



SILK HOLDINGS BERHAD (405897-V)

**INTERIM RESULTS FOR THE PERIOD ENDED
31 JANUARY 2014 (Q2 2014)**

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	31-Jan-2014	Quarter	31-Jan-2014	Period
	RM '000	31-Jan-2013	31-Jan-2013	RM '000
	RM '000	RM '000	RM '000	RM '000
Revenue	84,954	99,096	179,402	197,049
Direct costs	(21,598)	(34,093)	(46,587)	(67,476)
Gross profit	63,356	65,003	132,815	129,573
Other items of income:				
Interest income	472	388	1,068	772
Other income	5,346	239	5,551	471
Other item of expenses:				
Staff expenses	(5,828)	(5,284)	(11,451)	(10,600)
Administrative expenses	(2,422)	(1,927)	(4,287)	(3,617)
	(8,250)	(7,211)	(15,738)	(14,217)
EBITDA	60,924	58,419	123,696	116,599
Depreciation	(22,593)	(19,406)	(44,600)	(37,025)
Amortisation	(3,856)	(3,725)	(7,645)	(7,328)
Finance costs	(29,018)	(27,362)	(58,065)	(53,641)
	(55,467)	(50,493)	(110,310)	(97,994)
Profit before taxation	5,457	7,926	13,386	18,605
Taxation	(579)	(1,591)	(1,871)	(4,016)
Net profit for the period	4,878	6,335	11,515	14,589
Net profit and total comprehensive income attributable to:				
Owners of the parent	1,228	1,970	3,411	4,789
Non-controlling interests	3,650	4,365	8,104	9,800
	4,878	6,335	11,515	14,589
Earnings per share (sen)				
- basic	0.26	0.51	0.77	1.25
- diluted	0.20	0.35	0.60	0.83

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 JANUARY 2014**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31-Jan-2014	Audited 31-Jul-2013
	RM '000	RM '000
Assets		
Non-current assets		
Concession intangible assets	870,707	876,382
Property, vessels and equipment	1,169,091	1,146,114
Goodwill on consolidation	647	647
	<u>2,040,445</u>	<u>2,023,143</u>
Current assets		
Inventories	1,047	735
Trade and other receivables	79,974	63,048
Tax recoverable	857	551
Deposits with licensed financial institutions	57,291	70,868
Cash and bank balances	10,362	20,938
	<u>149,531</u>	<u>156,140</u>
Non-current assets classified as held for sale	-	189
Total assets	<u>2,189,976</u>	<u>2,179,472</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	121,520	108,333
Share premium	55,429	54,045
Equity component of loan stocks	34,034	34,034
Equity component of preference shares	-	1,384
Employee trust shares	(6,688)	(6,688)
Retained earnings	38,332	39,270
Reverse acquisition deficit	(92,791)	(92,791)
	<u>149,836</u>	<u>137,587</u>
Non-controlling interests	52,790	89,799
Total equity	<u>202,626</u>	<u>227,386</u>

SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2014**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31-Jan-2014	Audited
	RM '000	31-Jul-2013
		RM '000
Non-current liabilities		
Borrowings	1,570,819	1,503,725
Ijarah rental payable	145,924	136,492
Liability component of convertible loan stocks	6,090	5,867
Deferred tax liabilities	60,155	59,173
Provision for heavy repairs	3,137	3,073
	<u>1,786,125</u>	<u>1,708,330</u>
Current liabilities		
Borrowings	149,355	146,132
Trade and other payables	42,588	69,253
Liability component of convertible preference shares	-	10,837
Ijarah rental payable	8,357	16,895
Provision for taxation	925	639
	<u>201,225</u>	<u>243,756</u>
Total liabilities	1,987,350	1,952,086
Total equity and liabilities	<u>2,189,976</u>	<u>2,179,472</u>
Net assets per share attributable to equity holders of the Company	<u>RM 0.31</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 JANUARY 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →							Non-Controlling interests RM'000	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		
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	-	-	-	-	-	-	3,411	8,104	11,515
Transaction with Owners:									
Conversion of preference shares	13,187	1,384	-	(1,384)	-	-	-	-	13,187
Acquisition of minority interest	-	-	-	-	-	-	(4,349)	(45,113)	(49,462)
	13,187	1,384	-	(1,384)	-	-	(4,349)	(45,113)	(36,275)
At 31 January 2014	121,520	55,429	(6,688)	-	34,034	(92,791)	38,332	52,790	202,626
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	-	-	-	-	-	-	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 interest	-	-	-	-	-	-	-	(300)	(300)
	2,957	293	-	(314)	-	-	-	(300)	2,636
At 31 January 2013	102,219	53,963	(6,688)	1,587	37,271	(92,791)	39,646	85,255	220,462

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 JANUARY 2014****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	31-Jan-2014	31-Jan-2013
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue	179,229	173,565
Collection of other income	3,379	1,650
	182,608	175,215
Payment of expenses	(66,417)	(88,082)
Net tax paid	(902)	(371)
Net cash generated from operating activities	115,289	86,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, vessel and equipment	110	198
Purchase of property, vessels and equipment	(99,190)	(228,229)
Acquisition of minority interest	(49,463)	-
Payment for expressway development expenditure	(1,256)	-
Payment of expressway heavy repairs	-	(888)
Net cash used in investing activities	(149,799)	(228,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	141,595	216,540
Repayment of borrowings	(71,278)	(49,055)
Payment of finance costs	(59,960)	(48,693)
Dividends paid to a non-controlling shareholder	-	(300)
Net cash generated from financing activities	10,357	118,492
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,153)	(23,665)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	91,806	71,216
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	67,653	47,551

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

A1. BASIS OF PREPARATION

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

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 2013.

A2. 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 25 March 2014.

A3. ACCOUNTING POLICIES

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 2013, except for the adoption of the following Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs and IC Interpretations which are mandatory for these financial statements.

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
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

A3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1 (contd.)

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
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

The adoption of the above MFRSs and Amendments to MFRSs and IC Interpretations does not have any material impact on the financial performance and financial position of the Group.

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
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.

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, except as disclosed in Note B5.

A6. 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 January 2014:</u>					
Revenue					
External customers	-	21,241	63,713	-	84,954
Inter-segment	1,295	-	-	(1,295)	-
Total revenue	1,295	21,241	63,713	(1,295)	84,954
Segment profits before taxation					
	815	(2,615)	7,317	(60)	5,457
Segment assets					
	260,622	891,280	1,289,864	(251,790)	2,189,976
<u>Quarter ended 31 January 2013:</u>					
Revenue					
External customers	-	19,024	80,072	-	99,096
Inter-segment	591	-	5,236	(5,827)	-
Total revenue	591	19,024	85,308	(5,827)	99,096
Segment profits before taxation					
	(22)	(3,636)	11,389	195	7,926
Segment assets					
	254,045	900,259	1,249,228	(249,284)	2,154,248

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 3 months ended		Cumulative Quarter 6 months ended	
	31-Jan-2014 RM '000	31-Jan-2013 RM '000	31-Jan-2014 RM '000	31-Jan-2013 RM '000
Interest income	472	388	1,068	772
Rental income	51	47	104	94
Gain on disposal of property, vessel and equipment	5,131	33	5,155	63
Interest expenses	(29,018)	(27,362)	(58,065)	(53,641)
Depreciation of property, vessel and equipment	(22,593)	(19,406)	(44,600)	(37,025)
Amortisation of concession intangible assets	(3,856)	(3,725)	(7,645)	(7,328)
Net foreign exchange gain/(loss)	20	(23)	(118)	(23)

A9. INCOME TAX

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31-Jan-2014 RM '000	31-Jan-2013 RM '000	31-Jan-2014 RM '000	31-Jan-2013 RM '000
Current period tax charge:				
Malaysian income tax	381	342	501	771
Underprovision in prior periods	379	-	379	-
	<u>760</u>	<u>342</u>	<u>880</u>	<u>771</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(31)	1,249	1,141	3,245
Overprovision in prior periods	(150)	-	(150)	-
	<u>(181)</u>	<u>1,249</u>	<u>991</u>	<u>3,245</u>
	<u>579</u>	<u>1,591</u>	<u>1,871</u>	<u>4,016</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:

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31-Jan-2014	31-Jan-2013	31-Jan-2014	31-Jan-2013
Basic earnings per share:				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	1,228	1,970	3,411	4,789
Weighted average number of ordinary shares in issue ('000)	468,012	385,751	443,072	383,992
Basic earnings/(loss) per share (sen)	0.26	0.51	0.77	1.25
Diluted earnings per share:				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	1,324	2,265	3,749	5,380
Weighted average number of ordinary shares at beginning of the period ('000)	468,012	385,751	443,072	383,992
Effects of dilution:				
- Convertible loan stocks	180,265	191,676	178,920	190,246
- Convertible preference shares	-	68,896	-	70,956
Total number of ordinary shares for diluted earnings per share computation ('000)	648,277	646,323	621,993	645,194
Diluted earnings/(loss) per share (sen)	0.20	0.35	0.60	0.83

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:

	31-Jan-14	31-Jul-13
	RM '000	RM '000
Cash and bank balances	10,362	20,938
Short term deposits	57,291	70,868
Total cash and cash equivalents	<u>67,653</u>	<u>91,806</u>

A14. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Following the maturity of the Cumulative Convertible-Redeemable Preference Shares ("CC-RPS") on 5 November 2013, the Company issued 52,746,667 ordinary shares of RM0.25 each pursuant to the conversion of remaining 11,998,889 CC-RPS and dividends payable 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.

Except for the above, there has been no:

- issue of new shares or
- repurchase and resale of treasury shares

during the financial period ended 31 January 2014.

A15. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Jan-14	31-Jul-13
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	2,000	-
Revolving credits	20,000	-
Term loans	116,751	127,008
Sukuk Mudharabah	10,358	18,895
Hire purchase financings	246	229
Total short term borrowings	<u>149,355</u>	<u>146,132</u>
Secured long term borrowings:		
Term loans	889,725	812,132
Sukuk Mudharabah	680,915	691,275
Hire purchase financings	179	318
Total long term borrowings	<u>1,570,819</u>	<u>1,503,725</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 January 2014 is RM145.9 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.

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 2014 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-14	31-Jul-13
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Property, vessel and equipment	75,788	150,687
Approved but not contracted for:		
Property, vessel and equipment	112,463	112,658
Highway lane expansion	18,000	18,000
Highway repairs and other concession assets	9,500	9,500

A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Jan-14	31-Jul-13
	RM '000	RM '000
Performance bond for expressway maintenance cost	1,500	1,500
Bank guarantee to charterers and suppliers	7,210	13,214

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			6 Months Ended		
	31-Jan-14 RM '000	31-Jan-13 RM '000	Change	31-Jan-14 RM '000	31-Jan-13 RM '000	Change
Revenue						
Oil and Gas Division	63,713	80,072	(20.4%)	137,395	159,548	(13.9%)
Highway Division	21,241	19,024	11.7%	42,007	37,501	12.0%
Investment Holding	1,295	591	119.1%	2,589	1,019	154.1%
Adjustments	(1,295)	(591)	(119.1%)	(2,589)	(1,019)	(154.1%)
Total	84,954	99,096	(14.3%)	179,402	197,049	(9.0%)
Profit/(loss) before taxation						
Oil and Gas Division	7,317	11,389	(35.7%)	17,449	26,886	(35.1%)
Highway Division	(2,616)	(3,636)	28.1%	(5,551)	(8,556)	35.1%
Investment Holding	815	(22)	3,804.7%	1,612	(117)	1,477.9%
Adjustments	(60)	195	(130.8%)	(124)	392	(131.7%)
Total	5,457	7,926	(31.2%)	13,386	18,605	(28.1%)

a. Quarterly review

i. Oil and Gas Division

The Oil and Gas Division remained the Group's main source of revenue and operating profit, contributing 75% (Q2 2013: 81%) of Group revenue.

During the current period the Oil and Gas Division recorded:

- revenue of RM63.7 million which is 20.4% lower than RM80.1 million recorded in Q2 2013 mainly due to lower fleet utilization arising from vessel dockings, repairs and pending redeployment in-between contracts, and
- RM5.1 million gain on disposal of a vessel.

Consequently, the Oil and Gas Division recorded lower profit before taxation of RM7.3 million compared to RM11.4 million in Q2 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 delivery of a new vessel, JM Gemilang.

ii. Highway Division

The Highway Division contributed 25% (Q2 2013: 19%) of the Group revenue, and recorded RM2.2 million higher revenue in the current period in line with higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM2.6 million in the current quarter from RM3.6 million in Q2 2013.

iii. Group

For the current quarter under review (Q2 2014), the Group recorded 14.3% lower revenue of RM85 million compared to revenue of RM99 million in the preceding year corresponding quarter (Q2 2013). Profit before taxation, correspondingly, declined to RM5.5 million in Q2 2014 from RM7.9 million in Q2 2013.

b. Financial-year-to-date review

i. Oil and Gas Division

Similar to the three months period ended 31 January 2014, revenue and results for the 6-months period ended 31 January 2014 ("Q2 2014 YTD") of the Oil and Gas Division were affected by reduced fleet utilization rate due to vessel docking, repairs and pending redeployment in-between contracts, as well as higher depreciation and finance cost arising from delivery of a new vessel, JM Gemilang

As a result, revenue of the Oil and Gas Division decreased by 13.9% to RM137.4 million while the profit before tax diminished by 35% to RM17.4 million after taking into account RM5.1 million gain on disposal of a vessel, from Q2 2013 YTD.

ii. Highway Division

The Highway Infrastructure Division improved its revenue by 12% to RM42 million from RM37.5 million in Q2 2013 YTD as a result of the continued growth of the highway traffic during the period. Consequently, the Division's loss before taxation reduced to RM5.6 million from RM8.6 million recorded in Q2 2013 YTD.

iii. Group

Consequent to the above, the Group recorded 9% lower revenue of RM179.4 million in Q2 2014 YTD compared to RM197 million recorded in the preceding year, and 28.1% lower profit before taxation of RM13.4 million in Q2 2014 YTD compared to RM18.6 million in Q2 2013 YTD.

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

	3 Months Ended		
	31-Jan-14	31-Oct-13	Change
	RM '000	RM '000	
Revenue			
Oil and Gas Division	63,713	73,682	(13.5%)
Highway Division	21,241	20,766	2.3%
Investment Holding	1,295	1,295	(0.0%)
Adjustments	(1,295)	(1,295)	0.0%
Total	84,954	94,448	(10.1%)
Profit/(loss) before taxation			
Oil and Gas Division	7,317	10,132	(27.8%)
Highway Division	(2,616)	(2,935)	10.9%
Investment Holding	815	797	2.3%
Adjustments	(60)	(65)	7.7%
Total	5,457	7,929	(31.2%)

During Q2 2014:

- the Oil and Gas Division recorded profit before taxation of RM7.3 million after taking into account RM5.1 million gain on disposal of a vessel. The profit was 28% lower than the preceding quarter in line with lower vessel utilisation during Q2 2014.
- the Highway Division marginally reduced its loss before taxation in line with its improving traffic volume and the resulting toll revenue.

Consequently, the Group recorded lower profit before taxation of RM5.5 million in the current quarter, compared to the RM7.9 million recorded in the immediate preceding quarter.

B3. FUTURE YEAR PROSPECTS

Despite recording lower revenue and profits in the current period for the reasons outlined, the Board of Directors is of the view that:

- a. contributions from the Oil & Gas Division are 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

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 to 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 "SOC").

The acquisition has been approved by the shareholders of the Company in an Extraordinary General Meeting held on 13 December 2013, and was subsequently completed on 26 December 2013. The purchase consideration paid to GMV-Jasa for the acquisition of the SOC is approximately RM49.5 million.

Except for the above, 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, 2 cases with claims of RM38.83 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-Jan-14</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	(22,374)	(24,650)
- unrealised loss	(67,792)	(64,623)
	<hr style="border-top: 1px solid black;"/> (90,166)	<hr style="border-top: 1px solid black;"/> (89,273)
Less consolidation adjustments	128,498	128,543
Total Group retained profits as per consolidated accounts	<hr style="border-top: 1px solid black;"/> 38,332	<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**