



SILK HOLDINGS BERHAD (405897-V)

**INTERIM RESULTS FOR THE PERIOD ENDED
31 OCTOBER 2014 (Q1 2015)**

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2014**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Individual Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter
		31-Oct-2014 RM '000	31-Oct-2013 RM '000 (Restated)
Revenue		107,545	94,448
Direct costs		(28,681)	(24,989)
Gross profit		78,864	69,459
Other items of income:			
Interest income		732	596
Other income		327	236
Other item of expenses:			
Staff expenses		(6,682)	(5,620)
Administrative expenses		(1,985)	(1,900)
		(8,667)	(7,520)
EBITDA		71,256	62,771
Depreciation		(25,400)	(22,006)
Amortisation		(4,982)	(3,789)
Finance costs		(39,736)	(37,533)
		(70,118)	(63,328)
Profit/(loss) before taxation		1,138	(557)
Taxation	A9	(1,496)	(1,292)
Loss after taxation		(358)	(1,849)
Net profit/(loss) and total comprehensive income attributable to:			
Owners of the parent		(3,281)	(6,303)
Non-controlling interests		2,923	4,454
		(358)	(1,849)
Loss per share (sen)	A10		
- basic		(0.61)	(1.51)
- diluted		(0.47)	(0.93)

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 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 2014****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	31-Oct-2014 RM '000	Audited 31-Jul-2014 RM '000
Assets			
Non-current assets			
Concession intangible assets		894,958	-
Property, vessels and equipment		1,315,586	1,173,064
Deferred tax assets		137,826	29
Goodwill on consolidation		13,883	647
		<u>2,362,253</u>	<u>1,173,740</u>
Current assets			
Inventories		1,292	1,319
Trade and other receivables		69,206	70,690
Tax recoverable		1,087	974
Cash and bank balances	A12	128,510	60,665
		<u>200,095</u>	<u>133,648</u>
Assets classified as held for sale		-	1,107,533
Total assets		<u>2,562,348</u>	<u>2,414,921</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	A13	175,383	129,020
Share premium	A13	69,679	69,679
Employee trust shares	A13	(6,688)	(6,688)
Retained earnings		43,131	51,461
Reverse acquisition deficit		(92,791)	(92,791)
		<u>188,714</u>	<u>184,715</u>
Non-controlling interests		61,931	58,518
Total equity		<u>250,645</u>	<u>243,233</u>

SILK HOLDINGS BERHAD (405897-V)**(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2014****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		31-Oct-2014	Audited
	Notes	RM '000	31-Jul-2014
		RM '000	RM '000
Non-current liabilities			
Borrowings	A14	1,456,890	816,655
Ijarah rental payable	A14	329,920	-
Deferred tax liabilities		58,301	58,031
Provisions		4,674	-
		1,849,785	874,686
Current liabilities			
Borrowings	A14	183,146	162,399
Trade and other payables	A15	224,996	45,531
Liability component of convertible loan stocks		-	6,317
Ijarah rental payable	A14	21,807	-
Provision for taxation		301	230
Provisions		31,668	-
		461,918	214,477
Liabilities classified as held for sale		-	1,082,525
Total liabilities		2,311,703	2,171,688
Total equity and liabilities		2,562,348	2,414,921
Net assets per share attributable to equity holders of the Company			
		0.27	RM 0.36

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 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 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →						Distributable	Non-Controlling interests	Total
	← Non - 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	RM'000	RM'000
At 1 August 2014	129,020	69,679	(6,688)	-	34,034	(92,791)	51,461	58,518	243,233
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(3,281)	2,923	(358)
Transaction with Owners:									
Conversion of loan stocks	46,363	-	-	-	(34,034)	-	(5,049)	-	7,280
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	490	490
	46,363	-	-	-	(34,034)	-	(5,049)	490	7,770
At 31 October 2014	175,383	69,679	(6,688)	-	-	(92,791)	43,131	61,931	250,645
At 1 August 2013	108,333	54,045	(6,688)	1,384	34,034	(92,791)	64,919	89,799	253,035
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(6,303)	4,454	(1,849)
At 31 October 2013	108,333	54,045	(6,688)	1,384	34,034	(92,791)	58,616	94,253	251,186

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

	31-Oct-2014	31-Oct-2013
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue	108,039	80,532
Collection of other income	488	507
	108,527	81,039
Payment of expenses	(48,804)	(25,403)
Net tax paid	(280)	(486)
Net cash generated from operating activities	59,443	55,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution by minority interest	490	-
Proceeds from disposal of property, vessel and equipment	101	-
Purchase of property, vessels and equipment	(1,000)	(12,417)
Highway development expenditure	(942)	(101)
Net cash used in investing activities	(1,351)	(12,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	7,228	18,469
Repayment of borrowings	(37,678)	(28,303)
Payment of finance costs	(13,642)	(14,563)
Net cash generated from financing activities	(44,092)	(24,397)
NET DECREASE IN CASH AND CASH EQUIVALENTS	14,000	18,235
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	114,510	91,806
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD (a)	128,510	110,041

(a) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31-Oct-2014	31-Oct-2013
	RM '000	RM '000
Cash and bank balances	15,935	20,178
Deposits with licensed financial institutions	112,575	89,863
	128,510	110,041
Less pledged deposits	(12,306)	(10,042)
	116,204	99,999

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 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 2014.

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 10 December 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 2014, 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
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

A3. ACCOUNTING POLICIES (Continued)

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
Amendments to MFRS 138	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014

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 1	First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements (2011 – 2013 Cycle))	1 July 2014
Amendments to MFRS 2	Share-Based Payment (Annual Improvements (2010 – 2012 Cycle))	1 July 2014
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)	1 July 2014
Amendments to MFRS 8	Operating Segments (Annual Improvements (2010 – 2012 Cycle))	1 July 2014
Amendments to MFRS 13	Fair Value Measurement Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)	1 July 2014
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements (2010 – 2012 Cycle))	1 July 2014
Amendments to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements (2010 – 2012 Cycle))	1 July 2014

A3. ACCOUNTING POLICIES (Continued)

<i>MFRSs, Amendments to MFRSs and IC Interpretation</i>		<i>Effective Date</i>
Amendments to MFRS 138	Intangible Assets (Annual Improvements (2010 – 2012 Cycle))	1 July 2014
Amendments to MFRS 140	Investment Property Assets (Annual Improvements (2010 – 2012 Cycle))	1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
MFRS 15	Revenue from Contracts	1 January 2017
MFRS 9	Financial Instruments (2009)	To be confirmed
MFRS 9	Financial Instruments (2010)	To be confirmed
MFRS 9	Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7, and MFRS 139	To be confirmed
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be confirmed

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 August 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 3, Amendments to MFRS 8, Amendments to MFRS 119 and Amendments to MFRS 140 which are not applicable to the Company.

A3. ACCOUNTING POLICIES (Continued)

- from the annual period beginning on 1 August 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 11 and Amendments to MFRS 116 and MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 August 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group and the Company is currently assessing the impact of adopting the above pronouncements.

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

Pursuant to the proposed disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK") as stated in note A21 ("Proposed Disposal"), results of the Highway Division in the preceding quarter was accounted separately from the continuing operations as discontinued operation, while its assets and liabilities were presented as a disposal group held for sale. Following the termination of the Proposed Disposal, the Highway Division, which is entirely made up by SILK, has been reinstated into the Group's continuing operations.

Except for the above, 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. SEGMENT INFORMATION (Continued)

	Investment				
	Holding Division RM '000	Oil & Gas Division RM '000	Highway Division RM '000	Adjustments RM '000	Total RM '000
Quarter ended 31 October 2014:					
Revenue					
External customers	-	81,247	26,298	-	107,545
Inter-segment	1,199	-	-	(1,199)	-
Total revenue	1,199	81,247	26,298	(1,199)	107,545
Segment profit/(loss) before taxation	905	10,950	(10,725)	8	1,138
Segment assets	280,259	1,428,976	1,090,312	237,199	2,562,348

	Investment				
	Holding Division RM '000	Oil & Gas Division RM '000	Highway Division RM '000	Adjustments RM '000	Total RM '000
Quarter ended 31 October 2013:					
(Restated)					
Revenue					
External customers	-	73,682	20,766	-	94,448
Inter-segment	1,295	-	-	(1,295)	-
Total revenue	1,295	73,682	20,766	(1,295)	94,448
Segment profit/(loss) before taxation	797	10,132	(11,494)	8	(557)
Segment assets	258,266	1,320,203	1,106,469	(257,776)	2,427,162

A7. SEASONAL OR CYCLICAL FACTORS

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

A8. PROFIT/(LOSS) BEFORE TAX

Included in the profit/(loss) before tax are the following items:

	3 months ended	
	31-Oct-2014	31-Oct-2013
	RM '000	RM '000
Interest income	241	565
Gain on disposal of property, vessel and equipment	20	-
Gain on disposal of non-current assets classified as held for sale	-	24
Interest expenses	(39,736)	(37,533)
Depreciation of property, vessel and equipment	(25,400)	(22,006)
Amortisation of concession intangible assets	(4,982)	(3,789)
Rental of office and warehouse	(42)	(41)
Net foreign exchange gain/(loss)	(133)	(138)

A9. INCOME TAX

	Current Quarter 3 months ended	
	31-Oct-2014	31-Oct-2013
	RM '000	RM '000
Current period tax charge:		
Malaysian income tax	330	120
Deferred income tax:		
Relating to origination and reversal of temporary differences	1,166	1,172
	<u>1,496</u>	<u>1,292</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	
	31-Oct-2014	31-Oct-2013
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(3,281)	(6,303)
Weighted average number of ordinary shares in issue ('000)	537,164	418,132
Basic loss per share (sen)	<u>(0.61)</u>	<u>(1.51)</u>
Diluted loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(3,281)	(6,303)
After-tax effect of convertible loan stocks	71	244
	<u>(3,210)</u>	<u>(6,059)</u>
Weighted average number of ordinary shares at beginning of the period ('000)	537,164	418,132
Effects of dilution:		
Convertible loan stocks	149,170	231,431
Total number of ordinary shares for diluted earnings per share computation ('000)	<u>686,334</u>	<u>649,563</u>
Diluted loss per share (sen)	<u>(0.47)</u>	<u>(0.93)</u>

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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	31-Oct-14	31-Jul-14
	RM '000	RM '000
Deposits with licensed financial institutions	112,575	43,632
Cash and bank balances	15,935	17,033
Total cash and cash equivalents	<u>128,510</u>	<u>60,665</u>

At 31 July 2014, deposits with licensed financial institutions of RM37.2 million and cash and bank balances of RM16.3 million were included in assets classified as held for sale.

Included in the deposits placed with licensed financial institutions is RM12.3 million (31 July 2014: RM10.6 million) pledged for a bank facility granted to a subsidiary.

A13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

During the period ended 31 October 2014:

- the Company issued 185,454,417 ordinary shares of RM0.25 each pursuant to the conversion of the Redeemable Convertible Unsecured Loan Stocks – B (“RCULS-B”) and the coupon payable on maturity of RCULS-B. The shares were issued at the rate of four (4) new ordinary shares of RM0.25 each for every RM1.00 of RCULS-B and its attendant coupon payable.

Subsequently, the new shares were listed on Bursa Malaysia on 14 October 2014, and the total paid up share capital of the Company was increased to RM175,383,390.

- there has been no repurchase and resale of treasury shares.

A14. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Oct-14	31-Jul-14
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	2,000	-
Revolving credits	30,000	40,000
Term loans	127,124	122,285
Sukuk Mudharabah	23,807	-
Hire purchase financings	107	114
Total short term borrowings	<u>183,038</u>	<u>162,399</u>
Secured long term borrowings:		
Term loans	789,160	816,393
Sukuk Mudharabah	667,465	-
Hire purchase financings	240	262
Total long term borrowings	<u>1,456,865</u>	<u>816,655</u>

At 31 July 2014, short term Sukuk Mudharabah of RM23.8 million and long term Sukuk Mudharabah of RM668.5 million were included in liabilities classified as held for sale.

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 October 2014 is RM351.7 million (31 July 2014: RM327.2 million, included in liabilities classified held for sale) 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.

Thereafter, the Sukuk Mudharabah shall be subject to a minimum of 3.5% annual Ijarah rental and RM2 million principal repayment. In the past, the Highway Division:

- has always managed to comply with this minimum even when it was not obligatory, and
- has also distributed excess funds to the Sukukholders in addition to the prescribed minimum payment of RM2 million principal repayment.

A15. PAYABLES

	31-Oct-14	31-Jul-14
	RM '000	RM '000
Trade payables	21,807	29,284
Advance toll compensation from the Government of Malaysia	835	-
Amount payable for new shipbuildings	167,541	3,109
Advance license and access fee	15,058	-
Accruals and other payables	19,755	13,138
	<u>224,996</u>	<u>45,531</u>

At 31 July 2014, advance compensation from Government of RM4.4 million and advance license and access fees of RM15.1 million were included in liabilities classified as held for sale.

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 October 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-Oct-14	31-Jul-14
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	54,811	-
Approved but not contracted for:		
Propert, vessel and equipment	18,971	19,588
	<u>18,971</u>	<u>19,588</u>

A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Oct-14	31-Jul-14
	RM '000	RM '000
Performance bond for expressway maintenance cost	1,500	1,500
Bank guarantee to charterers and suppliers	15,313	15,313
	<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. SIGNIFICANT EVENTS

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

On 20 June 2014, the Company entered into a conditional Share Sale Agreement ("SSA") with Road Builder (M) Holdings Bhd ("RBH") in relation to the Proposed Disposal for a cash consideration of RM395 million ("Disposal Consideration").

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
 - any other relevant authorities 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,

A21. SIGNIFICANT EVENTS (Continued)

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.

On 15 September 2014, the parties agreed to extend the Condition Precedent Period from 90 days to 150 days from the date of the SSA to expire on 17 November 2014.

On 14 November 2014, the Sukukholders (with 98.04% Sukuk value) approved the Proposed Disposal and the release of the Company's obligation under the corporate guarantee as stated in (i) and (ii) above.

On 17 November 2014, the parties agreed to further extend the Conditions Precedent Period from 17 November 2014 to 24 November 2014.

On 24 November 2014, both parties mutually agreed to terminate the SSA following non-fulfillment of certain Conditions Precedent.

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		
	31-Oct-14	31-Oct-13	Change
	RM '000	RM '000	
		(Restated)	
Revenue			
Oil and Gas Division	81,247	73,682	10.3%
Highway Division	23,723 *	20,766	14.2%
Investment Holding	1,199	1,295	(7.4%)
Adjustments	(1,199)	(1,295)	
Total	104,970	94,448	11.1%
Profit/(loss) before taxation			
Oil and Gas Division	10,950	10,132	8.1%
Highway Division	(10,725)	(11,494)	6.7%
Investment Holding	905	797	13.6%
Adjustments	8	8	
Total	1,138	(557)	304.3%

* For commentary purposes, revenue of the Highway Division is after deducting RM2.6 million construction revenue recognized pursuant to IC Interpretation12 – Service Concession Arrangements.

Quarterly review

i. Oil and Gas Division

The Oil and Gas Division remained the Group's main source of revenue and operating profit, contributing 77.4% (Q1 2014: 78%) of Group revenue.

During the current period, the Oil and Gas Division recorded revenue of RM81.2 million which is 10% higher than RM73.7 million recorded in Q1 2014 mainly due to:

- Increased capacity following the acquisition of 3 new vessels in FY 2014, net of disposal of 2 vessels during the same period.
- improved fleet utilization.

The RM7.6 million increase in revenue, however, is partially offset by increase in vessel depreciation and finance cost due to the Division's fleet renewal programme. Accordingly, the Oil and Gas Division recorded 8% higher profit before tax of RM11 million than RM10.1 million it recorded in Q1 2014.

B1. REVIEW OF PERFORMANCE (Continued)

ii. Highway Division

The Highway Division contributed 22.6% (Q1 2014: 22%) of the Group revenue, and recorded RM3 million higher revenue in the current period in line with higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM10.7 million in the current quarter from RM11.5 million in Q1 2014.

iii. Group

For the current quarter under review (Q1 2015), the Group recorded 11.1% higher revenue of RM105 million compared to revenue of RM94.4 million in the preceding year corresponding quarter (Q1 2014). The Group recorded profit before taxation of RM1.1 million in Q1 2015 compared to loss before taxation of RM0.6 million in Q1 2014 in line with the improvements achieved by both Oil and Gas and Highway divisions.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER (Q4 2014)

	3 Months Ended		Change
	31-Oct-14 RM '000	31-Jul-14 RM '000 (Restated)	
Revenue			
Oil and Gas Division	81,247	74,387	9.2%
Highway Division	23,723 *	23,294	1.8%
Investment Holding	1,199	979	22.5%
Adjustments	(1,199)	(979)	
Total	104,970	97,681	7.5%
Profit/(loss) before taxation			
Oil and Gas Division	10,950	12,110	(9.6%)
Highway Division	(10,725)	(8,325)	(28.8%)
Investment Holding	905	615	47.2%
Adjustments	8	(352)	
Total	1,138	4,048	(71.9%)

* For commentary purposes, revenue of the Highway Division is after deducting RM2.6 million construction revenue recognized pursuant to IC Interpretation12 – Service Concession Arrangements.

During Q1 2015, the Group recorded 72% lower profit before taxation than the preceding quarter, which was mainly attributable to:

- higher depreciation and finance cost incurred by the Oil and Gas Division following its fleet expansion programme, and
- higher amortization of concession intangible assets and depreciation of plant and equipment of the Highway Division in the current quarter. This is because the assets were previously classified as assets held for sale and were not depreciated or amortised as they were stated at fair value.

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.

Thereafter, the Sukuk Mudharabah shall be subject to a minimum of 3.5% annual Ijarah rental and RM2 million principal repayment. In the past, the Highway Division:

- has always managed to comply with this minimum even when it was not obligatory, and
- has also distributed excess funds to the Sukukholders in addition to the prescribed minimum payment of RM2 million principal repayment.

Accordingly, the Highway Division is still expected to remain cash flow positive on an operational basis.

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.21, 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 with claims amounting to RM503.7 million. Out of the 240 cases, 2 cases with claims of RM28.4 million 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. COMPARATIVES

Certain comparative figures have been restated following the prior year adjustments ("PYA") made in the financial year ended 31 July 2014 in relation to Sukuk Mudharabah, deferred tax asset, goodwill and provision for lane widening.

	As Previously Stated RM'000	Restatement arising from PYA in FY 2014 RM'000	Re-instatement of Highway Division RM'000	As Restated RM'000
a. Statement of comprehensive income for the 3 months ended 31 October 2013				
Revenue	94,448	-	-	94,448
Finance cost	(29,047)	(8,486)	-	(37,533)
Profit before taxation	7,929	(8,486)	-	(557)
Profit after taxation	6,637	(8,486)	-	(1,849)
b. Statement of comprehensive income for the 3 months ended 31 July 2014				
Revenue	74,387		23,294	97,681
Finance cost	(14,270)	25,181	(48,886)	(37,975)
Profit before taxation	12,374	25,181	(33,507)	4,048
Profit after taxation	14,582	25,181	(29,390)	10,373
c. Total assets at 31 October 2013	2,245,707	181,455	-	2,427,162

B9. REALISED AND UNREALISED PROFITS OF THE GROUP

	<u>31-Oct-14</u> RM '000	<u>31-Jul-14</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(17,680)	(15,570)
- unrealised profit	(78,916)	(73,481)
	<hr/>	<hr/>
	(96,596)	(89,051)
Less consolidation adjustments	139,727	140,512
Total Group retained profits as per consolidated accounts	<hr/>	<hr/>
	43,131	51,461

B10. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 July 2014 was not subject to any qualification.

**BY ORDER OF THE BOARD
SECRETARIES**