,546
Total cash and cash equivalents	<u>47,551</u>	<u>71,415</u>	<u>64,744</u>

**A14. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES**

During the financial period ended 31 January 2013, the Company issued 9,471,123 ordinary shares of RM0.25 each pursuant to conversion of the Company's Cumulative Convertible-Redeemable Preference Shares ("CC-RPS") at the rate of four (4) new ordinary shares of RM0.25 each for every RM1.00 of CC-RPS and its attendant coupon payable.

## A15. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Jan-13 RM '000	31-Jul-12 RM '000	1-Aug-11 RM '000
Secured short term borrowings:			
Sukuk Mudharabah	15,382	15,354	15,207
Term and revolving loans	112,632	76,860	66,544
Hire purchase financings	257	252	264
Total short term borrowings	<u>128,271</u>	<u>92,466</u>	<u>82,015</u>
Secured long term borrowings:			
Sukuk Mudharabah	694,788	710,140	725,494
Term and revolving loans	811,580	664,595	622,665
Hire purchase financings	427	380	535
Total long term borrowings	<u>1,506,795</u>	<u>1,375,115</u>	<u>1,348,694</u>
Total borrowings	<u>1,635,066</u>	<u>1,467,581</u>	<u>1,430,709</u>

Included in other payables in the consolidated statement of financial position as at 31 January 2013 is RM135 million (31 January 2012: RM115.7 million) profits accrued up to that date 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.

## A16. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period ended 31 January 2013 except as disclosed in Note A14.

## A17. DIVIDEND

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

## A18. COMMITMENTS

	31-Jan-13 RM '000	31-Jul-12 RM '000	1-Aug-11 RM '000
<b>Capital expenditure</b>			
Approved and contracted for:			
Property, vessel and equipment	1,928	2,429	65,315
Approved but not contracted for:			
Property, vessel and equipment	216,490	127,060	-
Highway lane expansion	18,800	18,800	-

## A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise of the followings:-

	31-Jan-13 RM '000	31-Jul-12 RM '000	1-Aug-11 RM '000
Performance bond for expressway maintenance cost	1,500	1,500	1,500
Bank guarantee to charterers and suppliers	16,163	8,569	7,467

## A20. RELATED PARTY TRANSACTIONS

Tajul Green Sdn Bhd is a subsidiary of Dekon Holdings Sdn Bhd ("Dekon"). In the prior year, Dekon was deemed a related party of the Group by virtue of Datuk Seri Razman M Hashim's mutual interest and directorship in Dekon and the Group. During the current period, Dekon ceased to be a related party of the Group.

The purchases during the three-month period ended 31 January 2012 as well as the balance with the related party as at that date are as follows:

	RM '000
Purchases from related party	240
Amount owed to related party	160

The outstanding balance with the related party is unsecured and is to be settled in cash within 30 days.

**A21. 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.

**A22. EVENTS AFTER THE REPORTING PERIOD**

- a. On 21 February 2013, the Company converted RM3,800,000.00 Redeemable Convertible Unsecured Loan Stocks – B into 15,200,000 new ordinary shares of RM0.25 each. The new shares were granted listing and quotation with effect from 22 February 2013.
- b. On 18 March 2013, the Company converted RM399,723.25 Redeemable Convertible Unsecured Loan Stocks (CR) into 1,598,893 new ordinary shares of RM0.25 each. The new shares were granted listing and quotation with effect from 20 March 2013.
- c. On 21 March 2013, a 70%-owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd, has awarded shipbuilding contracts to Muhibbah Marine Engineering Sdn Bhd (“MME”), for the construction of two (2) units of 62-metre Anchor Handling Tug Supply (“AHTS”) vessels and one (1) unit of 70-metre AHTS vessel, for a total consideration of approximately RM 216.49 million. The vessels are expected to be delivered in stages from the end of the current calendar year until early 2014.

The purchase consideration for the vessels will be funded through a combination of internal funds and borrowings.

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

**B1. REVIEW OF PERFORMANCE**

	3 Months Ended			6 Months Ended		
	31-Jan-2013 RM '000	31-Jan-2012 RM '000	Change	31-Jan-2013 RM '000	31-Jan-2012 RM '000	Change
<b>Revenue</b>						
Oil and Gas Division	80,072	80,160	(0.1%)	159,548	127,022	25.6%
Highway Division	19,024	17,935	6.1%	37,501	35,725	5.0%
Investment Holding	591	338	74.9%	1,019	676	50.7%
Adjustments	(591)	(338)		(1,019)	(676)	
<b>Total</b>	<b>99,096</b>	<b>98,095</b>	<b>1.0%</b>	<b>197,049</b>	<b>162,747</b>	<b>21.1%</b>
<b>Profit/(loss) before taxation</b>						
Oil and Gas Division	11,389	10,921	4.3%	26,886	13,710	96.1%
Highway Division	(3,636)	(3,513)	(3.5%)	(8,556)	(7,139)	(19.8%)
Investment Holding	(22)	(218)	89.9%	(117)	(452)	74.1%
Adjustments	195	(47)		392	(83)	
<b>Total</b>	<b>7,926</b>	<b>7,143</b>	<b>11.0%</b>	<b>18,605</b>	<b>6,036</b>	<b>208.2%</b>

**a. Quarterly review**

For the current quarter under review ("Q2 2013"), the Group recorded marginally higher revenue of RM99.1 million and profit before taxation of RM7.9 million compared to revenue of RM98.1 million and profit before taxation of RM7.1 million in the preceding year corresponding quarter ("Q2 2012"). Details of the key factors driving the performance of each segment are provided as follows:

**i. Oil and Gas Division**

Oil and Gas Division remained the Group main source of revenue and operating profit, contributing 81% (Q2 2012: 82%) of Group revenue.

During the current period, Oil and Gas Division recorded revenue of RM80.1 million in line with RM80.2 million recorded in Q2 2012. Despite recording lower fleet utilization due to scheduled vessel dockings, the Division managed to maintain its revenue level on the back of the strengthening charter rates.

Further, the Oil and Gas Division recorded higher profit before taxation of RM11.4 million compared to RM10.9 million in Q2 2012. Notwithstanding that the division incurred higher depreciation and finance costs arising from its fleet expansion programme, the expansion has enabled the Division to reduce the use of third party vessels and its related charter hire costs.



## **ii. Highway Division**

Highway Division contributed 19% (Q2 2012: 18%) of the Group revenue, and recorded RM1.1 million higher revenue in the current period from higher traffic volume.

The Highway Division recorded slightly higher loss before taxation of RM3.6 million in the current quarter compared to RM3.5 million in Q2 2012 mainly due to higher amortisation of concession intangible assets.

## **b. Financial-year-to-date review**

For the six months period ended 31 January 2013 ("Q2 2013 YTD"), the Group recorded 21.1% higher revenue of RM197 million compared to RM162.7 million recorded in the preceding year corresponding period ("Q2 2012 YTD"), and 208.2% higher profit before taxation of RM18.6 million compared to RM6 million in Q2 2012 YTD.

Revenue of the Oil and Gas Division for Q2 2013 YTD improved by RM32.5 million or 25.6% while the profit surged by RM13.2 million or 96.1% over Q2 2012 YTD in line with:

- deployment of six new vessels in the preceding year pursuant to the Division's fleet expansion program, and
- improved vessel charter rates.

Meanwhile, the Highway Infrastructure Division recorded 5% higher revenue to RM37.5 million than Q2 2012 YTD on the back of higher traffic volume. Nevertheless, the Division's loss before taxation slipped to RM8.6 million from RM7.1 million in Q2 2012 YTD as it was affected by higher amortisation of concession intangible assets.

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

	3 Months Ended		Change
	31-Jan-2013	31-Oct-2012	
	RM '000	RM '000	
<b>Revenue</b>			
Oil and Gas Division	80,072	79,476	0.7%
Highway Division	19,024	18,477	3.0%
Investment Holding	591	428	38.1%
Adjustments	(591)	(428)	
Total	<u>99,096</u>	<u>97,953</u>	1.2%
<b>Profit/(loss) before taxation</b>			
Oil and Gas Division	11,389	15,496	(26.5%)
Highway Division	(3,636)	(4,729)	23.1%
Investment Holding	(22)	(96)	77.1%
Adjustments	195	8	
Total	<u>7,926</u>	<u>10,679</u>	(25.8%)

The Group recorded profit before taxation of RM7.9 million in the current quarter, 25.8% lower than RM10.7 million recorded in the immediate preceding quarter.

Higher traffic volume helped the Highway Division to reduce its loss before taxation to RM3.6 million during the current quarter from RM4.7 million in the preceding quarter. However, it was not sufficient to fully offset the decrease in the profit before taxation of the Oil and Gas Division owing to higher depreciation and finance costs following its fleet expansion 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 due to:
  - 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 Kajang SILK Highway.

However, the Highway Division will continue to record accounting losses due to the existing high finance and amortization costs.

The Group is expected to remain cash flow 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. 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.

**B6. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**B7. MATERIAL LITIGATION**

Following the compulsory acquisition of land falling under the Expressway, which was undertaken by SILK pursuant to the Concession Agreement, certain land owners whose land have been acquired, have filed their objection in Court against the Land Administrator's award of compensation. In SILK funded stretch, there are 240 cases comprising 238 cases with claims amounting to RM485.96 million while the land owners' claims for 2 cases were undetermined. Out of the 240 cases, 8 cases with claims of RM136.15 million and 2 undetermined 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.

**B8. REALISED AND UNREALISED PROFITS OF THE GROUP**

	<b>Current quarter ended <u>31 Jan 2013</u> RM '000</b>	<b>Previous financial year ended <u>31 July 2012</u> RM '000</b>
Total retained profits of the Company and its subsidiaries:		
- realised loss	(48,972)	(54,536)
- unrealised loss	(40,922)	(39,459)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(89,894)	(93,995)
Less consolidation adjustments	129,240	128,852
Total Group retained profits as per consolidated accounts	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	39,346	34,857

**B9. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report on the Group's financial statements for the year ended 31 July 2012 was not subject to any qualification.

**BY ORDER OF THE BOARD  
SECRETARIES**