



SILK HOLDINGS BERHAD (405897-V)

INTERIM RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2015 (OTHERS)

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

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

	Notes	Current Period (2 months) 31-Dec-2015 RM '000	Current Period To Date (17 months) 31-Dec-2015 RM '000
Revenue		58,796	596,035
Direct costs		(11,607)	(158,344)
Gross profit		47,189	437,691
Other items of income:			
Interest income		751	3,725
Other income		306	2,150
Other item of expenses:			
Staff expenses		(3,028)	(57,377)
Administrative expenses		(12,476)	(22,342)
		(15,504)	(79,719)
EBITDA		32,742	363,847
Depreciation		(16,914)	(141,541)
Amortisation		(2,571)	(27,343)
Finance costs		(22,057)	(215,700)
		(41,542)	(384,584)
Loss before taxation		(8,800)	(20,737)
Taxation	A10	(392)	(4,221)
Loss after taxation		(9,192)	(24,958)
Net loss and total comprehensive loss attributable to:			
Owners of the parent		(3,317)	(27,994)
Non-controlling interests		(5,875)	3,036
		(9,192)	(24,958)
Loss per share (sen)	A11		
- basic		(0.47)	(4.15)
- diluted		(0.47)	(3.98)

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

	Notes	31-Dec-2015 RM '000	Audited 31-Jul-2014 RM '000
Assets			
Non-current assets			
Concession intangible assets		936,372	-
Property, vessels and equipment		1,205,319	1,173,064
Deferred tax assets		143,266	29
Goodwill on consolidation		13,883	647
		<u>2,298,840</u>	<u>1,173,740</u>
Current assets			
Inventories		1,214	1,319
Trade and other receivables		87,613	70,690
Tax recoverable		43	974
Cash and bank balances	A13	96,983	60,665
		<u>185,853</u>	<u>133,648</u>
Assets classified as held for sale		41,579	1,107,533
Total assets		<u>2,526,272</u>	<u>2,414,921</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
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		18,418	51,461
Reverse acquisition deficit		(92,791)	(92,791)
		<u>188,480</u>	<u>184,715</u>
Non-controlling interests		62,044	58,518
Total equity		<u>250,524</u>	<u>243,233</u>

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

	Notes	31-Dec-2015 RM '000	Audited 31-Jul-2014 RM '000
Non-current liabilities			
Borrowings	A14	1,432,007	816,655
Ijarah rental payable	A14	371,593	-
Deferred tax liabilities		65,231	58,031
Provisions		63,644	-
		<u>1,932,475</u>	<u>874,686</u>
Current liabilities			
Borrowings	A14	194,012	162,399
Trade and other payables	A15	99,988	45,531
Liability component of convertible loan stocks		-	6,317
Ijarah rental payable		29,193	-
Provision for taxation		99	230
Provisions		19,981	-
		<u>343,273</u>	<u>214,477</u>
Liabilities classified as held for sale		-	1,082,525
Total liabilities		<u>2,275,748</u>	<u>2,171,688</u>
Total equity and liabilities		<u>2,526,272</u>	<u>2,414,921</u>
Net assets per share attributable to equity holders of the Company			
		<u>0.27</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 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →								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	Non- Controlling interests 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	-	-	-	-	-	-	(27,994)	3,036	(24,958)
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
At 31 December 2015	175,383	87,470	-	-	-	(92,791)	18,418	62,044	250,524
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	-	-	-	-	-	-	(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)
At 31 July 2014	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 DECEMBER 2015**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	31-Dec-2015
	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES	
Collection of revenue	564,128
Collection of other income	9,063
	<u>573,191</u>
Payment of expenses	(202,066)
Net tax paid	(668)
Net cash generated from operating activities	<u>370,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital contribution by minority interest	490
Proceeds from disposal of vessel and equipment	190
Purchase of vessels and equipment	(177,388)
Highway development expenditure	(18,342)
Acquisition of minority interest	-
Net cash used in investing activities	<u>(195,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown of borrowings	174,225
Repayment of borrowings	(218,830)
Payment of finance costs	(148,328)
Net cash generated from financing activities	<u>(192,933)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,526)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>114,509</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a) <u>96,983</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-Dec-2015
	RM '000
Cash and bank balances	11,340
Deposits with licensed financial institutions	85,643
	<u>96,983</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 two (2) and seventeen (17) months ended 31 December 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 26 February 2016.

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.

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

A4. ACCOUNTING POLICIES (continued)

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
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.

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.

A4. ACCOUNTING POLICIES (continued)

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 proposed disposal of Sistem Lingkaran-Lebuhraya 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 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
Current period:					
<i>(2 months ended 31 December 2015)</i>					
Revenue					
External customers	-	36,279	22,517	-	58,796
Inter-segment	3,484	-	-	(3,484)	-
Total revenue	3,484	36,279	22,517	(3,484)	58,796
Segment profit/(loss) before taxation					
	3,460	(14,038)	4,178	(2,400)	(8,800)
Cumulative period:					
<i>(17 months ended 31 December 2015)</i>					
Revenue					
External customers	-	400,784	195,251	-	596,035
Inter-segment	11,815	-	-	(11,815)	-
Total revenue	11,815	400,784	195,251	(11,815)	596,035
Segment profit/(loss) before taxation					
	(13,430)	18,360	(22,303)	(3,364)	(20,737)
Segment assets	282,605	1,334,631	1,149,358	(240,322)	2,526,272
Segment liabilities	719	1,126,147	1,166,441	(17,559)	2,275,748

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 Period (2 months) 31-Dec-2015 RM '000	Cumulative Period (17 months) 31-Dec-2015 RM '000
Interest income	751	3,725
Rental income	35	300
Gain on disposal of property, vessel and equipment	80	170
Interest expenses	(22,057)	(215,700)
Depreciation of property, vessel and equipment	(16,914)	(141,541)
Impairment of property, vessel and equipment	(11,823)	(11,823)
Amortisation of concession intangible assets	(2,571)	(27,343)
Rental expenses	(46)	(411)
Net foreign exchange gain/(loss)	(11)	(250)

A10. INCOME TAX

	Current Period (2 months) 31-Dec-2015 RM '000	Cumulative Period (17 months) 31-Dec-2015 RM '000
Current period tax charge:		
Malaysian income tax	307	2,087
Under / (over) provision in prior periods	23	(523)
	<u>330</u>	<u>1,564</u>
Deferred income tax:		
Relating to origination and reversal of temporary differences	(662)	1,933
Underprovision in prior periods	724	724
	<u>62</u>	<u>2,657</u>
	<u>392</u>	<u>4,221</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:

	Current Period 2 months ended 31-Dec-2015	Cumulative Period 17 months ended 31-Dec-2015
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(3,317)	(27,994)
Weighted average number of ordinary shares in issue ('000)	701,534	675,040
Basic loss per share (sen)	<u>(0.47)</u>	<u>(4.15)</u>
Diluted loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(3,317)	(27,994)
After-tax effect of convertible loan stocks	-	71
	<u>(3,317)</u>	<u>(27,923)</u>
Weighted average number of ordinary shares at beginning of the period ('000)	701,534	675,040
Effects of dilution:		
- Convertible loan stocks	-	26,493
Total number of ordinary shares for diluted earnings per share computation ('000)	<u>701,534</u>	<u>701,533</u>
Diluted loss per share (sen)	<u>(0.47)</u>	<u>(3.98)</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:

	31-Dec-15	31-Jul-14
	RM '000	RM '000
Deposits with licensed financial institutions	85,643	43,633
Cash and bank balances	11,340	17,032
Total cash and cash equivalents	<u>96,983</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 RM8.3 million (31 July 2014: RM10.6 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:

	31-Dec-15	31-Jul-14
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	2,977	-
Revolving credits	35,000	40,000
Term loans	141,211	122,285
Sukuk Mudharabah	14,691	-
Hire purchase financings	133	114
Total short term borrowings	<u>194,012</u>	<u>162,399</u>
Secured long term borrowings:		
Term loans	788,833	816,394
Sukuk Mudharabah	642,981	-
Hire purchase financings	193	261
Total long term borrowings	<u>1,432,007</u>	<u>816,655</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 December 2015 is RM400.8 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 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

	31-Dec-15	31-Jul-14
	RM '000	RM '000
Trade payables	12,425	29,284
Amount payable for new shipbuildings	55,194	3,109
Advance license and access fee	17,886	-
Accruals and other payables	14,483	13,138
	<u>99,988</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.

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

	31-Dec-15	31-Jul-14
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	-	*
Highway development expenditure	72,104	-
Approved but not contracted for:		
Vessel and equipment	8,018	16,600
Highway development expenditure	-	-

* Includes RM66.6 million commitment in relation to the acquisition of three (3) oil/chemical vessels as announced on 23 December 2015. The oil/chemical vessel business is a distinct business from the existing offshore support vessel business of the Group.

A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Dec-15	31-Jul-14
	RM '000	RM '000
Performance bond for expressway maintenance and upgrading	42,035	1,500
Bank guarantee to charterers and suppliers	2,363	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 Period 2 months ended 31-Dec-15 RM '000	Cumulative Period 17 months ended 31-Dec-15 RM '000
Revenue		
Oil and Gas Division	36,279	400,784
Highway Division *	21,639	175,053
Investment Holding	3,484	11,815
Adjustments	(3,484)	(11,815)
Total	57,918	575,837
Profit/(loss) before taxation		
Oil and Gas Division	(14,038)	18,360
Highway Division	4,178	(22,303)
Investment Holding	3,460	(13,430)
Adjustments	(2,400)	(3,364)
Total	(8,800)	(20,737)

* 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 Period 2 months ended 31-Dec-15 RM '000	Cumulative Period 17 months ended 31-Dec-15 RM '000
Construction revenue	878	20,198

i. Oil and Gas Division

Oil prices have fallen significantly since June 2014 mainly due to oversupply. Consequently, oil and gas producers including Petronas have scaled down their offshore exploration and production activities, and moving forward, will focus on cost rationalisation.

B1. REVIEW OF PERFORMANCE (continued)

Despite the negative sentiments in the industry, the Oil and Gas Division remained the Group's main source of revenue, contributing 63% of Group revenue in the two (2) months period ("current period") and 70% in the seventeen (17) months period ("cumulative period") ended 31 December 2015.

The Oil and Gas Division recorded revenue of RM36.3 million in the current period and RM400.8 million in the 17 months cumulative period, reflecting the effect of the continuing oversupply in the industry - lower fleet utilisation and the consolidation of charter rates.

The Division recorded loss before taxation of RM14 million in the current period mainly due to RM11.8 million vessel impairment loss in addition to the weak sentiment in the industry. Despite the above, the Division recorded profit before taxation of RM18.4 million for the 17 months cumulative period.

ii. Highway Division

On 15 October 2015, the Highway Division implemented a new toll rate structure for the Kajang Traffic Dispersal Ring Road ("Kajang SILK Highway"). The implementation of the new toll structure 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 periods as the Highway Division has been accruing the toll compensation from the Government once it falls due.

During the periods, the Highway Division contributed 37% of the Group revenue for the two (2) months period and 30% in the seventeen (17) months period ended 31 December 2015.

The Highway Division recorded RM21.6 million revenue for the current period and RM175 million for the cumulative period. The Highway Division recorded profit before tax of RM4.2 million for the current period following a RM4.6 million cost adjustment arising from reduction in the Division's effective financing cost. For the 17 months cumulative period, the Highway Division recorded RM22.3 million loss in line with the significant additional finance charge pursuant to the applicable accounting standards, and the highway concession amortisation charge.

iii. Group

The Group recorded revenue of RM57.9 million in the current period and RM575.8 million for the cumulative period under review.

Despite improved operating conditions of the Highway Division, the Group recorded loss before taxation of RM8.8 million in the current period and RM20.7 million in the cumulative period due to the vessel impairment charge incurred by the Oil and Gas Division and the accounting charges in relation to finance costs and amortization of concession assets incurred by the Highway Division.

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

	Current Period	Preceding Period
	2 Months	3 Months
	31-Dec-15	31-Oct-15
	RM '000	RM '000
Revenue		
Oil and Gas Division	36,279	62,665
Highway Division	21,639	35,074
Investment Holding	3,484	1,646
Adjustments	(3,484)	(1,646)
Total	<u>57,918</u>	<u>97,739</u>
Profit/(loss) before taxation		
Oil and Gas Division	(14,038)	56
Highway Division	4,178	(2,017)
Investment Holding	3,460	1,651
Adjustments	(2,400)	8
Total	<u>(8,800)</u>	<u>(302)</u>

Comparison of results between the current period and of the preceding quarter is not meaningful as the periods are of different length.

B3. FUTURE PROSPECTS

a. Oil and Gas Division

Crude 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 rationalization. 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 and lower utilization. In view of the challenging market conditions, the prospects of the Oil and Gas Division which provides offshore support services, are expected to be moderate, but remain positive.

b. Highway Division

As stated in B1, on 15 October 2015, the Highway Division implemented a new toll rate structure for the Kajang Traffic Dispersal Ring Road (“Kajang SILK Highway”).

The implementation of the new toll structure is expected to contribute positively to the future revenue from the expected toll collection.

Further, Kajang SILK Highway is of the opinion that the excellent connectivity and convenience it 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.

B3. FUTURE PROSPECTS (continued)

While the Division accrues the finance cost at the contracted rate of 8% per annum, it is only obligated to 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, 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. REALISED AND UNREALISED PROFITS OF THE GROUP

	<u>31-Dec-15</u> RM '000	<u>31-Jul-14</u> RM '000
Total retained profits of the Company and its subsidiaries:		
- realised profit/(loss)	12,749	(15,570)
- unrealised loss	(131,789)	(73,481)
	<hr/>	<hr/>
	(119,040)	(89,051)
Less consolidation adjustments	137,458	140,512
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Total Group retained profits as per consolidated accounts	18,418	51,461
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B9. 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**