



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

**INTERIM RESULTS FOR THE PERIOD ENDED  
30 APRIL 2014 (Q3 2014)**

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 APRIL 2014**

**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
	30-Apr-2014 RM '000	30-Apr-2013 RM '000	30-Apr-2014 RM '000	30-Apr-2013 RM '000
<b>Revenue</b>	<b>87,700</b>	93,823	<b>267,103</b>	290,871
Direct costs	<b>(18,615)</b>	(29,142)	<b>(65,203)</b>	(96,618)
Gross profit	<b>69,085</b>	64,681	<b>201,900</b>	194,253
Other items of income:				
Interest income	<b>313</b>	265	<b>1,381</b>	1,014
Other income	<b>6,614</b>	261	<b>12,165</b>	755
Other item of expenses:				
Staff expenses	<b>(6,071)</b>	(5,409)	<b>(17,507)</b>	(16,009)
Administrative expenses	<b>(3,037)</b>	(2,261)	<b>(7,340)</b>	(5,878)
	<b>(9,108)</b>	(7,670)	<b>(24,847)</b>	(21,887)
<b>EBITDA</b>	<b>66,904</b>	57,537	<b>190,599</b>	174,135
Depreciation	<b>(23,479)</b>	(21,511)	<b>(68,079)</b>	(58,536)
Amortisation	<b>(3,991)</b>	(3,768)	<b>(11,635)</b>	(11,096)
Finance costs	<b>(30,331)</b>	(27,664)	<b>(88,396)</b>	(81,304)
	<b>(57,801)</b>	(52,943)	<b>(168,110)</b>	(150,936)
<b>Profit before taxation</b>	<b>9,103</b>	4,594	<b>22,489</b>	23,199
Taxation	<b>(1,085)</b>	(1,702)	<b>(2,956)</b>	(5,718)
<b>Net profit for the period</b>	<b>8,018</b>	2,892	<b>19,533</b>	17,481
Net profit and total comprehensive income attributable to:				
Owners of the parent	<b>5,263</b>	733	<b>8,674</b>	5,522
Non-controlling interests	<b>2,755</b>	2,159	<b>10,859</b>	11,959
	<b>8,018</b>	2,892	<b>19,533</b>	17,481
Earnings per share (sen)				
- basic	<b>1.12</b>	0.18	<b>1.92</b>	1.41
- diluted	<b>0.81</b>	0.15	<b>1.43</b>	0.97

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 30 APRIL 2014****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30-Apr-2014	Audited 31-Jul-2013
	RM '000	RM '000
<b>Assets</b>		
<b>Non-current assets</b>		
Vessels, equipment and property	1,175,030	1,146,114
Concession intangible assets	866,971	876,382
Goodwill on consolidation	647	647
	<u>2,042,648</u>	<u>2,023,143</u>
<b>Current assets</b>		
Inventories	1,125	735
Trade and other receivables	63,485	63,048
Tax recoverable	857	551
Deposits with licensed financial institutions	55,428	70,868
Cash and bank balances	43,864	20,938
	<u>164,759</u>	<u>156,140</u>
Non-current assets classified as held for sale	-	189
<b>Total assets</b>	<u>2,207,407</u>	<u>2,179,472</u>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Company</b>		
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	43,595	39,270
Reverse acquisition deficit	(92,791)	(92,791)
	<u>155,099</u>	<u>137,587</u>
Non-controlling interests	55,545	89,799
<b>Total equity</b>	<u>210,644</u>	<u>227,386</u>

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 APRIL 2014****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>30-Apr-2014</b>	<b>Audited</b>
	<b>RM '000</b>	<b>31-Jul-2013</b>
		<b>RM '000</b>
<b>Non-current liabilities</b>		
Borrowings	1,542,477	1,503,725
Ijarah rental payable	154,415	136,492
Liability component of convertible loan stocks	-	5,867
Deferred tax liabilities	60,457	59,173
Provision for heavy repairs	3,169	3,073
	<u>1,760,518</u>	<u>1,708,330</u>
<b>Current liabilities</b>		
Borrowings	144,412	146,132
Trade and other payables	70,818	69,253
Liability component of convertible loan stocks	6,200	-
Liability component of convertible preference shares	-	10,837
Ijarah rental payable	14,554	16,895
Provision for taxation	261	639
	<u>236,245</u>	<u>243,756</u>
<b>Total liabilities</b>	<u>1,996,763</u>	<u>1,952,086</u>
<b>Total equity and liabilities</b>	<u>2,207,407</u>	<u>2,179,472</u>
<b>Net assets per share attributable to equity holders of the Company</b>	<u>RM 0.32</u>	<u>RM 0.32</u>

The condensed consolidated statement of financial position 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 30 APRIL 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		
<b>At 1 August 2013</b>	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	-	-	-	-	-	-	8,674	10,859	19,533
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)
<b>At 30 April 2014</b>	<b>121,520</b>	<b>55,429</b>	<b>(6,688)</b>	<b>-</b>	<b>34,034</b>	<b>(92,791)</b>	<b>43,595</b>	<b>55,545</b>	<b>210,644</b>
<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 loan stocks	4,200	(5)	-	-	(3,237)	-	-	-	958
Dividends paid to a non-controlling interest	-	-	-	-	-	-	-	(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>40,379</b>	<b>87,414</b>	<b>226,109</b>

The condensed consolidated statement of changes in equity 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 30 APRIL 2014****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>30-Apr-2014</b>	<b>30-Apr-2013</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of revenue	266,662	294,972
Collection of other income	4,801	2,055
	<u>271,463</u>	<u>297,027</u>
Payment of expenses	(93,698)	(129,380)
Net tax paid	(2,348)	(1,276)
Net cash generated from operating activities	<u>175,417</u>	<u>166,371</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, vessel and equipment	45,568	204
Purchase of property, vessels and equipment	(126,286)	(232,786)
Acquisition of minority interest	(49,463)	-
Payment for expressway development expenditure	(1,510)	-
Payment of expressway heavy repairs	-	(888)
Net cash used in investing activities	<u>(131,691)</u>	<u>(233,470)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	155,016	216,540
Repayment of borrowings	(116,777)	(72,338)
Payment of finance costs	(74,479)	(63,457)
Dividends paid to a non-controlling shareholder	-	(300)
Net cash generated from financing activities	<u>(36,240)</u>	<u>80,445</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,486</b>	<b>13,346</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<b>91,806</b>	<b>71,216</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>99,292</b>	<b>84,562</b>

The condensed consolidated statement of cash flows 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 20 June 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.

<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

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

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>		<b>Effective Date</b>
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:

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>		<b>Effective Date</b>
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.

#### A6. SEGMENT INFORMATION

	Investment Holding Division RM '000	Highway Division RM '000	Oil & Gas Division RM '000	Adjustments RM '000	Total RM '000
<b><u>Quarter ended 30 April 2014:</u></b>					
<b>Revenue</b>					
External customers	-	22,598	65,102	-	87,700
Inter-segment	1,285	-	-	(1,285)	-
Total revenue	<b>1,285</b>	<b>22,598</b>	<b>65,102</b>	<b>(1,285)</b>	<b>87,700</b>
<b>Segment profits before taxation</b>					
	<b>1,295</b>	<b>(1,723)</b>	<b>9,605</b>	<b>(74)</b>	<b>9,103</b>
<b>Segment assets</b>					
	<b>258,893</b>	<b>905,808</b>	<b>1,301,032</b>	<b>(258,326)</b>	<b>2,207,407</b>
<b><u>Quarter ended 30 April 2013:</u></b>					
<b>Revenue</b>					
External customers	-	19,396	74,427	-	93,823
Inter-segment	1,021	-	-	(1,021)	-
Total revenue	<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>

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		9 months ended	
	30-Apr-2014	30-Apr-2013	30-Apr-2014	30-Apr-2013
	RM '000	RM '000	RM '000	RM '000
Interest income	313	265	1,381	1,014
Rental income	53	46	157	140
Gain on disposal of vessel, equipment and property	5,891	4	11,046	95
Interest expenses	(30,331)	(27,664)	(88,396)	(81,304)
Depreciation of property, vessel and equipment	(23,479)	(21,511)	(68,079)	(58,536)
Amortisation of concession intangible assets	(3,991)	(3,768)	(11,635)	(11,096)
Net foreign exchange gain/(loss)	(425)	(25)	(543)	(48)

## A9. INCOME TAX

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30-Apr-2014	30-Apr-2013	30-Apr-2014	30-Apr-2013
	RM '000	RM '000	RM '000	RM '000
Current period tax charge:				
Malaysian income tax	706	224	1,207	995
Underprovision in prior periods	75	-	454	-
	<u>781</u>	<u>224</u>	<u>1,661</u>	<u>995</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	304	1,478	1,445	4,723
Overprovision in prior periods	-	-	(150)	-
	<u>304</u>	<u>1,478</u>	<u>1,295</u>	<u>4,723</u>
	<u>1,085</u>	<u>1,702</u>	<u>2,956</u>	<u>5,718</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 9 months ended	
	30-Apr-2014	30-Apr-2013	30-Apr-2014	30-Apr-2013
<b>Basic earnings per share:</b>				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	5,263	733	8,674	5,522
Weighted average number of ordinary shares in issue ('000)	470,879	408,803	452,138	392,081
<b>Basic earnings/(loss) per share (sen)</b>	<b>1.12</b>	<b>0.18</b>	<b>1.92</b>	<b>1.41</b>
<b>Diluted earnings per share:</b>				
Profit/(loss) net of tax attributable to owners of the parent (RM '000)	5,270	983	9,019	6,363
Weighted average number of ordinary shares at beginning of the period ('000)	470,879	408,803	452,138	392,081
Effects of dilution:				
- Convertible loan stocks	180,265	193,123	178,920	190,246
- Convertible preference shares	-	59,958	-	70,956
Total number of ordinary shares for diluted earnings per share computation ('000)	653,378	661,884	631,058	653,283
<b>Diluted earnings/(loss) per share (sen)</b>	<b>0.81</b>	<b>0.15</b>	<b>1.43</b>	<b>0.97</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-14</b>	<b>31-Jul-13</b>
	<b>RM '000</b>	<b>RM '000</b>
Cash and bank balances	43,864	20,938
Short term deposits	55,428	70,868
Total cash and cash equivalents	<u>99,292</u>	<u>91,806</u>

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

During the financial period ended 30 April 2014, there has been no:

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

As comparison, during the prior year, 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-14</b>	<b>31-Jul-13</b>
	<b>RM '000</b>	<b>RM '000</b>
Secured short term borrowings:		
Revolving credits	40,000	-
Term loans	87,675	127,008
Sukuk Mudharabah	16,554	18,895
Hire purchase financings	183	229
Total short term borrowings	<u>144,412</u>	<u>146,132</u>
Secured long term borrowings:		
Term loans	867,582	812,132
Sukuk Mudharabah	674,718	691,275
Hire purchase financings	177	318
Total long term borrowings	<u>1,542,477</u>	<u>1,503,725</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 30 April 2014 is RM169.0 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 30 April 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

	30-Apr-14 RM '000	31-Jul-13 RM '000
<b>Capital expenditure</b>		
Approved and contracted for:		
Vessel and equipment	15,143	150,687
Highway lane expansion	34,509	-
	<hr/>	<hr/>
Approved but not contracted for:		
Vessel and equipment	112,335	112,658
Highway lane expansion	-	18,000
Highway repairs and other concession assets	8,244	9,500
	<hr/>	<hr/>

## A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	30-Apr-14 RM '000	30-Apr-13 RM '000
Performance bond for expressway maintenance cost	1,500	1,500
Bank guarantee to charterers and suppliers	8,960	13,214
	<hr/>	<hr/>

## 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

### a. Private Placement of 30,000,000 new ordinary shares

On 28 May 2014, the Company issued 30,000,000 new ordinary shares of RM0.25 each, representing approximately 6.2% of issued and paid-up share capital of the Company ("Private Placement"). The enlarged issued share capital after the Private Placement is 516,079,144 shares. The Placement shares were issued at 72.5 sen each, and the proceeds raised was RM21.75 million.

Subsequently, the new shares were listed on Bursa Malaysia on 30 May 2014, and the total paid up share capital of the Company was increased to RM129,019,786.

- b. Proposed disposal of 100% equity interest in Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. (“SILK”) (“Proposed Disposal”)

On 27 May 2014, the Company entered into a Heads of Agreement (“HoA”) with Road Builder (M) Holdings Bhd (“RBH”) in relation to the Proposed Disposal.

The HoA is to record the principle agreement and understanding of the Company and RBH in relation to the proposed sale by the Company and the proposed purchase by RBH of the 220 million ordinary shares, representing the entire issued and paid-up share capital of SILK upon the terms and conditions of the HoA and as mutually agreed.

Pursuant to the HoA, on 20 June 2014, both parties signed a conditional Share Sale Agreement (“SSA”) in relation to the Proposed Disposal for a cash consideration of RM395 million (“Disposal Consideration”).

The Disposal Consideration has been revised from the proposed disposal consideration of RM398 million announced earlier pursuant to the execution of the HoA on 27 May 2014. The revision of the Disposal Consideration was after taking into consideration the final terms agreed between both parties.

The Proposed Disposal is conditional upon the following conditions (“Conditions Precedent”):

- i. approvals of:
  - the Economic Planning Unit in the Prime Minister’s Department of the Government of Malaysia (“GoM”) (or if Unit Kerjasama Awam Swasta in the Prime Minister’s Department of GoM (“UKAS”) is the appropriate body in lieu of EPU, then the approval of UKAS);
  - the shareholders of the Company,
  - all holders of SILK’s Sukuk Mudharabah, and
  - other persons as may be necessary
- ii. SHB having procured the release of its obligation under the corporate guarantee dated 18 December 2008 issued to Affin Investment Bank Berhad pursuant to the Sukuk Mudharabah, and
- iii. the purchaser, RBH, being satisfied with the results of Due Diligence Inquiry (“DDI”) on SILK and its subsidiary,

The parties agreed that the Conditions Precedent, except for the DDI, shall be satisfied within 3 months from the date of the SSA. The DDI is to be completed within 67 days from the date of SSA.

The Proposed Disposal is to be completed within one month from the date of satisfaction of all Conditions Precedent.

For further details of the SSA, please refer to the separate announcement on the SSA released on 20 June 2014.

Except for the above, 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**

	Current Quarter			Cumulative Quarter		
	3 Months Ended			9 Months Ended		
	30-Apr-14	30-Apr-13	Change	30-Apr-14	30-Apr-13	Change
	RM '000	RM '000		RM '000	RM '000	
<b>Revenue</b>						
Oil and Gas Division	65,102	74,427	(12.5%)	202,497	233,975	(13.5%)
Highway Division	22,598	19,396	16.5%	64,605	56,896	13.5%
Investment Holding	1,285	1,021	25.9%	3,874	2,040	89.9%
Adjustments	(1,285)	(1,021)	(25.9%)	(3,874)	(2,040)	(89.9%)
<b>Total</b>	<b>87,700</b>	<b>93,823</b>	<b>(6.5%)</b>	<b>267,102</b>	<b>290,871</b>	<b>(8.2%)</b>
<b>Profit/(loss) before taxation</b>						
Oil and Gas Division	9,605	7,417	29.5%	27,055	34,303	(21.1%)
Highway Division	(1,723)	(3,519)	51.0%	(7,275)	(12,075)	39.8%
Investment Holding	1,295	503	157.5%	2,907	385	655.1%
Adjustments	(74)	193	(138.3%)	(198)	586	(133.8%)
<b>Total</b>	<b>9,103</b>	<b>4,594</b>	<b>98.1%</b>	<b>22,489</b>	<b>23,199</b>	<b>(3.1%)</b>

**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% (Q3 2013: 79%) of Group revenue.

During the current period, the Oil and Gas Division recorded revenue of RM65.1 million which is 12% lower than RM74.4 million recorded in Q3 2013 mainly due to lower fleet utilization arising from vessel dockings, repairs and pending redeployment in-between contracts.

Notwithstanding the lower revenue, the Oil and Gas Division recorded 29% higher profit before tax of RM9.6 million than RM7.4 million it recorded in Q3 2013. The improvement is mainly contributed by gain on disposal of a vessel and higher gross profit margin in Q3 2014, having deployed 18 vessels that are wholly-owned as compared to 18 owned vessels and 3 third party vessels in Q3 2013.



## **ii. Highway Division**

The Highway Division contributed 25% (Q3 2013: 21%) of the Group revenue, and recorded RM3.2 million higher revenue in the current period in line with higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM1.7 million in the current quarter from RM3.5 million in Q3 2013.

## **iii. Group**

For the current quarter under review (Q3 2014), the Group recorded 6.5% lower revenue of RM87.7 million compared to revenue of RM93.8 million in the preceding year corresponding quarter (Q3 2013). Profit before taxation grew to RM9.1 million in Q3 2014 from RM4.6 million in Q3 2013 in line with the improvements achieved by both Oil and Gas and Infrastructure divisions.

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

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

Similar to the three months period ended 30 April 2014, revenue for the 9-months period ended 30 April 2014 ("Q3 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. Gain on disposal of vessels was offset by higher depreciation and finance cost arising from delivery of new vessels, JM Cemerlang and JM Gemilang.

As a result, revenue of the Oil and Gas Division reduced by RM31.5 million while profit before tax reduced by RM7.2 million from Q3 2013 YTD.

### **ii. Highway Division**

The Highway Infrastructure Division improved its revenue by 13% to RM65 million from RM56.9 million in Q3 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 RM7.3 million from RM12.1 million recorded in Q3 2013 YTD.

### **iii. Group**

Consequent to the above, the Group recorded 8% lower revenue of RM267.1 million in Q3 2014 YTD compared to RM290.9 million recorded in the preceding year, and 3.1% lower profit before taxation of RM22.5 million in Q3 2014 YTD compared to RM23.2 million in Q3 2013 YTD.

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

	<b>3 Months Ended</b>		
	<b>30-Apr-14</b>	<b>31-Jan-14</b>	<b>Change</b>
	<b>RM '000</b>	<b>RM '000</b>	
<b>Revenue</b>			
Oil and Gas Division	65,102	63,713	2.2%
Highway Division	22,598	21,241	6.4%
Investment Holding	1,285	1,295	(0.7%)
Adjustments	(1,285)	(1,295)	0.7%
<b>Total</b>	<b>87,700</b>	<b>84,954</b>	<b>3.2%</b>
<b>Profit/(loss) before taxation</b>			
Oil and Gas Division	9,605	7,317	31.3%
Highway Division	(1,723)	(2,615)	34.1%
Investment Holding	1,295	815	58.9%
Adjustments	(74)	(60)	(23.4%)
<b>Total</b>	<b>9,103</b>	<b>5,457</b>	<b>66.8%</b>

During Q3 2014:

- the Oil and Gas Division recorded 31% higher profit before taxation of RM9.6 million than the preceding quarter in line with higher vessel utilization rate during Q3 2014. The Oil and Gas Division benefitted from gain on disposal of vessels in Q3 and Q2 2014 respectively.
- the Highway Division reduced its loss before taxation in line with its improving traffic volume and the resulting toll revenue.

Consequently, the Group recorded 67% higher profit before taxation of RM9.1 million in the current quarter, compared to the RM5.5 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 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.

However, as detailed in note A.21, the Group is proposing a disposal of its Highway Division as released in its announcement on 20 June 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**

Except as disclosed in Note A.20, 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 239 cases with claims amounting to RM485.96 million while the land owner's claim for 1 case was 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>30-Apr-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	(16,239)	(24,650)
- unrealised loss	(68,503)	(64,623)
	<u>(84,742)</u>	<u>(89,273)</u>
Less consolidation adjustments	128,337	128,543
Total Group retained profits as per consolidated accounts	<u>43,595</u>	<u>39,270</u>

## 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**