



SILK HOLDINGS BERHAD (405897-V)

**INTERIM RESULTS FOR THE PERIOD ENDED
31 JANUARY 2015 (Q2 2015)**

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year	Preceding Year	Current Year To	Preceding Year
		Quarter	Corresponding	Date	Corresponding
		31-Jan-2015	Quarter	31-Jan-2015	Period
		31-Jan-2014	31-Jan-2014		
		RM '000	RM '000	RM '000	RM '000
			(Restated)		(Restated)
Revenue		103,548	84,954	211,092	179,402
Direct costs		(26,938)	(21,598)	(55,919)	(46,587)
Gross profit		76,610	63,356	155,173.00	132,815
Other items of income:					
Interest income		582	472	1,315	1,068
Other income		297	5,346	624	5,551
Other item of expenses:					
Staff expenses		(6,644)	(5,828)	(13,326)	(11,451)
Administrative expenses		(2,161)	(2,422)	(4,145)	(4,287)
		(8,805)	(8,250)	(17,471)	(15,738)
EBITDA		68,684	60,924	139,641	123,696
Depreciation		(25,499)	(22,594)	(50,599)	(44,600)
Amortisation		(5,065)	(3,856)	(10,047)	(7,645)
Finance costs		(39,438)	(37,504)	(79,176)	(75,037)
		(70,002)	(63,954)	(139,822)	(127,282)
Profit/(loss) before taxation		(1,318)	(3,030)	(181)	(3,586)
Taxation	A9	(1,045)	(579)	(2,541)	(1,871)
Loss after taxation		(2,363)	(3,609)	(2,722)	(5,457)
Net profit and total comprehensive income attributable to:					
Owners of the parent		(4,712)	(7,259)	(7,993)	(13,561)
Non-controlling interests		2,349	3,650	5,271	8,104
		(2,363)	(3,609)	(2,722)	(5,457)
Loss per share (sen)	A10				
- basic		(0.69)	(1.55)	(1.31)	(3.06)
- diluted		(0.69)	(1.10)	(1.15)	(2.13)

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 JANUARY 2015****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		31-Jan-2015	Audited 31-Jul-2014
	Notes	RM '000	RM '000
Assets			
Non-current assets			
Concession intangible assets		890,243	-
Property, vessels and equipment		1,293,946	1,173,064
Deferred tax assets		137,826	29
Goodwill on consolidation		13,883	647
		<u>2,335,898</u>	<u>1,173,740</u>
Current assets			
Inventories		1,372	1,319
Trade and other receivables		65,019	70,690
Tax recoverable		1,107	974
Cash and bank balances	A12	84,876	60,665
		<u>152,374</u>	<u>133,648</u>
Assets classified as held for sale		-	1,107,533
Total assets		<u>2,488,272</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
Equity component of loan stocks		-	34,034
Employee trust shares	A13	(6,688)	(6,688)
Retained earnings		38,419	51,461
Reverse acquisition deficit		(92,791)	(92,791)
		<u>184,002</u>	<u>184,715</u>
Non-controlling interests		64,279	58,518
Total equity		<u>248,281</u>	<u>243,233</u>

SILK HOLDINGS BERHAD (405897-V)**(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2015****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		31-Jan-2015	Audited
	Notes	RM '000	31-Jul-2014
			RM '000
Non-current liabilities			
Borrowings	A14	1,501,579	816,655
Ijarah rental payable	A14	334,777	-
Deferred tax liabilities		59,110	58,031
		<u>1,895,466</u>	<u>874,686</u>
Current liabilities			
Borrowings	A14	168,388	162,399
Trade and other payables	A15	135,419	45,531
Liability component of convertible loan stocks		-	6,317
Ijarah rental payable		8,218	-
Provision for taxation		272	230
Provisions		32,228	-
		<u>344,525</u>	<u>214,477</u>
Liabilities classified as held for sale		-	1,082,525
Total liabilities		<u>2,239,991</u>	<u>2,171,688</u>
Total equity and liabilities		<u>2,488,272</u>	<u>2,414,921</u>
Net assets per share attributable to equity holders of the Company			
		<u>RM 0.26</u>	<u>RM 0.36</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 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 JANUARY 2015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →							Non-Controlling interests RM'000	Total RM'000
	← Non - distributable →				Distributable				
	Share capital RM'000	Share premium RM'000	Employee trust shares RM'000	Equity component of preference shares RM'000	Equity component of loan stocks RM'000	Reverse acquisition deficit RM'000	Retained earnings RM'000		
At 1 August 2014	129,020	69,679	(6,688)	-	34,034	(92,791)	51,461	58,518	243,233
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(7,993)	5,271	(2,722)
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 January 2015	175,383	69,679	(6,688)	-	-	(92,791)	38,419	64,279	248,281
At 1 August 2013									
As previously reported	108,333	54,045	(6,688)	1,384	34,034	(92,791)	39,270	89,799	227,386
Prior year adjustments	-	-	-	-	-	-	25,649	-	25,649
At 1 August 2013 (restated)	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	-	-	-	-	-	-	(13,561)	8,104	(5,457)
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)	47,009	52,790	211,303

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 JANUARY 2015**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	31-Jan-2015 RM '000	31-Jan-2014 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue	210,518	80,532
Collection of other income	3,753	507
	<u>214,271</u>	<u>81,039</u>
Payment of expenses	(96,906)	(25,403)
Net tax paid	(566)	(486)
Net cash generated from operating activities	<u>116,799</u>	<u>55,150</u>
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	(80,501)	(12,417)
Highway development expenditure	(4,049)	(101)
Net cash used in investing activities	<u>(83,959)</u>	<u>(12,518)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	89,088	18,469
Repayment of borrowings	(89,607)	(28,303)
Payment of finance costs	(61,953)	(14,563)
Net cash generated from financing activities	<u>(62,472)</u>	<u>(24,397)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,632)	18,235
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>114,508</u>	<u>91,806</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a) <u>84,876</u>	<u>110,041</u>

(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-Jan-2015 RM '000	31-Jan-2014 RM '000
Cash and bank balances	17,670	20,178
Deposits with licensed financial institutions	67,206	89,863
	<u>84,876</u>	<u>110,041</u>
Less pledged deposits	(10,645)	(11,756)
	<u>74,231</u>	<u>98,285</u>

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 27 March 2015.

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
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
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010 – 2012 Cycle)	1 July 2014

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

A3. ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

At the date of authorisation of this Report, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

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

A3. ACCOUNTING POLICIES (Continued)

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-Lebuh raya Kajang Sdn. Bhd. ("SILK") ("Proposed Disposal"), results of the Highway Division in the quarter ended 31 July 2014 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	Oil & Gas	Highway	Adjustments	Total
	Division	Division	Division	RM '000	RM '000
	RM '000	RM '000	RM '000	RM '000	RM '000
<u>Quarter ended 31 January 2015:</u>					
Revenue					
External customers	-	76,689	26,859	-	103,548
Inter-segment	1,199	-	-	(1,199)	-
Total revenue	1,199	76,689	26,859	(1,199)	103,548
Segment profit/(loss) before taxation					
	922	8,672	(10,920)	8	(1,318)
Segment assets					
	280,696	1,403,731	1,042,525	(238,680)	2,488,272

	Investment				
	Holding	Oil & Gas	Highway	Adjustments	Total
	Division	Division	Division	RM '000	RM '000
	RM '000	RM '000	RM '000	RM '000	RM '000
<u>Quarter ended 31 January 2014:</u>					
(Restated)					
Revenue					
External customers	-	63,713	21,241	-	84,954
Inter-segment	1,295	-	-	(1,295)	-
Total revenue	1,295	63,713	21,241	(1,295)	84,954
Segment profit/(loss) before taxation					
	815	7,317	(11,102)	(60)	(3,030)
Segment assets					
	260,622	1,289,864	1,072,735	(251,790)	2,371,431

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:

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31-Jan-2015	31-Jan-2014	31-Jan-2015	31-Jan-2014
	RM '000	RM '000	RM '000	RM '000
Interest income	582	472	1,315	1,068
Rental income	53	51	106	104
Gain on disposal of property, vessel and equipment	-	5,131	20	5,155
Gain on disposal of non-current assets held for sale	-	9	-	33
Interest expenses	(39,438)	(37,504)	(79,176)	(75,037)
Depreciation of property, vessel and equipment	(25,499)	(22,594)	(50,599)	(44,600)
Amortisation of concession intangible assets	(5,065)	(3,856)	(10,047)	(7,645)
Rental expenses	(41)	(41)	(83)	(83)
Net foreign exchange gain/(loss)	(19)	(138)	(152)	(138)

A9. INCOME TAX

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31-Jan-2015	31-Jan-2014	31-Jan-2015	31-Jan-2014
	RM '000	RM '000	RM '000	RM '000
Current period tax charge:				
Malaysian income tax	224	381	554	501
Underprovision in prior periods	-	379	-	379
	224	760	554	880
Deferred income tax:				
Relating to origination and reversal of temporary differences	821	(31)	1,987	1,141
Overprovision in prior periods	-	(150)	-	(150)
	821	(181)	1,987	991
	1,045	579	2,541	1,871

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-2015	31-Jan-2014	31-Jan-2015	31-Jan-2014
Basic loss per share:				
Loss net of tax attributable to owners of the parent (RM '000)	(4,712)	(7,259)	(7,993)	(13,561)
Weighted average number of ordinary shares in issue ('000)	686,334	468,012	611,749	443,072
Basic loss per share (sen)	(0.69)	(1.55)	(1.31)	(3.06)
Diluted loss per share:				
Loss net of tax attributable to owners of the parent (RM '000)	(4,712)	(7,259)	(7,993)	(13,561)
After-tax effect of convertible loan stocks	-	96	71	338
	(4,712)	(7,163)	(7,922)	(13,223)
Weighted average number of ordinary shares at beginning of the period ('000)	686,334	468,012	611,749	443,072
Effects of dilution:				
- Convertible loan stocks	-	180,265	74,585	178,920
Total number of ordinary shares for diluted earnings per share computation ('000)	686,334	648,277	686,334	621,992
Diluted loss per share (sen)	(0.69)	(1.10)	(1.15)	(2.13)

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-Jan-15	31-Jul-14
	RM '000	RM '000
Deposits with licensed financial institutions	67,206	43,632
Cash and bank balances	17,670	17,033
Total cash and cash equivalents	<u>84,876</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 RM10.6 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 quarter ended 31 January 2015, there has been no:

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

As comparison, during the prior period ended 31 January 2014, the Company issued 52,746,667 ordinary shares of RM0.25 each as full settlement of its Cumulative Convertible Redeemable Preference Shares on its maturity.

A14. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Jan-15	31-Jul-14
	RM '000	RM '000
Secured short term borrowings:		
Revolving credits	30,000	40,000
Term loans	130,696	122,285
Sukuk Mudharabah	7,479	-
Hire purchase financings	213	114
Total short term borrowings	<u>168,388</u>	<u>162,399</u>
Secured long term borrowings:		
Term loans	840,514	816,393
Sukuk Mudharabah	660,729	-
Hire purchase financings	336	262
Total long term borrowings	<u>1,501,579</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 January 2015 is RM343 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-Jan-15	31-Jul-14
	RM '000	RM '000
Trade payables	13,223	29,284
Amount payable for new shipbuildings	80,571	3,109
Advance license and access fee	16,898	-
Accruals and other payables	24,727	13,138
	<u>135,419</u>	<u>45,531</u>

At 31 July 2014, 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 January 2015.

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-15	31-Jul-14
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	54,519	-
Approved but not contracted for:		
Propert, vessel and equipment	<u>16,125</u>	<u>19,588</u>

A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Jan-15	31-Jul-14
	RM '000	RM '000
Performance bond for expressway maintenance cost	1,500	1,500
Bank guarantee to charterers and suppliers	14,313	15,313
	<u>14,313</u>	<u>15,313</u>

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.

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-15 (Q2 2015)	31-Jan-14 (Q2 2014)	Change	31-Jan-15 (Q2 2015 YTD)	31-Jan-14 (Q2 2014 YTD)	Change
	RM '000	RM '000		RM '000	RM '000	
Revenue						
Oil and Gas Division	76,689	63,713	20.4%	157,935	137,395	14.9%
Highway Division	23,998 *	21,241	13.0%	47,721 *	42,007	13.6%
Investment Holding	1,199	1,295	(7.4%)	2,398	2,589	(7.4%)
Adjustments	(1,199)	(1,295)		(2,398)	(2,589)	
Total	100,687	84,954	18.5%	205,656	179,402	14.6%
Profit/(loss) before taxation						
Oil and Gas Division	8,672	7,317	18.5%	19,622	17,451	12.4%
Highway Division	(10,920)	(11,102)	1.6%	(21,647)	(22,524)	3.9%
Investment Holding	922	815	13.1%	1,828	1,611	13.5%
Adjustments	8	(60)		16	(124)	
Total	(1,318)	(3,030)	56.5%	(181)	(3,586)	95.0%

* For commentary purposes, revenue of the Highway Division is after deducting construction revenue of RM2.9 million in Q2 2015 and RM5.5 million in Q2 2015 YTD, recognized pursuant to IC Interpretation12 – Service Concession Arrangements.

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 76.2% (Q2 2014: 75.0%) of Group revenue.

During the current period, the Oil and Gas Division recorded revenue of RM76.7 million which is 20.4% higher than RM63.7 million recorded in Q2 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, and
- Improved fleet utilisation.

In line with the above, the Oil and Gas Division recorded 18.5% increase in its profit before taxation to RM8.7 million in Q2 2015 than RM7.3 million in Q2 2014.

B1. REVIEW OF PERFORMANCE (Continued)

ii. Highway Division

The Highway Division contributed 23.8% (Q2 2014: 25.0%) of the Group revenue, and recorded RM2.8 million higher revenue in the current period in line with higher traffic volume.

Consequently, the Highway Division reduced its loss before taxation to RM10.9 million in the current quarter from RM11.1 million in Q2 2014.

iii. Group

For the current quarter under review (Q2 2015), the Group recorded 18.5% higher revenue of RM100.7 million compared to revenue of RM85.0 million in the preceding year corresponding quarter (Q2 2014). Consequently, the Group recorded lower loss before taxation of RM1.3 million in Q2 2015 compared to RM3.0 million in Q2 2014.

b. Financial-year-to-date review

i. Oil and Gas Division

Similar to the 3 months period ended 31 January 2015, the Oil and Gas Division recorded 14.9% higher revenue than Q2 2014 YTD in line with increased capacity and higher fleet utilization during the 6 months period ended 31 January 2015.

Profit before taxation grew by 12.5% as the revenue growth was offset by higher depreciation and finance cost due to the division's fleet expansion.

ii. Highway Division

The Highway Division improved its revenue by 13.6% to RM47.7 million from RM42.0 million in Q2 2014 YTD as a result of the continued growth of the highway traffic during the period. Consequently, the Division's loss before taxation reduced to RM21.6 million from RM22.5 million recorded in Q2 2014 YTD.

iii. Group

In line with higher contributions by the Oil and Gas and the Highway divisions, the Group recorded 14.6% higher revenue to RM205.7 million from RM179.4 million in the preceding year, and reduced its loss before taxation to RM0.2 million from RM3.6 million in the preceding year.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER (Q2 2015)

	3 Months Ended		Change
	31-Jan-15 (Q2 2015) RM '000	31-Oct-14 (Q1 2015) RM '000 (Restated)	
Revenue			
Oil and Gas Division	76,689	81,247	(5.6%)
Highway Division	23,998 *	23,723	1.2%
Investment Holding	1,199	1,199	-
Adjustments	(1,199)	(1,199)	
Total	100,687	104,970	(4.1%)
Profit/(loss) before taxation			
Oil and Gas Division	8,672	10,950	(20.8%)
Highway Division	(10,920)	(10,725)	(1.8%)
Investment Holding	922	905	1.9%
Adjustments	8	8	
Total	(1,318)	1,138	(215.8%)

* For commentary purposes, revenue of the Highway Division is after deducting construction revenue of RM2.6 million in Q1 2015 and RM2.9 million in Q2 2015, recognized pursuant to IC Interpretation12 – Service Concession Arrangements.

During Q2 2015, the Group recorded RM1.3 million loss before taxation compared to RM1.1 million profit in the preceding quarter. The loss was mainly attributable to lower revenue recorded by the Oil and Gas Division following a decrease in the fleet utilization.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 JULY 2015

a. Oil and Gas Division

Oil prices have fallen significantly since June 2014 due mainly to oversupply. Oil and gas producers including Petronas have reiterated that moving forward there will be a focus on cost rationalisation. Petronas has indicated that it will be reducing capital expenditures by 10% and operating expenditures by approximately 30%.

Activity levels in Malaysia's offshore sector remained robust in the first quarter of 2015. However, oil and gas service providers may experience weaker revenue ahead due to lower market rates with predominantly spot charter contracts, coupled with the fact that oil and gas producers have begun negotiating charter rates for existing contracts. In view of the challenging market conditions, the results of the Oil and Gas Division which provides offshore support services, are expected to be moderately positive.

b. Highway Division

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. The Division is only obligated to a minimum of 3.5% annual Ijarah rental and RM2 million annual principal repayment in respect of the Sukuk Mudharabah. In the past, the Highway Division:

The Division is only obligated to a minimum of 3.5% annual Ijarah rental and RM2 million annual principal repayment in respect of the Sukuk Mudharabah. 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 annual 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

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	As Restated RM'000
a. Statement of comprehensive income for the 3 months ended 31 January 2014			
Revenue	84,954	-	84,954
Finance cost	(29,018)	(8,487)	(37,504)
Profit before taxation	5,457	(8,487)	(3,030)
Profit after taxation	4,878	(8,487)	(3,609)
b. Statement of comprehensive income for the 6 months ended 31 January 2014			
Revenue	179,402		179,402
Finance cost	(58,065)	(16,972)	(75,037)
Profit before taxation	13,386	(16,972)	(3,586)
Profit after taxation	11,515	(16,972)	(5,457)
c. Total assets at 31 October 2013	2,189,976	181,455	2,371,431

B9. REALISED AND UNREALISED PROFITS OF THE GROUP

	<u>31-Jan-15</u> RM '000	<u>31-Jul-14</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised loss	(16,140)	(15,570)
- unrealised profit	(84,385)	(73,481)
	<u>(100,525)</u>	<u>(89,051)</u>
Less consolidation adjustments	138,944	140,512
Total Group retained profits as per consolidated accounts	<u>38,419</u>	<u>51,461</u>

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**