



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

### **INTERIM RESULTS FOR THE PERIOD ENDED 31 OCTOBER 2015 (OTHERS)**

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

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2015****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Individual Quarter		Current Period To Date 31-Oct-2015 RM '000
		Current Period	Preceding Year	
		Quarter	Corresponding	
		31-Oct-2015 RM '000	31-Oct-2014 RM '000	
<b>Revenue</b>		<b>97,739</b>	107,545	<b>537,239</b>
Direct costs		<b>(21,807)</b>	(28,681)	<b>(146,736)</b>
Gross profit		<b>75,932</b>	78,864	<b>390,503</b>
Other items of income:				
Interest income		<b>607</b>	732	<b>2,974</b>
Other income		<b>298</b>	327	<b>1,687</b>
Other item of expenses:				
Staff expenses		<b>(5,933)</b>	(6,682)	<b>(54,348)</b>
Administrative expenses		<b>(1,974)</b>	(1,985)	<b>(9,635)</b>
		<b>(7,907)</b>	(8,667)	<b>(63,983)</b>
<b>EBITDA</b>		<b>68,930</b>	71,256	<b>331,181</b>
Depreciation		<b>(25,090)</b>	(25,400)	<b>(124,617)</b>
Amortisation		<b>(4,474)</b>	(4,982)	<b>(24,773)</b>
Finance costs		<b>(39,668)</b>	(39,736)	<b>(193,638)</b>
		<b>(69,232)</b>	(70,118)	<b>(343,028)</b>
<b>Profit/(loss) before taxation</b>		<b>(302)</b>	1,138	<b>(11,847)</b>
Taxation	A10	<b>(924)</b>	(1,496)	<b>(3,831)</b>
<b>Profit/(loss) after taxation</b>		<b>(1,226)</b>	(358)	<b>(15,678)</b>
Net profit/(loss) and total comprehensive income attributable to:				
Owners of the parent		<b>(1,097)</b>	(3,281)	<b>(24,624)</b>
Non-controlling interests		<b>(129)</b>	2,923	<b>8,946</b>
		<b>(1,226)</b>	(358)	<b>(15,678)</b>
<b>Earnings/(loss) per share (sen)</b>	A11			
- basic		<b>(0.16)</b>	(0.61)	<b>(3.69)</b>
- diluted		<b>(0.16)</b>	(0.47)	<b>(3.52)</b>

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 2015****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Notes	31-Oct-2015 RM '000	Audited 31-Jul-2014 RM '000 (Restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Concession intangible assets		877,494	899,826
Property, vessels and equipment		1,274,324	1,175,256
Deferred tax assets		137,826	137,855
Goodwill on consolidation		13,883	13,883
		<u>2,303,527</u>	<u>2,226,820</u>
<b>Current assets</b>			
Inventories		1,428	1,319
Trade and other receivables		111,893	71,299
Tax recoverable		346	974
Cash and bank balances	A13	96,579	114,509
		<u>210,246</u>	<u>188,101</u>
<b>Total assets</b>		<u>2,513,773</u>	<u>2,414,921</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	A14	175,383	129,020
Share premium	A14	87,470	69,679
Equity component of loan stocks		-	34,034
Employee trust shares	A14	-	(6,688)
Retained earnings		21,788	51,461
Reverse acquisition deficit		(92,791)	(92,791)
		<u>191,850</u>	<u>184,715</u>
Non-controlling interests		67,954	58,518
<b>Total equity</b>		<u>259,804</u>	<u>243,233</u>

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

		<b>31-Oct-2015</b>	<b>Audited</b>
	<b>Notes</b>	<b>RM '000</b>	<b>31-Jul-2014</b>
			<b>RM '000</b>
			<b>(Restated)</b>
<b>Non-current liabilities</b>			
Borrowings	A15	<b>1,462,423</b>	<b>1,484,171</b>
Ijarah rental payable	A15	<b>367,744</b>	<b>305,443</b>
Deferred tax liabilities		<b>59,701</b>	<b>58,031</b>
Provisions		<b>15,380</b>	<b>1,224</b>
		<b>1,905,248</b>	<b>1,848,869</b>
<b>Current liabilities</b>			
Borrowings	A15	<b>192,986</b>	<b>186,315</b>
Trade and other payables	A16	<b>107,108</b>	<b>71,663</b>
Liability component of convertible loan stocks		<b>-</b>	<b>6,317</b>
Ijarah rental payable		<b>36,823</b>	<b>21,807</b>
Provision for taxation		<b>265</b>	<b>230</b>
Provisions		<b>11,539</b>	<b>36,487</b>
		<b>348,721</b>	<b>322,819</b>
<b>Total liabilities</b>		<b>2,253,969</b>	<b>2,171,688</b>
<b>Total equity and liabilities</b>		<b>2,513,773</b>	<b>2,414,921</b>
<b>Net assets per share attributable to equity holders of the Company</b>		<b>RM 0.27</b>	<b>RM 0.36</b>

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 2015**

**CONDENSED CONSOLIDATED STATEMENTS 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		
<b>At 1 August 2014</b>	129,020	69,679	(6,688)	-	34,034	(92,791)	51,461	58,518	243,233
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(24,624)	8,946	(15,678)
Transaction with Owners:									
Conversion of loan stocks	46,363	-	-	-	(34,034)	-	(5,049)	-	7,280
Distribution of employee trust shares	-	17,791	6,688	-	-	-	-	-	24,479
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	490	490
	46,363	17,791	6,688	-	(34,034)	-	(5,049)	490	32,249
<b>At 31 October 2015</b>	175,383	87,470	-	-	-	(92,791)	21,788	67,954	259,804
<b>At 1 August 2013</b>									
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	-	-	-	-	-	-	(10,414)	15,138	4,724
Transaction with Owners:									
Issue of new shares	7,500	14,250	-	-	-	-	-	-	21,750
Conversion of preference shares	13,187	1,384	-	(1,384)	-	-	-	-	13,187
Acquisition of minority interest	-	-	-	-	-	-	(3,044)	(46,419)	(49,463)
	20,687	15,634	-	(1,384)	-	-	(3,044)	(46,419)	(14,526)
<b>At 31 July 2014</b>	129,020	69,679	(6,688)	-	34,034	(92,791)	51,461	58,518	243,233

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 2015  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	31-Oct-2015 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Collection of revenue	475,212
Collection of other income	7,155
	<u>482,367</u>
Payment of expenses	(169,183)
Net tax paid	(511)
Net cash generated from operating activities	<u>312,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital contribution by minority interest	490
Proceeds from disposal of vessel and equipment	112
	-
Proceeds from sale of non-current assets classified as held for sale	-
Purchase of vessels and equipment	(179,218)
Highway development expenditure	(13,589)
Acquisition of minority interest	-
Net cash used in investing activities	<u>(192,205)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Issue of shares	-
Drawdown of borrowings	135,850
Repayment of borrowings	(196,168)
Payment of finance costs	(78,080)
Net cash generated from financing activities	<u>(138,398)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,930)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u>114,509</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>(a) <u>96,579</u></b>

(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-2015 RM '000
Cash and bank balances	8,325
Deposits with licensed financial institutions	88,254
	<u>96,579</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. CHANGE OF FINANCIAL YEAR END**

As disclosed on 30 June 2015, the Group has changed its financial year end from 31 July to 31 December. Accordingly, the current financial period covers a 17-month period from 1 August 2014 to 31 December 2015.

The periods under review comprise the three (3) and fifteen (15) months ended 31 October 2015.

### **A2. 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.

### **A3. 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 7 December 2015.

### **A4. 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 as follows:

On 1 August 2014, the Group and the Company adopted the following Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs and IC Interpretations which are mandatory for annual financial periods beginning on or after 1 August 2014.

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

#### A4. ACCOUNTING POLICIES (Continued)

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>		<b>Effective Date</b>
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
Amendments to MFRS 139	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.



#### A4. 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:

FRSs, Amendments to MFRSs and IC Interpretation		Effective Date
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 ( <i>IFRS 9 Financial Instruments</i> issued by IASB in July 2014)	1 January 2018

The adoption of the above standards will have no material impact on the financial statements in the period of initial application except for the Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation as discussed below.

#### **A4. ACCOUNTING POLICIES (Continued)**

##### **Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation**

On 11 July 2014, MASB issued Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138). The amendments introduced the predominant limiting factor inherent in the intangible assets to be considered in determining the appropriate amortisation methods. The predominant limiting factor is the term of contract that sets out the right over the use of the intangible assets such as predetermined number of years, number of units produced or fixed amount of revenue to be generated. The method chosen when applied shall closely reflect the expected pattern of consumption of economic benefits, otherwise the straight line method shall be used.

The amendments further clarify that revenue reflects pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will be effective to the Group financial statements ending 31 December 2016.

For the financial period ending 31 December 2015, the Group continues to amortise its concession intangible assets using the existing formula and will review the existing amortization method upon adoption of the amendments.

The Group amortises the concession intangible assets based on the following formula:

$$\left[ \frac{\text{Current year actual traffic volume}}{\text{(Current year actual traffic volume} + \text{projected total traffic volume for the remaining concession period)}} \right] \times \text{(Opening net carrying amount of concession intangible asset} + \text{current year additions)}$$

#### **A5. CHANGES IN ESTIMATES**

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

#### **A6. CHANGES IN THE COMPOSITION OF THE GROUP**

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

## A7. SEGMENT INFORMATION

Pursuant to the then proposed disposal of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK") ("Proposed Disposal"), results of the Highway Division in the quarter ended 31 July 2014 were 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 of 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.

	Investment				
	Holding Division RM '000	Oil & Gas Division RM '000	Highway Division RM '000	Adjustments RM '000	Total RM '000
<b><u>Quarter ended 31 October 2015:</u></b>					
<b>Revenue</b>					
External customers	-	62,665	35,074	-	97,739
Inter-segment	1,646	-	-	(1,646)	-
Total revenue	<b>1,646</b>	<b>62,665</b>	<b>35,074</b>	<b>(1,646)</b>	<b>97,739</b>
<b>Segment profit/(loss) before taxation</b>					
	<b>1,651</b>	<b>56</b>	<b>(2,017)</b>	<b>8</b>	<b>(302)</b>
<b>Segment assets</b>					
	<b>279,526</b>	<b>1,364,539</b>	<b>1,103,123</b>	<b>(233,415)</b>	<b>2,513,773</b>
<b><u>Quarter ended 31 October 2014:</u></b>					
<b>Revenue</b>					
External customers	-	81,247	26,298	-	107,545
Inter-segment	1,199	-	-	(1,199)	-
Total revenue	<b>1,199</b>	<b>81,247</b>	<b>-</b>	<b>(1,199)</b>	<b>107,545</b>
<b>Segment profits before taxation</b>					
	<b>905</b>	<b>10,950</b>	<b>(10,725)</b>	<b>8</b>	<b>1,138</b>
<b>Segment assets</b>					
	<b>280,259</b>	<b>1,428,976</b>	<b>1,090,312</b>	<b>(237,199)</b>	<b>2,562,348</b>

## A8. SEASONAL OR CYCLICAL FACTORS

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

## A9. PROFIT/(LOSS) BEFORE TAX

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

	Current Quarter		Current Period
	3 months ended		To Date
	31-Oct-2015	31-Oct-2014	31-Oct-2015
	RM '000	RM '000	RM '000
Interest income	607	732	2,974
Rental income	53	-	264
Gain on disposal of property, vessel and equipment	-	20	20
Gain on disposal of assets classified as held for sale	-	-	-
Interest expenses	(39,668)	(39,736)	(193,638)
Depreciation of property, vessel and equipment	(25,090)	(25,400)	(124,617)
Amortisation of concession intangible assets	(4,474)	(4,982)	(24,773)
Rental expenses	(52)	(42)	(239)
Net foreign exchange gain/(loss)	(157)	(133)	(333)

## A10. INCOME TAX

	Current Quarter		Current Period
	3 months ended		To Date
	31-Oct-2015	31-Oct-2014	31-Oct-2015
	RM '000	RM '000	RM '000
Current period tax charge:			
Malaysian income tax	423	330	1,812
Underprovision in prior periods	-	-	(546)
	<u>423</u>	<u>330</u>	<u>1,266</u>
Deferred income tax:			
Relating to origination and reversal of temporary differences	501	1,166	2,565
	<u>501</u>	<u>1,166</u>	<u>2,565</u>
	<u>924</u>	<u>1,496</u>	<u>3,831</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.

## A11. 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:

	<b>Current Quarter</b>		<b>Current Period</b>
	<b>3 months ended</b>		<b>To Date</b>
	<b>31-Oct-2015</b>	<b>31-Oct-2014</b>	<b>31-Oct-2015</b>
<b>Basic loss per share:</b>			
Loss net of tax attributable to owners of the parent (RM '000)	(1,097)	(3,281)	(24,624)
Weighted average number of ordinary shares in issue ('000)	701,534	537,164	666,648
<b>Basic loss per share (sen)</b>	<u>(0.16)</u>	<u>(0.61)</u>	<u>(3.69)</u>
<b>Diluted loss per share:</b>			
Loss net of tax attributable to owners of the parent (RM '000)	(1,097)	(3,281)	(24,624)
After-tax effect of convertible loan stocks	-	71	71
	<u>(1,097)</u>	<u>(3,210)</u>	<u>(24,553)</u>
Weighted average number of ordinary shares at beginning of the period ('000)	701,534	537,164	666,648
Effects of dilution:			
- Convertible loan stocks	-	149,170	30,030
Total number of ordinary shares for diluted earnings per share computation ('000)	<u>701,534</u>	<u>686,334</u>	<u>696,678</u>
<b>Diluted loss per share (sen)</b>	<u>(0.16)</u>	<u>(0.47)</u>	<u>(3.52)</u>

## A12. 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.

## A13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	<b>31-Oct-15</b>	<b>31-Jul-14</b>
	<b>RM '000</b>	<b>RM '000</b>
		<b>(Restated)</b>
Deposits with licensed financial institutions	88,254	33,328
Cash and bank balances	8,325	81,181
Total cash and cash equivalents	<u>96,579</u>	<u>114,509</u>

Included in the deposits placed with licensed financial institutions is RM9.2 million (31 July 2014: RM12.3 million) pledged for a bank facilities granted to subsidiaries.

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

There was no issuance, cancellation, repurchase, resale or repayment of debts and equity securities during the financial period-to-date under review, except for:

- a. 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 the 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 coupon.
- b. Jasa Merin Employee Trust (“JMET”) distributed 31,998,983 ordinary shares of the Company to the eligible employees. The shares, which were issued to JMET in 2009 as part of the purchase consideration for the acquisition of AQL Aman Sdn Bhd, was previously classified as treasury shares pursuant to MFRS 2: Share-Based Payments.

#### A15. GROUP BORROWINGS AND DEBT SECURITIES

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

	<b>31-Oct-15</b>	<b>31-Jul-14</b>
	<b>RM '000</b>	<b>RM '000</b>
		<b>(Restated)</b>
Secured short term borrowings:		
Overdrafts	-	-
Revolving credits	39,000	40,000
Term loans	122,316	122,285
Sukuk Mudharabah	26,549	23,807
Hire purchase financings	139	223
Total short term borrowings	<u>188,004</u>	<u>186,315</u>
Secured long term borrowings:		
Term loans	825,544	816,393
Sukuk Mudharabah	641,659	667,465
Hire purchase financings	202	313
Total long term borrowings	<u>1,467,405</u>	<u>1,484,171</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 October 2015 is RM404.6 million (31 July 2014: RM327.2 million) profits accrued up to that date due to Sukukholders on Sukuk Mudharabah.

As stated in Note B3, 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 payment of RM2 million principal repayment.

#### A16. PAYABLES

	<b>31-Oct-15</b>	<b>31-Jul-14</b>
	<b>RM '000</b>	<b>RM '000</b>
		<b>(Restated)</b>
Trade payables	11,206	30,124
Amount payable for new shipbuildings	55,194	3,109
Advance license and access fee	17,941	15,104
Accruals and other payables	22,767	23,326
	<u>107,108</u>	<u>71,663</u>

**A17. 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 July 2015 except as stated in Note A14.

**A18. DIVIDEND**

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

**A19. COMMITMENTS**

	<b>31-Oct-15</b> <b>RM '000</b>	<b>31-Jul-14</b> <b>RM '000</b> <b>(Restated)</b>
<b>Capital expenditure</b>		
Approved and contracted for:		
Vessel and equipment	5,481	-
Approved but not contracted for:		
Vessel and equipment	18,535	19,588
Highway development expenditure	2,109	-
	<hr/>	<hr/>

**A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Contingent liabilities of the Group comprise the following:-

	<b>31-Oct-15</b> <b>RM '000</b>	<b>31-Jul-14</b> <b>RM '000</b> <b>(Restated)</b>
Performance bond for expressway maintenance and development project expenditure	3,225	1,500
Bank guarantee to charterers and suppliers	13,850	15,313
	<hr/>	<hr/>

**A21. 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**

	Current Quarter			Current Period
	31-Oct-15	31-Oct-14	Change	To Date
	RM '000	RM '000	%	31-Oct-15 RM '000
<b>Revenue</b>				
Oil and Gas Division	62,665	81,247	(22.9)	364,505
Highway Division *	35,074	23,723	47.8	153,414
Investment Holding	1,646	1,199	37.3	8,332
Adjustments	(1,646)	(1,199)		(8,332)
<b>Total</b>	<b>97,739</b>	<b>104,970</b>	<b>(6.9)</b>	<b>517,919</b>
<b>Profit/(loss) before taxation</b>				
Oil and Gas Division	56	10,950	(99.5)	32,482
Highway Division	(2,017)	(10,725)	**	(26,481)
Investment Holding	1,651	905	82.4	(16,889)
Adjustments	8	8		(959)
<b>Total</b>	<b>(302)</b>	<b>1,138</b>	<b>**</b>	<b>(11,847)</b>

\* For commentary purposes, revenue of the Highway Division is after deducting construction revenue below, which was recognized pursuant to IC Interpretation12 - Service Concession Arrangements.

	Current Quarter		Current Period
	3 Months Ended		To Date
	31-Oct-15	31-Oct-14	31-Oct-15
	RM '000	RM '000	RM '000
Construction revenue	-	2,575	19,320

**Quarterly review**

**i. Oil and Gas Division**

The Oil and Gas Division remained the Group's main source of revenue and operating profit, contributing 64% of Group revenue.

During the current quarter, the Oil and Gas Division recorded revenue of RM62.7 million which is 23% lower than RM81.2 million recorded in the preceding year corresponding quarter ("2014") mainly due to reduced vessel charter days and consolidation of vessel charter rates following the prolonged weak sentiment in the Oil and Gas' offshore support vessel segment.

## **B1. REVIEW OF PERFORMANCE (Continued)**

### **Quarterly review**

#### **i. Oil and Gas Division (Continued)**

Accordingly, the Oil and Gas Division recorded profit before taxation of RM56,000 in the current quarter compared to RM10.9 million it recorded in 2014.

#### **ii. Highway Division**

On 15 October 2015, a new toll rate structure for the Kajang Traffic Dispersal Ring Road (“Kajang SILK Highway”) was implemented, which is expected to contribute positively to the revenue from toll collection.

The implementation of the new toll structure does not materially affect results of the current quarter as the Highway Division has been accruing the toll compensation from the Government once it falls due.

During the current quarter, the Highway Division contributed 36% (2014: 23%) of the Group revenue, and recorded RM11.4 million higher revenue in the current period in line with higher traffic volume and increase in toll collection and toll compensation from the Government.

Consequently, the Highway Division reduced its loss before taxation to RM2 million in the current quarter from RM10.7 million in 2014.

#### **iii. Group**

The Group recorded revenue of RM97.7 million in the current quarter under review, 7% lower than the revenue of RM105 million recorded in 2014.

Despite improved performance by the Highway Division, the Group recorded loss before taxation of RM0.3 million in the current quarter compared to profit before taxation of RM1 million in 2014 due to lower contributions by the Oil and Gas Division.

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

	3 Months Ended		Change %
	31-Oct-15 RM '000	31-Jul-15 RM '000	
<b>Revenue</b>			
Oil and Gas Division	62,665	69,897	(10.3)
Highway Division	35,074	37,648 *	(6.8)
Investment Holding	1,646	1,545	6.5
Adjustments	(1,646)	(1,545)	
<b>Total</b>	<b>97,739</b>	<b>107,545</b>	<b>(9.1)</b>
<b>Profit/(loss) before taxation</b>			
Oil and Gas Division	56	6,004	(99.1)
Highway Division	(2,017)	(809)	**
Investment Holding	1,651	1,543	7.0
Adjustments	8	7	
<b>Total</b>	<b>(302)</b>	<b>6,745</b>	<b>**</b>

\* For commentary purposes, revenue of the Highway Division is after deducting construction revenue of RM5.2 million in the preceding quarter, recognized pursuant to IC Interpretation12 – Service Concession Arrangements.

\*\* The percentage is not meaningful.

During the current quarter, the Group recorded loss before taxation of RM0.3 million compared to profit before taxation of RM6.7 million in the preceding quarter.

Results of the Oil and Gas Division eased to RM56,000 from RM6 million in the preceding quarter in line with lower revenue recorded during the current quarter.

In addition, loss before taxation of the Highway Division increased to RM2 million from RM0.8 million.

**B3. PROSPECTS FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2015**

a. Oil and Gas Division

Oil prices have fallen significantly since June 2014. 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%.

As a result, 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 re-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 moderate, but remain positive.

**B3. PROSPECTS FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2015 (Continued)**

b. Highway Division

As stated in B1.ii, the implementation of the new toll structure is expected to contribute positively in the long run to the revenue from toll collection.

Further, the excellent connectivity and convenience Kajang SILK Highway provides to road users in the increasingly populated areas in and around Kajang will mitigate the traffic volume growth risk and facilitate further growth in the future.

While the Division accrues the finance cost at the contracted rate of 8% per annum, it is only obligated to pay 3.5% minimum 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 annual payment of RM2 million principal repayment.

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.

**B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST**

The Group has not issued any profit forecast for the current financial period 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, 239 cases have been settled, and only 1 case with claims of RM17.8 million is 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 restatement of the Highway Division into the Group's continuing operation as stated in Note A7.

Detailed schedules of the restatement are attached as appendice to this report.

## **B9. REALISED AND UNREALISED PROFITS OF THE GROUP**

	<u>31-Oct-15</u> RM '000	<u>31-Jul-14</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised profit/(loss)	12,994	(15,570)
- unrealised loss	(128,584)	(73,481)
	<u>(115,590)</u>	<u>(89,051)</u>
Less consolidation adjustments	137,378	140,512
Total Group retained profits as per consolidated accounts	<u>21,788</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**

**SILK HOLDINGS BERHAD (405897-V)**  
**(Incorporated in Malaysia)**

**RESTATEMENT OF THE STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014**

	As previously stated RM'000	Re-instatement of the Highway Division RM'000	Restated RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Concession intangible assets	-	899,826	899,826
Property, vessels and equipment	1,173,064	2,192	1,175,256
Deferred tax assets	29	137,826	137,855
Goodwill on consolidation	647	13,236	13,883
	<u>1,173,740</u>	<u>1,053,080</u>	<u>2,226,820</u>
<b>Current assets</b>			
Inventories	1,319	-	1,319
Trade and other receivables	70,690	609	71,299
Tax recoverable	974	-	974
Cash and bank balances	60,665	53,844	114,509
	<u>133,648</u>	<u>54,453</u>	<u>188,101</u>
Assets classified as held for sale	1,107,533	(1,107,533)	-
<b>Total assets</b>	<u>2,414,921</u>	<u>-</u>	<u>2,414,921</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	129,020	-	129,020
Share premium	69,679	-	69,679
Equity component of loan stocks	34,034	-	34,034
Employee trust shares	(6,688)	-	(6,688)
Retained earnings	51,461	-	51,461
Reverse acquisition deficit	(92,791)	-	(92,791)
	<u>184,715</u>	<u>-</u>	<u>184,715</u>
Non-controlling interests	58,518	-	58,518
<b>Total equity</b>	<u>243,233</u>	<u>-</u>	<u>243,233</u>
<b>Non-current liabilities</b>			
Borrowings	816,655	667,516	1,484,171
Ijarah rental payable	-	305,443	305,443
Deferred tax liabilities	58,031	-	58,031
Provisions	-	1,224	1,224
	<u>874,686</u>	<u>974,183</u>	<u>1,848,869</u>
<b>Current liabilities</b>			
Borrowings	162,399	23,916	186,315
Trade and other payables	45,531	26,132	71,663
Liability component of convertible loan stocks	6,317	-	6,317
Ijarah rental payable	-	21,807	21,807
Provision for taxation	230	-	230
Provisions	-	36,487	36,487
	<u>214,477</u>	<u>108,342</u>	<u>322,819</u>
Liabilities classified as held for sale	1,082,525	(1,082,525)	-
<b>Total liabilities</b>	<u>2,171,688</u>	<u>-</u>	<u>2,171,688</u>
<b>Total equity and liabilities</b>	<u>2,414,921</u>	<u>-</u>	<u>2,414,921</u>