



SILK HOLDINGS BERHAD (405897-V)

INTERIM RESULT FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Q3 2016)

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Individual Current Year Quarter 30-Sep-2016 RM '000	Cumulative Current Year To Date 30-Sep-2016 RM '000
Revenue		35,835	123,955
Direct costs		(16,437)	(48,559)
Gross profit		19,398	75,396
Other items of income:			
Interest income		180	559
Other income		319	319
Other item of expenses:			
Staff expenses		(1,969)	(6,269)
Administrative expenses		(988)	(3,627)
		(2,957)	(9,896)
EBITDA		16,940	66,378
Depreciation		(29,235)	(77,726)
Finance costs		(17,107)	(45,981)
		(46,342)	(123,707)
Loss before taxation		(29,402)	(57,329)
Taxation	A9	4,999	8,048
Loss from continuing operations		(24,403)	(49,281)
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	A10	295	(6,545)
Loss for the year		(24,108)	(55,826)
Net loss and total comprehensive loss attributable to:			
Owners of the parent		(16,632)	(41,258)
Non-controlling interests		(7,476)	(14,568)
		(24,108)	(55,826)
Loss per share (sen)			
- basic	A11	(2.37)	(5.88)
- diluted		(2.37)	(5.88)

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

SILK HOLDINGS BERHAD (405897-V)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30-Sep-2016 RM '000	Audited 31-Dec-2015 RM '000
Assets			
Non-current assets			
Concession intangible assets		-	936,372
Property, vessels and equipment		1,252,568	1,205,319
Deferred tax assets		-	141,498
Goodwill on consolidation		647	13,883
Receivables		-	7,385
		<u>1,253,215</u>	<u>2,304,457</u>
Current assets			
Inventories		1,525	1,214
Trade and other receivables		39,548	80,229
Tax recoverable		204	43
Cash and bank balances	A12	3,940	96,983
		<u>45,217</u>	<u>178,469</u>
Assets classified as held for sale		1,178,338	41,578
Total assets		<u>2,476,770</u>	<u>2,524,504</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	A13	175,383	175,383
Share premium	A13	87,470	87,470
Retained earnings		(24,517)	16,741
Reverse acquisition deficit		(92,791)	(92,791)
		<u>145,545</u>	<u>186,803</u>
Non-controlling interests		47,476	62,044
Total equity		<u>193,021</u>	<u>248,847</u>

SILK HOLDINGS BERHAD (405897-V)**(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30-Sep-2016	Audited
	Notes	RM '000	31-Dec-2015
			RM '000
Non-current liabilities			
Borrowings	A14	897,616	1,432,010
Ijarah rental payable	A14	-	371,593
Deferred tax liabilities		56,098	65,231
Provisions		-	63,119
		<u>953,714</u>	<u>1,931,953</u>
Current liabilities			
Borrowings	A14	86,806	194,009
Trade and other payables	A15	65,006	99,897
Ijarah rental payable		-	29,193
Provision for taxation		105	99
Provisions		-	20,506
		<u>151,917</u>	<u>343,704</u>
Liabilities classified as held for sale		1,178,118	-
Total liabilities		<u>2,283,749</u>	<u>2,275,657</u>
Total equity and liabilities		<u>2,476,770</u>	<u>2,524,504</u>
Net assets per share attributable to equity holders of the Company			
		<u>0.21</u>	<u>RM 0.27</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

SILK HOLDINGS BERHAD (Company No: 405897-V)

Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**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	Reverse acquisition deficit RM'000	Retained earnings RM'000			
At 1 January 2016	175,383	87,470	(92,791)	16,741	62,044	248,847	
Total comprehensive income/(loss) for the period	-	-	-	(41,258)	(14,568)	(55,826)	
At 30 June 2016	<u>175,383</u>	<u>87,470</u>	<u>(92,791)</u>	<u>(24,517)</u>	<u>47,476</u>	<u>193,021</u>	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Notes	Continuing Operations RM '000	Discontinued Operations RM '000	Total RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Collection of revenue		137,191	107,887	245,078
Collection of other income		616	2,601	3,217
		<u>137,807</u>	<u>110,488</u>	<u>248,295</u>
Payment of expenses		(38,036)	(24,835)	(62,871)
Net tax paid		(1,256)	-	(1,256)
Net cash generated from operating activities		<u>98,515</u>	<u>85,653</u>	<u>184,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of apartments		-	439	439
Purchase of property, vessels and equipment		(102,345)	(2,003)	(104,348)
Highway development expenditure		-	(2,231)	(2,231)
Net cash used in investing activities		<u>(102,345)</u>	<u>(3,795)</u>	<u>(106,140)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings		87,886	-	87,886
Repayment of borrowings		(71,794)	(14,787)	(86,581)
Payment of finance costs		(50,422)	(42,357)	(92,779)
Net cash generated from financing activities		<u>(34,330)</u>	<u>(57,144)</u>	<u>(91,474)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(38,160)	24,714	(13,446)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		42,100	53,838	95,938
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	3,940	78,552	82,492

(a) Cash and cash equivalents

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

	Continuing Operations RM '000	Discontinued Operations RM '000	Total RM '000
Cash and bank balances	3,706	77,998	81,704
Deposits with licensed financial institutions	234	554	788
	<u>3,940</u>	<u>78,552</u>	<u>82,492</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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

The Group has changed its financial year end from 31 July to 31 December effective from the financial period ended 31 December 2015.

The current financial period under review covers three (3) months period from 1 July to 30 September 2016 and represents the third period subsequent to the change of the Group's financial year end. Accordingly, no comparative results and cash flow are presented.

A2. BASIS OF PREPARATION

The condensed consolidated interim financial report for the three months ended 30 September 2016 has been prepared in accordance with MFRS 134 Interim Financial Reporting except for the exclusion of the prior year comparative results due to the change in the financial year-end to 31 December.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2015 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of new and amended standards as set out below:

a. New and amended standards adopted by the Group

A number of new and amended standards have become applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a results of adopting these standards.

b. 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:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective Date
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 Group are expected to apply the above pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the pronouncements.

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 23 November 2016.

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 in the current financial period. In the previous period, the Company acquired from its 70%-owned subsidiary, Jasa Merin (Malaysia) Sdn Bhd, the entire equity interest of Jasa Merin (Labuan) Plc ("JML") for a total consideration of RM100,000.

A6. SEGMENT INFORMATION

	Oil & Gas Division RM '000	Highway Division RM '000 (discontinued)	Marine Logistic Division RM	Others RM '000	Adjustments RM '000	Total RM '000
<u>Current period:</u>						
<i>(Q3 2016)</i>						
Revenue						
External customers	29,305	33,278	6,530	-	(33,278)	35,835
Inter-segment	-	-	-	1,614	(1,614)	-
Total revenue	29,305	33,278	6,530	1,614	(34,892)	35,835
Segment profit/(loss) before taxation						
	(30,212)	(6,342)	(508)	1,318	6,342	(29,402)
Segment assets	1,221,569	1,139,043	75,882	311,223	(270,947)	2,476,770
Segment liabilities	1,062,539	1,165,916	79,748	698	(25,152)	2,283,749

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 except for the commencement of marine logistic operation by JML in the preceding quarter.

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 Period (3 months) 30-Sep-2016 RM '000	Cumulative Period (9 months) 30-Sep-2016 RM '000
Interest income	180	559
Interest expenses	(17,107)	(45,981)
Depreciation of property, vessels, and	(29,235)	(77,726)
Rental expenses	(74)	(228)
Net foreign exchange loss	(33)	(355)

A9. INCOME TAX

	Current Period (3 months) 30-Sep-2016 RM '000	Cumulative Period (9 months) 30-Sep-2016 RM '000
Current period tax charge:		
Malaysian income tax	365	1,084
Deferred income tax:		
temporary differences	(5,364)	(9,132)
	<u>(4,999)</u>	<u>(8,048)</u>

The effective tax rates of the Oil and Gas subsidiaries differ from the Malaysian statutory tax rate as subsidiaries incorporated in Labuan under the Offshore Companies Act, 1990 are taxed at 3% of their profit before taxation, or RM20,000 in accordance with the Labuan Offshore Business Activity Tax Act, 1990.

A10. DISPOSAL GROUP HELD FOR SALE

On 1 June 2016, the Company entered into a Heads of Agreement with WZ Satu Berhad to dispose its entire interest in Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK").

Notwithstanding that the HOA was terminated by both parties on 23 September 2016 as stated in Note A.22, the Board remains committed to dispose the Highway Division.

Accordingly, as at 30 September 2016, the assets and liabilities related to SILK have been presented in the statement of financial position as "Assets classified as held for sale" and its results are presented separately on the statement of comprehensive income as "Loss for discontinued operations, net of tax".

Statement of financial position disclosures

	Group RM '000
Assets classified as held for sale	
Investment in subsidiaries	-
Concession intangible assets	923,156
Goodwill	13,236
Property, plant and equipment	3,439
Deferred tax asset	141,866
Receivables	18,088
Cash and bank balances	78,553
	<u>1,178,338</u>
Liabilities classified as held for sale	
Sukuk Mudharabah	642,903
Sukuk finance cost payable	432,457
Payables	22,192
Provision for heavy repairs and lane widening	80,566
	<u>1,178,118</u>

Statement of comprehensive income disclosure

Results of the Highway Division for the year ended 30 September 2016 are as follows:

	Current Quarter 3 months RM '000	Cumulative Period (9 months) RM '000
Revenue	33,278	101,535
Direct costs	<u>(4,388)</u>	<u>(13,544)</u>
Gross profit	28,890	87,991
Other items of income:		
Interest income	585	1,646
Other income	411	1,126
Other item of expenses:		
Staff expenses	<u>(2,931)</u>	<u>(9,137)</u>
Administrative expenses	<u>(620)</u>	<u>(1,590)</u>
	(3,551)	(10,727)
EBITDA	26,335	80,036
Depreciation	- *	(389)
Amortisation	- *	(8,636)
Finance costs	<u>(26,040)</u>	<u>(77,556)</u>
	(26,040)	(86,581)
Profit/(loss) before taxation	295	(6,545)
Taxation	-	-
Net profit/(loss) for the period	<u>295</u>	<u>(6,545)</u>

* In Q3 2016, the Highway Division at the subsidiary level incurred depreciation and amortisation of RM284,000 and RM6,353,000 for the three months period and RM760,000 and RM16,452,000 respectively for the 9 months cumulative period.

Pursuant to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the total assets and total liabilities of the Highway Division have been reclassified to Assets Held for Sale at their fair values. Accordingly, the Division's depreciation and amortisation expenses incurred subsequent to the effective date of the reclassification have been excluded at SHB Group level.

Statement of cash flow disclosure

The cash flow attributable to SILK are as follows:

	30-Sep-2016
	RM '000
Operating	85,653
Investing	(3,795)
Financing	(57,144)
Net cash inflow	<u>24,714</u>

Capital commitments

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Plant and equipment	455	-
Highway development expenditure	-	<u>8,018</u>
Approved but not contracted for:		
Plant and equipment	4,421	6,064
Highway development expenditure	<u>8,685</u>	<u>8,826</u>

A11. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing loss 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 loss per share amounts are calculated by dividing loss 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 loss and share data used in the computation of basic and diluted loss per share:

	Current Period (3 months) 30-Sep-2016	Cumulative Period (9 months) 30-Sep-2016
Basic and diluted loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(16,632)	(41,258)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534
Basic and diluted loss per share (sen)	<u>(2.37)</u>	<u>(5.88)</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:

	30-Sep-16 RM '000	31-Dec-15 RM '000
Deposits with licensed financial institutions	3,706	85,643
Cash and bank balances	234	11,340
Total cash and cash equivalents	<u>3,940</u>	<u>96,983</u>

Included in the deposits placed with licensed financial institutions is RM2.2 million (31 December 2015: RM8.3 million) pledged for banking facilities granted to subsidiaries.

A14. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There was no issuance, cancellation, repurchase, or resale of equity securities during the financial period under review.

A15. GROUP BORROWINGS AND DEBT SECURITIES

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

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	9,982	2,977
Revolving credits	20,000	35,000
Term loans	56,712	141,211
Sukuk Mudharabah	-	14,691
Hire purchase financings	112	130
Total short term borrowings	<u>86,806</u>	<u>194,009</u>
Secured long term borrowings:		
Revolving credits	20,000	-
Term loans	877,503	788,833
Sukuk Mudharabah	-	642,981
Hire purchase financings	113	196
Total long term borrowings	<u>897,616</u>	<u>1,432,010</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 December 2015 is RM400.8 million profits accrued up to that date due to Sukukholders on Sukuk Mudharabah.

A16. PAYABLES

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Trade payables	48,257	11,117
Amount payable for new shipbuildings	-	56,502
Advance license and access fee	-	17,886
Accruals and other payables	16,749	14,392
	<u>65,006</u>	<u>99,897</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 period under review.

A18. DIVIDEND

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

A19. COMMITMENTS

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	-	5,481
Approved but not contracted for:		
Vessel and equipment	<u>13,519</u>	<u>13,800</u>

A20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Performance bond for expressway maintenance and upgrading	-	2,363
Bank guarantee to charterers and suppliers	<u>10,959</u>	<u>12,784</u>

A21. UNUSUAL ITEMS

Except as disclosed in A22, 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.

A22. SIGNIFICANT EVENTS

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

On 1 June 2016, the Company entered into a Heads of Agreement ("HOA") with WZ Satu Berhad ("WZS") in relation to the Proposed Disposal.

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

The disposal consideration shall be RM368 million to be satisfied in the following manner:

- i. RM239,250,000 in cash, and
- ii. RM 128,750,000 by the issue of 125,000,000 ordinary shares of WZS at the issue price of RM1.03 per share ("Consideration Shares").

The Proposed Disposal is subject to the execution of a Share Sale Agreement (“SSA”) and is conditional upon the following conditions (“Conditions Precedent”):

- i. approvals of:
 - the Economic Planning Unit in the Prime Minister’s Department of the Government of Malaysia (“GoM”),
 - “Unit Kerjasama Awam Swasta” in the Prime Minister’s Department of the GoM,
 - the shareholders of the Company,
 - the shareholders of WZS,
 - holders of the existing SILK’s Sukuk Mudharabah,
 - Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the Consideration Shares to be listed on the Main Market of Bursa Securities, where required, and
 - other persons as may be necessary.
- ii. the purchaser, WZS, being satisfied with the results of due diligence inquiry on SILK and its subsidiary.

The SSA is to be executed within 90 days of the date of the HOA or such further extended date as both parties mutually agree (“Deadline”).

On 30 August 2016, the parties agreed to extend the Deadline for another 30 days up to 29 September 2016

On 23 September 2016, both parties mutually agreed to terminate the HOA as they have been unable to mutually agree on the final terms of the SSA.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN BOARD LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Current (3 months) 30-Sep-16 RM '000	Cumulative (9 months) 30-Sep-16 RM '000
Revenue		
Oil and Gas Division	29,305	113,773
Marine Logistic Division	6,530	10,182
Investment Holding and Others	1,614	5,179
Adjustments	(1,614)	(5,179)
Total	<u>35,835</u>	<u>123,955</u>
Profit/(loss) before taxation		
Oil and Gas Division	(30,212)	(57,500)
Marine Logistic Division	(508)	(3,779)
Investment Holding and Others	1,318	4,332
Adjustments	-	(382)
Total	<u>(29,402)</u>	<u>(57,329)</u>

i. Oil and Gas Division

Following the proposed disposal of the Highway Division, the Oil and Gas Division becomes the predominant contributor to the Group, contributing 82% of the Group's revenue for the quarter.

The sentiment within the industry however, continues to remain weak following the global slowdown as a result of market over-supply of oil and gas. Despite nearly 80% recovery in the oil price since the lowest position in January 2016, the oil and gas activities have remained sluggish

As a direct consequence of the above, the Oil and Gas Division recorded revenue of RM29.3 million and loss before taxation of RM30.2 million in the current period and a total revenue of RM113.8 million and loss before taxation of RM57.5 million in the 9-months cumulative period.

ii. Marine Logistic Division

The Marine Logistic Division contributed 18% of the Group's revenue for the quarter.

The division recorded revenue of RM6.5 million and loss before taxation of RM0.5 million in the current period and a revenue of RM10.2 million and loss before taxation of RM3.8 million in the 9-months cumulative period.

iii. Group

In view that oil and gas is the predominant activity of the Group, the Group has been adversely affected by the continuing negative sentiment in the industry. As a result, the Group recorded revenue of RM35.8 million and loss before taxation of RM29.4 million in the current period and a revenue of RM124 million and loss before taxation of RM57.3 million in the 9-months cumulative period.

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

	Current Period 30-Sep-16 RM '000	Preceding Period 30-Jun-16 RM '000	Change
Revenue			
Oil and Gas Division	29,305	37,579	(22.0%)
Marine Logistic Division	6,530	3,652	78.8%
Others	1,614	1,961	(17.7%)
Adjustments	(1,614)	(1,961)	
Total	<u>35,835</u>	<u>41,231</u>	<u>(13.1%)</u>
Profit/(loss) before taxation			
Oil and Gas Division	(30,212)	(18,548)	(62.9%)
Marine Logistic Division	(508)	(3,266)	84.4%
Others	1,318	1,550	(15.0%)
Adjustments	-	(370)	
Total	<u>(29,402)</u>	<u>(20,634)</u>	<u>(42.5%)</u>

During the current period, the Marine Logistic Division recorded an improved results having operated in a full quarter for the first time.

However, the Group recorded higher loss before taxation of RM29.4 million from RM20.6 million in the preceding period in line with lower Oil and Gas activities during the current period as oil prices remain low, and as a result of RM3 million depreciation adjustment following the reclassification of two vessels from assets held for sale to property, vessel and equipment.

B3. FUTURE PROSPECTS

a. Oil and Gas Division

World 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 challenging.

b. Marine Logistic Division

The chemical vessels provides flexibility in terms of cargoes it can carry to include chemicals, clean petroleum products and palm oil. Trading of small parcels of chemicals, clean petroleum products or palm oil is consistent especially in South East Asia where many ports could not accommodate larger vessels. The coastal vessel segment ranging from 3,000 DWT to 10,000 DWT is a niche segment focusing on near coastal transportation used for intra trade in the region.

Seaborne chemical trade is greatly influenced by global economic development and it has closely followed the trends of global gross domestic product as well as industrial production growth. Despite the gloomy global economic outlook, the coastal chemical vessel segment is expected to provide stable returns.

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

Except as disclosed in A22, 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

	30-Sep-16	31-Dec-15
	RM '000	RM '000
Total retained profits of the Company and its subsidiaries:		
- realised profit/(loss)	(15,562)	29,005
- unrealised loss	(154,399)	(124,964)
	<u>(169,961)</u>	<u>(95,959)</u>
Less consolidation adjustments	145,444	112,700
Total Group retained profit / (loss) as per consolidated accounts	<u>(24,517)</u>	<u>16,741</u>

B9. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2015 was not subject to any qualification.

**BY ORDER OF THE BOARD
SECRETARIES**