



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

**INTERIM RESULTS FOR THE QUARTER ENDED  
30 APRIL 2013 (Q3 2013)**

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 APRIL 2013**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	30-Apr-2013	Quarter	30-Apr-2013	Period
	RM '000	30-Apr-2012	30-Apr-2012	RM '000
	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>	<b>93,823</b>	91,497	<b>290,871</b>	254,244
Direct costs	<b>(29,142)</b>	(31,776)	<b>(96,618)</b>	(87,825)
Gross profit	<b>64,681</b>	59,721	<b>194,253</b>	166,419
Other items of income:				
Interest income	<b>265</b>	197	<b>1,014</b>	819
Other income	<b>261</b>	365	<b>755</b>	768
Other item of expenses:				
Staff expenses	<b>(5,409)</b>	(5,529)	<b>(16,009)</b>	(16,211)
Administrative expenses	<b>(2,261)</b>	(1,704)	<b>(5,878)</b>	(7,677)
	<b>(7,670)</b>	(7,233)	<b>(21,887)</b>	(23,888)
<b>EBITDA</b>	<b>57,537</b>	53,050	<b>174,135</b>	144,118
Depreciation	<b>(21,511)</b>	(16,651)	<b>(58,536)</b>	(44,649)
Amortisation	<b>(3,768)</b>	(2,989)	<b>(11,096)</b>	(8,737)
Finance costs	<b>(27,664)</b>	(27,028)	<b>(81,304)</b>	(78,313)
	<b>(52,943)</b>	(46,668)	<b>(150,936)</b>	(131,699)
<b>Profit before taxation</b>	<b>4,594</b>	6,382	<b>23,199</b>	12,419
Taxation	<b>(1,702)</b>	(272)	<b>(5,718)</b>	(3,041)
<b>Net profit for the period</b>	<b>2,892</b>	6,110	<b>17,481</b>	9,378
Net profit and total comprehensive income attributable to:				
Owners of the parent	<b>733</b>	2,293	<b>5,522</b>	1,847
Non-controlling interests	<b>2,159</b>	3,817	<b>11,959</b>	7,531
	<b>2,892</b>	6,110	<b>17,481</b>	9,378
Earnings per share (sen)				
- basic	<b>0.18</b>	0.60	<b>1.41</b>	0.48
- diluted	<b>0.15</b>	0.40	<b>0.97</b>	0.42

*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 30 APRIL 2013****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30-Apr-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	879,361	890,458	901,648
Property, vessels and equipment	1,197,261	898,553	871,329
Goodwill on consolidation	647	647	647
Available for sale financial assets	-	-	600
	<u>2,077,269</u>	<u>1,789,658</u>	<u>1,774,224</u>
<b>Current assets</b>			
Inventories	690	939	168
Trade and other receivables	83,659	85,009	56,380
Tax recoverable	641	804	1,743
Deposits with licensed financial institutions	60,340	51,746	52,546
Cash and bank balances	24,222	19,669	12,198
	<u>169,552</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>2,247,136</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	108,333	99,262	99,262
Share premium	54,045	53,670	53,670
Equity component of loan stocks	34,034	37,271	37,271
Equity component of preference shares	1,383	1,901	1,901
Employee trust shares	(6,688)	(6,688)	(6,688)
Retained earnings	40,079	34,857	35,536
Reverse acquisition deficit	(92,791)	(92,791)	(92,791)
	<u>138,395</u>	<u>127,482</u>	<u>128,161</u>
Non-controlling interests	87,714	75,755	63,560
<b>Total equity</b>	<u>226,109</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 30 APRIL 2013****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30-Apr-2013 RM '000	Audited 31-Jul-2012 RM '000	Audited 1-Aug-2011 RM '000
<b>Non-current liabilities</b>			
Borrowings	1,483,511	1,375,115	1,348,694
Ijarah rental payable	110,823	93,550	73,329
Liability component of convertible preference shares	10,707	14,132	13,426
Liability component of convertible loan stocks	5,759	5,971	5,547
Deferred tax liabilities	57,931	52,660	46,490
Retirement benefits obligation	-	4,637	3,334
Provision for heavy repairs	3,074	2,536	3,703
	<u>1,671,805</u>	<u>1,548,601</u>	<u>1,494,523</u>
<b>Current liabilities</b>			
Borrowings	128,272	92,466	82,015
Trade and other payables	182,562	64,488	91,169
Ijarah rental payable	38,166	38,408	38,866
Provision for taxation	222	1,255	36
	<u>349,222</u>	<u>196,617</u>	<u>212,086</u>
<b>Total liabilities</b>	<u>2,021,027</u>	<u>1,745,218</u>	<u>1,706,609</u>
<b>Total equity and liabilities</b>	<u>2,247,136</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>RM0.52</u>	<u>RM0.51</u>	<u>RM0.48</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 30 APRIL 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to equity holders of the Company →								Total RM'000
	Share capital RM'000	Share premium RM'000	Employee trust shares RM'000	Non - distributable Equity component of preference shares RM'000	Equity component of loan stocks RM'000	Reverse acquisition deficit RM'000	Distributable Retained earnings RM'000	Non- Controlling interests 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	-	-	-	-	-	-	5,522	11,959	17,481
Transaction with Owners:									
Conversion of preference shares	4,871	380	-	(518)	-	-	-	-	4,733
Conversion of redeemable unsecured loan stocks	4,200	(5)	-	-	(3,237)	-	-	-	958
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	(300)	-	(300)
	9,071	375	-	(518)	(3,237)	-	(300)	-	5,391
<b>At 30 April 2013</b>	<b>108,333</b>	<b>54,045</b>	<b>(6,688)</b>	<b>1,383</b>	<b>34,034</b>	<b>(92,791)</b>	<b>40,079</b>	<b>87,714</b>	<b>226,109</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	-	-	-	-	-	-	1,847	7,531	9,378
Transaction with Owners:									
Contribution by a non-controlling shareholder	-	-	-	-	-	-	-	3,626	3,626
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	(600)	(900)
	-	-	-	-	-	-	-	3,026	3,026
<b>At 30 April 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>37,383</b>	<b>74,117</b>	<b>204,125</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 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 30 APRIL 2013****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>30-Apr-2013</b>	<b>30-Apr-2012</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of revenue	<b>294,972</b>	195,024
Collection of other income	<b>2,055</b>	1,534
	<b>297,027</b>	196,558
Payment of expenses	<b>(129,380)</b>	(115,382)
Net tax (paid) / recovered	<b>(1,276)</b>	363
Net cash generated from operating activities	<b>166,371</b>	81,539
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments	-	600
Proceeds from sale of property, vessels and equipment	<b>204</b>	177
Capital contributions by non-controlling interests	-	3,626
Purchase of property, vessels and equipment	<b>(232,786)</b>	(91,650)
Payment of expressway heavy repairs	<b>(888)</b>	(1,386)
Net cash used in investing activities	<b>(233,470)</b>	(88,633)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	<b>216,540</b>	93,995
Repayment of borrowings	<b>(72,338)</b>	(49,154)
Payment of finance costs	<b>(63,457)</b>	(62,712)
Dividends paid to a subsidiary's non-controlling shareholder	<b>(300)</b>	(600)
Net cash generated from financing activities	<b>80,445</b>	(18,471)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>13,346</b>	(25,565)
<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>84,562</b>	39,179

*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 26 June 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 30 April 2013:</u></b>					
<b>REVENUE</b>					
<b>Revenue</b>					
External customers	-	19,396	74,427	-	93,823
Inter-segment	1,021	-	-	(1,021)	-
<b>Total revenue</b>	<b>1,021</b>	<b>19,396</b>	<b>74,427</b>	<b>(1,021)</b>	<b>93,823</b>
<b>Segment profits before taxation</b>	<b>503</b>	<b>(3,519)</b>	<b>7,417</b>	<b>193</b>	<b>4,594</b>
<b>Segment assets</b>	<b>257,196</b>	<b>910,896</b>	<b>1,331,654</b>	<b>(252,610)</b>	<b>2,247,136</b>
<b><u>Quarter ended 30 April 2012:</u></b>					
<b>REVENUE</b>					
<b>Revenue</b>					
External customers	-	15,492	76,005	-	91,497
Inter-segment	331	-	-	(331)	-
<b>Total revenue</b>	<b>331</b>	<b>15,492</b>	<b>76,005</b>	<b>(331)</b>	<b>91,497</b>
<b>Segment profits before taxation</b>	<b>(226)</b>	<b>(5,922)</b>	<b>12,583</b>	<b>(53)</b>	<b>6,382</b>
<b>Segment assets</b>	<b>251,726</b>	<b>923,816</b>	<b>1,039,363</b>	<b>(250,303)</b>	<b>1,964,602</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.

## 7. 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		9 months ended	
	30-Apr-2013	30-Apr-2012	30-Apr-2013	30-Apr-2012
	RM '000	RM '000	RM '000	RM '000
Interest income	265	197	1,014	819
Other income (including investment income)	261	365	755	768
Finance costs	(27,664)	(27,028)	(81,304)	(78,313)
Depreciation of property, vessel and equipment	(21,511)	(16,651)	(58,536)	(44,649)
Amortisation of concession intangible assets	(3,768)	(2,989)	(11,096)	(8,737)
Allowance for impairment	-	-	-	(2,455)
Forex loss	(25)	(3)	(48)	(56)

## A9. INCOME TAX

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30-Apr-2013	30-Apr-2012	30-Apr-2013	30-Apr-2012
	RM '000	RM '000	RM '000	RM '000
Current period tax charge:				
Malaysian income tax	224	342	995	743
Deferred income tax:				
Relating to origination and reversal of temporary difference	1,478	(70)	4,723	2,298
	<u>1,702</u>	<u>272</u>	<u>5,718</u>	<u>3,041</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 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:

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30-Apr-2013</b>	<b>30-Apr-2012</b>	<b>30-Apr-2013</b>	<b>30-Apr-2012</b>
<b>Basic earnings per share:</b>				
Profit net of tax attributable to owners of the parent (RM '000)	733	2,293	5,522	1,847
Weighted average number of ordinary shares in issue ('000)	408,803	381,849	392,081	381,849
<b>Basic earnings per share (sen)</b>	<b>0.18</b>	<b>0.60</b>	<b>1.41</b>	<b>0.48</b>
<b>Diluted earnings per share:</b>				
Profit net of tax attributable to owners of the parent (RM '000)	983	2,558	6,363	2,645
Weighted average number of ordinary shares at beginning of the period ('000)	408,803	381,849	392,081	381,849
Effects of dilution:				
- Convertible loan stocks	193,123	187,068	190,246	184,421
- Convertible preference shares	59,958	70,359	70,956	69,750
Total number of ordinary shares for diluted earnings per share computation ('000)	661,884	639,276	653,283	636,020
<b>Diluted earnings per share (sen)</b>	<b>0.15</b>	<b>0.40</b>	<b>0.97</b>	<b>0.42</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**

There is no disposal of non-current assets held for sale during the current period.

**A13. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following amounts:

	<b>30-Apr-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	24,222	19,669	12,198
Short term deposits	60,340	51,746	52,546
Total cash and cash equivalents	<u>84,562</u>	<u>71,415</u>	<u>64,744</u>

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

During the financial period ended 30 April 2013, the Company issued:

- a. 16,798,893 ordinary shares of RM0.25 each pursuant to the conversion of the Company's Redeemable Convertible Unsecured Loan Stocks ("RCULS") at the rate of four (4) new ordinary shares of RM0.25 each for every RM1.00 of RCULS and its attendant coupon payable.
- b. 7,655,695 ordinary shares of RM0.25 each pursuant to the 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:

	<b>30-Apr-13</b>	<b>31-Jul-12</b>	<b>1-Aug-11</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Secured short term borrowings:			
Sukuk Mudharabah	15,382	15,354	15,207
Term and revolving loans	112,647	76,860	66,544
Hire purchase financings	243	252	264
Total short term borrowings	<u>128,272</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	788,360	664,595	622,665
Hire purchase financings	363	380	535
Total long term borrowings	<u>1,483,511</u>	<u>1,375,115</u>	<u>1,348,694</u>
Total borrowings	<u>1,611,783</u>	<u>1,467,581</u>	<u>1,430,709</u>

Included in other payables in the consolidated statement of financial position as at 30 April 2013 is RM149 million (30 April 2012: RM130 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 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 30 April 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**

	<b>30-Apr-13</b>	<b>31-Jul-12</b>	<b>1-Aug-11</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Capital expenditure</b>			
Approved and contracted for:			
Property, vessel and equipment	120,536	2,429	65,315
Approved but not contracted for:			
Property, vessel and equipment	-	127,060	-
Highway lane expansion	18,800	18,800	-

**A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Contingent liabilities of the Group comprise of the followings:-

	<b>30-Apr-13</b>	<b>31-Jul-12</b>	<b>1-Aug-11</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Performance bond for expressway maintenance cost	1,500	1,500	1,500
Bank guarantee to charterers and suppliers	16,530	8,569	7,467

**A20. 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.

**A21. EVENTS AFTER THE REPORTING PERIOD**

There is no material event occurring after the reporting period.

**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			9 Months Ended		
	30-Apr-13 RM '000	30-Apr-12 RM '000	Change	30-Apr-13 RM '000	30-Apr-12 RM '000	Change
<b>Revenue</b>						
Oil and Gas Division	74,427	76,005	(2.1%)	233,975	203,027	15.2%
Highway Division	19,396	15,492	25.2%	56,896	51,217	11.1%
Investment Holding	1,021	331	208.5%	2,040	1,007	102.6%
Adjustments	(1,021)	(331)	(208.5%)	(2,040)	(1,007)	(102.6%)
<b>Total</b>	<b>93,823</b>	<b>91,497</b>	<b>2.5%</b>	<b>290,871</b>	<b>254,244</b>	<b>14.4%</b>
<b>Profit/(loss) before taxation</b>						
Oil and Gas Division	7,417	12,583	(41.1%)	34,303	26,294	30.5%
Highway Division	(3,519)	(5,922)	40.6%	(12,075)	(13,061)	7.5%
Investment Holding	503	(226)	322.6%	385	(679)	156.7%
Adjustments	193	(53)	464.2%	586	(136)	530.9%
<b>Total</b>	<b>4,594</b>	<b>6,382</b>	<b>(28.0%)</b>	<b>23,199</b>	<b>12,418</b>	<b>86.8%</b>

**a. Quarterly review**

**i. Oil and Gas Division**

Oil and Gas Division remained the Group's main source of revenue and operating profit, contributing 79% (Q3 2012: 83%) of Group revenue.

During the current period, Oil and Gas Division recorded revenue of RM74.4 million which is marginally lower than RM76 million recorded in Q3 2012. Although recording lower fleet utilization due to the scheduled vessel dockings and repairs, the Division managed to maintain its revenue level on the back of the strengthening charter rates.

However, the Oil and Gas Division recorded lower profit before taxation of RM7.4 million compared to RM12.6 million in Q3 2012. In addition to lower fleet utilization as mentioned above, the reduction in the profit before taxation was also attributable to higher depreciation and finance costs arising from its fleet expansion programme.

## **ii. Highway Division**

Highway Division contributed 21% (Q3 2012: 17%) of the Group revenue, and recorded RM3.9 million higher revenue in the current period from higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM3.5 million in the current quarter from RM5.9 million in Q3 2012.

## **iii. Group**

For the current quarter under review ("Q3 2013"), the Group recorded marginally higher revenue of RM93.8 million compared to revenue of RM91.5 million in the preceding year corresponding quarter ("Q3 2012"). Profit before taxation, however, declined to RM4.6 million in Q3 2013 from RM6.4 million in Q3 2012.

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

### **i. Oil and Gas Division**

Revenue of the Oil and Gas Division for Q3 2013 YTD improved by RM30.9 million or 15.2% while the profit surged by RM8 million or 30.5% over Q3 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.

### **ii. Highway Division**

Meanwhile, the Highway Infrastructure Division recorded 11.1% higher revenue to RM56.9 million from RM51.2 million in Q3 2012 YTD on the back of higher traffic volume. As a result, the Division's loss before taxation reduced to RM12.1 million from RM13.1 million in Q3 2012 YTD despite incurring higher amortisation of concession intangible assets.

### **iii. Group**

As a result, for the nine months period ended 30 April 2013 ("Q3 2013 YTD"), the Group recorded 14.4% higher revenue of RM290.9 million compared to RM254.2 million recorded in the preceding year corresponding period ("Q3 2012 YTD"), and 86.8% higher profit before taxation of RM23.2 million compared to RM12.4 million in Q3 2012 YTD.



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

	3 Months Ended		
	30-Apr-13	31-Jan-13	Change
	RM '000	RM '000	
<b>Revenue</b>			
Oil and Gas Division	74,427	80,072	(7.0%)
Highway Division	19,396	19,024	2.0%
Investment Holding	1,021	591	72.8%
Adjustments	(1,021)	(591)	(72.8%)
Total	<u>93,823</u>	<u>99,096</u>	<u>(5.3%)</u>
<b>Profit/(loss) before taxation</b>			
Oil and Gas Division	7,417	11,389	(34.9%)
Highway Division	(3,519)	(3,636)	3.2%
Investment Holding	503	(22)	2,386.4%
Adjustments	193	195	(1.0%)
Total	<u>4,594</u>	<u>7,926</u>	<u>(42.0%)</u>

Profit before taxation of the Oil and Gas Division dropped to RM7.4 million in the current quarter from RM11.4 million in the preceding quarter owing to higher depreciation and finance costs following its fleet expansion programme.

On the other hand, loss before taxation of the Highway Division marginally reduced to RM3.5 million during the current quarter from RM3.6 million in the preceding quarter following the continuing growth in its traffic volume.

Therefore, the Group recorded profit before taxation of RM4.6 million in the current quarter, 42% lower than RM7.9 million recorded in the immediate preceding quarter.

## 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
  - continuing 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>30-Apr-13</u> RM '000</b>	<b>Previous financial year ended <u>31-Jul-12</u> RM '000</b>
Total retained profits of the Company and its subsidiaries:		
- realised loss	(47,965)	(54,536)
- unrealised loss	(41,388)	(39,459)
	<u>(89,353)</u>	<u>(93,995)</u>
Less consolidation adjustments	129,432	128,852
Total Group retained profits as per consolidated accounts	<u>40,079</u>	<u>34,857</u>

**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**