



SILK HOLDINGS BERHAD (405897-V)

**INTERIM RESULTS FOR THE PERIOD ENDED
31 OCTOBER 2013 (Q1 2014)**

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(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 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-Oct-2013 RM '000	31-Oct-2012 RM '000	31-Oct-2013 RM '000	31-Oct-2012 RM '000
Revenue	94,448	97,953	94,448	97,953
Direct costs	(24,989)	(33,383)	(24,989)	(33,383)
Gross profit	69,459	64,570	69,459	64,570
Other items of income:				
Interest income	565	384	565	384
Other income	236	232	236	232
Other item of expenses:				
Staff expenses	(5,623)	(5,316)	(5,623)	(5,316)
Administrative expenses	(1,866)	(1,690)	(1,866)	(1,690)
	(7,489)	(7,006)	(7,489)	(7,006)
EBITDA	62,771	58,180	62,771	58,180
Depreciation	(22,006)	(17,620)	(22,006)	(17,620)
Amortisation	(3,789)	(3,602)	(3,789)	(3,602)
Finance costs	(29,047)	(26,279)	(29,047)	(26,279)
	(54,842)	(47,501)	(54,842)	(47,501)
Profit before taxation	7,929	10,679	7,929	10,679
Taxation	(1,292)	(2,425)	(1,292)	(2,425)
Net profit for the period	6,637	8,254	6,637	8,254
Net profit and total comprehensive income attributable to:				
Owners of the parent	2,183	2,819	2,183	2,819
Non-controlling interests	4,454	5,435	4,454	5,435
	6,637	8,254	6,637	8,254
Earnings per share (sen)				
- basic	0.52	0.74	0.52	0.74
- diluted	0.37	0.48	0.37	0.48

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2013 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 OCTOBER 2013**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31-Oct-2013	Audited 31-Jul-2013
	RM '000	RM '000
Assets		
Non-current assets		
Concession intangible assets	872,684	876,382
Property, vessels and equipment	1,185,609	1,146,114
Goodwill on consolidation	647	647
	<u>2,058,940</u>	<u>2,023,143</u>
Current assets		
Inventories	941	735
Trade and other receivables	75,084	63,048
Tax recoverable	638	551
Deposits with licensed financial institutions	89,863	70,868
Cash and bank balances	20,178	20,938
	<u>186,704</u>	<u>156,140</u>
Non-current assets classified as held for sale	63	189
Total assets	<u>2,245,707</u>	<u>2,179,472</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	108,333	108,333
Share premium	54,045	54,045
Equity component of loan stocks	34,034	34,034
Equity component of preference shares	1,384	1,384
Employee trust shares	(6,688)	(6,688)
Retained earnings	41,453	39,270
Reverse acquisition deficit	(92,791)	(92,791)
	<u>139,770</u>	<u>137,587</u>
Non-controlling interests	94,253	89,799
Total equity	<u>234,023</u>	<u>227,386</u>

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

	31-Oct-2013	Audited
	RM '000	31-Jul-2013
		RM '000
Non-current liabilities		
Borrowings	1,497,124	1,503,725
Ijarah rental payable	151,673	136,492
Liability component of convertible loan stocks	5,977	5,867
Deferred tax liabilities	60,344	59,173
Provision for heavy repairs	3,105	3,073
	<u>1,718,223</u>	<u>1,708,330</u>
Current liabilities		
Borrowings	142,899	146,132
Trade and other payables	122,332	69,253
Liability component of convertible preference shares	10,980	10,837
Ijarah rental payable	16,895	16,895
Provision for taxation	355	639
	<u>293,461</u>	<u>243,756</u>
Total liabilities	2,011,684	1,952,086
Total equity and liabilities	<u>2,245,707</u>	<u>2,179,472</u>
Net assets per share attributable to equity holders of the Company	<u>RM 0.32</u>	<u>RM 0.32</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 2013 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 OCTOBER 2013
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →							Non-Controlling interests RM'000	Total RM'000
	← Non-distributable →			Distributable					
	Share capital RM'000	Share premium RM'000	Employee trust shares RM'000	Equity component of preference shares RM'000	Equity component of loan stocks RM'000	Reverse acquisition deficit RM'000	Retained earnings RM'000		
At 1 August 2013	108,333	54,045	(6,688)	1,384	34,034	(92,791)	39,270	89,799	227,386
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	2,183	4,454	6,637
At 31 October 2013	<u>108,333</u>	<u>54,045</u>	<u>(6,688)</u>	<u>1,384</u>	<u>34,034</u>	<u>(92,791)</u>	<u>41,453</u>	<u>94,253</u>	<u>234,023</u>
At 1 August 2012	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	-	-	-	-	-	-	2,819	5,435	8,254
Transaction with Owners:									
Conversion of preference shares	590	42	-	(63)	-	-	-	-	569
At 31 October 2012	<u>99,852</u>	<u>53,712</u>	<u>(6,688)</u>	<u>1,838</u>	<u>37,271</u>	<u>(92,791)</u>	<u>37,676</u>	<u>81,190</u>	<u>212,060</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 2013 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 OCTOBER 2013****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	31-Oct-2013	31-Oct-2012
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue	80,532	68,700
Collection of other income	507	778
	81,039	69,478
Payment of expenses	(25,403)	(41,209)
Net tax paid	(486)	(460)
Net cash generated from operating activities	55,150	27,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, vessels and equipment	(12,417)	(4,773)
Payment for expressway development expenditure	(101)	-
Payment of expressway heavy repairs	-	(32)
Net cash used in investing activities	(12,518)	(4,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	18,469	-
Repayment of borrowings	(28,303)	(17,874)
Payment of finance costs	(14,563)	(11,241)
Net cash generated from financing activities	(24,397)	(29,115)
NET DECREASE IN CASH AND CASH EQUIVALENTS	18,235	(6,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	91,806	71,216
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	110,041	65,105

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2013 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 16 December 2013.

A2. 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 certain differences, the requirements 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:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127		1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities		1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosure for Non-Financial Assets	1 January 2014

A2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1 (contd.)

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
MFRS 9	Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

A3. CHANGES IN ESTIMATES

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

A4. CHANGES IN THE COMPOSITION OF THE GROUP

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

A5. SEGMENT INFORMATION

	Investment Holding Division RM '000	Highway Division RM '000	Oil & Gas Division RM '000	Adjustments RM '000	Total RM '000
<u>Quarter ended 31 October 2013:</u>					
REVENUE					
Revenue					
External customers	-	20,766	73,682	-	94,448
Inter-segment	1,295	-	-	(1,295)	-
Total revenue	1,295	20,766	73,682	(1,295)	94,448
Segment profits before taxation	797	(2,935)	10,132	(65)	7,929
Segment assets	258,266	925,014	1,320,203	(257,776)	2,245,707

Quarter ended 31 October 2012:

REVENUE					
Revenue					
External customers	-	18,477	79,476	-	97,953
Inter-segment	428	-	-	(428)	-
Total revenue	428	18,477	79,476	(428)	97,953
Segment profits before taxation	(96)	(4,729)	15,496	8	10,679
Segment assets	253,940	922,762	1,021,192	(241,474)	1,956,420

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.

A6. SEASONAL OR CYCLICAL FACTORS

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

A7. PROFIT BEFORE TAX

Included in the profit before tax are the following items:

	3 months ended	
	31-Oct-2013	31-Oct-2012
	RM '000	RM '000
Interest income	565	384
Other income (including investment income)	236	232
Finance costs	(29,047)	(26,279)
Depreciation of property, vessel and equipment	(22,006)	(17,620)
Amortisation of concession intangible assets	(3,789)	(3,602)
Gain on disposal of non-current assets classified as held for sale	24	30
Provision for highway heavy repairs	-	(1,000)
Forex loss	(138)	(12)

A8. INCOME TAX

	Current Quarter	
	3 months ended	
	31-Oct-2013	31-Oct-2012
	RM '000	RM '000
Current period tax charge:		
Malaysian income tax	120	429
Deferred income tax:		
Relating to origination and reversal of temporary differences	1,172	1,996
	<u>1,292</u>	<u>2,425</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.

A9. 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:

	Current Quarter	
	3 months ended	
	31-Oct-2013	31-Oct-2012
Basic earnings per share:		
Profit net of tax attributable to owners of the parent (RM '000)	2,183	2,819
Weighted average number of ordinary shares in issue ('000)	418,132	381,849
Basic earnings per share (sen)	0.52	0.74
Diluted earnings per share:		
Profit net of tax attributable to owners of the parent (RM '000)	2,427	3,115
Weighted average number of ordinary shares at beginning of the period ('000)	418,132	381,849
Effects of dilution:		
- Convertible loan stocks	178,920	190,246
- Convertible preference shares	52,511	70,956
Total number of ordinary shares for diluted earnings per share computation ('000)	649,563	643,051
Diluted earnings per share (sen)	0.37	0.48

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. NON-CURRENT ASSETS HELD FOR SALE

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

A12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	31-Oct-13	31-Jul-13
	RM '000	RM '000
Cash and bank balances	22,448	20,938
Short term deposits	89,863	70,868
	<u>112,311</u>	<u>91,806</u>
Less bank overdraft	(2,270)	-
Total cash and cash equivalents	<u>110,041</u>	<u>91,806</u>

A13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There has been no:

- issue of new shares, and
- repurchase and sale of treasury shares

during the financial period ended 31 October 2013.

A14. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Oct-13	31-Jul-13
	RM '000	RM '000
Secured short term borrowings:		
Sukuk Mudharabah	18,895	18,895
Revolving loans	7,500	-
Term loans	116,258	127,008
Hire purchase financings	246	229
Total short term borrowings	<u>142,899</u>	<u>146,132</u>
Secured long term borrowings:		
Sukuk Mudharabah	691,275	691,275
Term loans	805,607	812,132
Hire purchase financings	242	318
Total long term borrowings	<u>1,497,124</u>	<u>1,503,725</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 October 2013 is RM168.6 million (31 July 2013: RM153.4 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.

A15. 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 October 2013.

A16. DIVIDEND

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

A17. COMMITMENTS

	31-Oct-13	31-Jul-13
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	110,223	150,687
Approved but not contracted for:		
Property, vessel and equipment	92,334	112,658
Highway lane expansion	18,000	18,000
Highway repairs and other concession assets	9,500	9,500

A18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Oct-13	31-Jul-13
	RM '000	RM '000
Performance bond for expressway maintenance cost	1,500	1,500
Bank guarantee to charterers and suppliers	13,540	13,214

A19. 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.

A20. EVENTS AFTER THE REPORTING PERIOD

- a. Maturity of the RM20,000,000 10-Year Cumulative Convertible Redeemable Preference Shares

On 6 November 2003, the Company issued 20,000,000 10-Year Cumulative Non-Convertible Redeemable Preference Shares (“CN-RPS”) of RM0.10 each pursuant to a Rights Issue undertaken to part-finance the construction of Kajang SILK Highway.

The CN-RPS was issued at RM1.00 each and was subsequently varied into Cumulative Convertible Redeemable Preference Shares (“CC-RPS”) on 27 October 2009.

At the CC-RPS’ Maturity Date, 5 November 2013, the remaining units together with the accrued dividends were converted by the CC-RPS holders into 52,746,667 ordinary shares.

Subsequently, the new shares were listed on Bursa Malaysia on 12 November 2013, and the total paid up share capital of the Company was increased to RM121,519,786.

- b. Acquisition of the remaining 49% equity interest held by GMV-Jasa Sdn Bhd in the following companies:

- (i) JM Global 1 (Labuan) Plc (“JMG 1”);
- (ii) JM Global 2 (Labuan) Plc (“JMG 2”);
- (iii) JM Global 3 (Labuan) Plc (“JMG 3”); and
- (iv) JM Global 4 (Labuan) Plc (“JMG 4”).

On 15 November 2013, Jasa Merin (Malaysia) Sdn. Bhd. (“JM”), a 70%-owned subsidiary of AQL Aman Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had served a notice to GMV-Jasa Sdn Bhd (“GMV-Jasa”), a wholly-owned subsidiary of Global Maritime Ventures Berhad to exercise JM’s rights pursuant the joint venture agreement dated 27 February 2008 between JM and GMV-Jasa (“JVA”) to acquire the remaining 49% equity interest held by GMV-Jasa, in the following companies:

- (i) JM Global 1 (Labuan) Plc (“JMG 1”);
- (ii) JM Global 2 (Labuan) Plc (“JMG 2”);
- (iii) JM Global 3 (Labuan) Plc (“JMG 3”); and
- (iv) JM Global 4 (Labuan) Plc (“JMG 4”).

(collectively referred to as the “Ship Owning Companies” or “SOCs”).

JM had on 27 February 2008 entered into the JVA with GMV-Jasa where both parties agreed to form joint venture company(ies) by incorporating SOCs with the objective of jointly investing in and acquiring offshore support vessels (“OSVs”) for the purpose of securing charter contracts for the provision of OSVs to the oil and gas industry.

Subsequent to the JVA, the SOCs were incorporated on 3 June 2008, where currently JM and GMV-Jasa each holds 51% and 49% equity interest respectively.

Under Clause 15.3 of the JVA, GMV-Jasa granted JM a call option, whereby JM may by a notice in writing issued to GMV-Jasa, offer to acquire all shares held by GMV-Jasa in the SOCs at any point of time within a period of ten years from the date of which the funds were first injected into the respective SOCs or any other financial assistance extended by GMV-Jasa or its nominee to the respective SOCs.

Pursuant to the above clause, JM had on 15 November 2013 served the Notice to GMV-Jasa to acquire the remaining 49% equity interest held by GMV-Jasa in the SOCs at a purchase consideration to be determined later, based on the terms and conditions of the JVA to be fully satisfied in cash.

The acquisition has been approved by the shareholders of the Company in an Extraordinary General Meeting held on 13 December 2013.

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		
	31-Oct-13	31-Oct-12	Change
	(Q1 2014)	(Q1 2013)	
	RM '000	RM '000	
Revenue			
Oil and Gas Division	73,682	79,476	(7.3%)
Highway Division	20,766	18,477	12.4%
Investment Holding	1,295	428	202.6%
Adjustments	(1,295)	(428)	(202.6%)
Total	94,448	97,953	(3.6%)

Profit/(loss) before taxation

Oil and Gas Division	10,132	15,496	(34.6%)
Highway Division	(2,935)	(4,729)	37.9%
Investment Holding	797	(96)	930.2%
Adjustments	(65)	8	(912.5%)
Total	7,929	10,679	(25.8%)

a. Quarterly review

i. Oil and Gas Division

Oil and Gas Division remained the Group's main source of revenue and operating profit, contributing 78% (Q1 2013: 81%) of Group revenue.

During the current period, Oil and Gas Division recorded revenue of RM73.7 million which is 7.3% lower than RM79.5 million recorded in Q1 2013 mainly due to lower fleet utilization arising from scheduled vessel dockings and repairs.

Consequently, the Oil and Gas Division recorded lower profit before taxation of RM10.1 million compared to RM15.5 million in Q1 2013. 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 22% (Q1 2013: 19%) of the Group revenue, and recorded RM2.3 million higher revenue in the current period from higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM2.9 million in the current quarter from RM4.7 million in Q1 2013.

iii. Group

For the current quarter under review (Q1 2014), the Group recorded marginally lower revenue of RM94.4 million compared to revenue of RM98 million in the preceding year corresponding quarter (Q1 2013). Profit before taxation, correspondingly, declined to RM7.9 million in Q1 2014 from RM10.7 million in Q1 2013.

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

	3 Months Ended		
	31-Oct-13	31-Jul-13	Change
	(Q1 2014)	(Q4 2013)	
	RM '000	RM '000	
Revenue			
Oil and Gas Division	73,682	72,563	1.5%
Highway Division	20,766	19,912	4.3%
Investment Holding	1,295	1,213	6.8%
Adjustments	(1,295)	(1,213)	(6.8%)
Total	94,448	92,475	2.1%
Profit/(loss) before taxation			
Oil and Gas Division	10,132	7,439	36.2%
Highway Division	(2,935)	(4,150)	29.3%
Investment Holding	797	769	3.6%
Adjustments	(65)	(821)	92.1%
Total	7,929	3,237	144.9%

Profit before taxation of the Oil and Gas Division of RM10.1 million in the current quarter was 36.2% higher than the preceding quarter in line with higher utilisation of own vessels despite the reduction in third party vessel utilisation.

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

Further, loss before taxation of the Highway Division was reduced to RM2.9 million during the current quarter from RM4.2 million in the preceding quarter in line with higher revenue arising from the increase in traffic volume.

Consequently, the Group recorded higher profit before taxation of RM7.9 million in the current quarter, compared to the RM3.2 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 connectivity with other highways 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.

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

On a consolidated basis, the Group is now profitable and the Board is confident that this profitability will be sustained for the year ending 31 July 2014.

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 the 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, 3 cases with claims of RM127.15 million and 1 undetermined case 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

	Current quarter ended <u>31-Oct-13</u> RM '000	Previous financial year ended <u>31-Jul-13</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(20,671)	(24,650)
- unrealised loss	(66,351)	(64,623)
	<hr style="border-top: 1px solid black;"/> (87,022)	<hr style="border-top: 1px solid black;"/> (89,273)
Less consolidation adjustments	128,475	128,543
Total Group retained profits as per consolidated accounts	<hr style="border-top: 1px solid black;"/> 41,453	<hr style="border-top: 1px solid black;"/> 39,270

B9. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 July 2013 was not subject to any qualification.

**BY ORDER OF THE BOARD
SECRETARIES**