



SILK HOLDINGS BERHAD (405897-V)

INTERIM RESULT FOR THE PERIOD ENDED 31 DECEMBER 2016 (Q4 2016)

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SILK HOLDINGS BERHAD (405897-V)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Individual Current Year Quarter 31-Dec-2016 RM '000	Cumulative Current Year To Date 31-Dec-2016 RM '000
Revenue		77,934	303,424
Direct costs		(28,662)	(90,763)
Gross profit		49,272	212,661
Other items of income:			
Interest income		745	3,116
Other income		1,064	2,025
Other item of expenses:			
Staff expenses		(5,117)	(20,523)
Administrative expenses		(2,388)	(7,289)
		(7,505)	(27,812)
EBITDA		43,576	189,990
Depreciation		(27,402)	(105,518)
Amortisation		(14,605)	(23,239)
Impairment loss		(34,795)	(34,795)
Finance costs		(31,810)	(155,347)
		(108,612)	(318,899)
Loss before taxation		(65,036)	(128,909)
Taxation	A9	17,490	25,537
Net loss for the period		(47,546)	(103,372)
Net loss and total comprehensive income			
Owners of the parent		(33,126)	(74,384)
Non-controlling interests		(14,420)	(28,988)
		(47,546)	(103,372)
Earnings per share (sen)			
- basic	A10	(4.72)	(10.60)
- diluted		(4.72)	(10.60)

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 31 DECEMBER 2016****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		31-Dec-2016	Audited 31-Dec-2015
	Notes	RM '000	RM '000
Assets			
Non-current assets			
Concession intangible assets		934,884	936,372
Property, vessels and equipment		1,200,428	1,205,319
Deferred tax assets		139,879	141,498
Goodwill on consolidation		13,236	13,883
Receivables		-	7,385
		<u>2,288,427</u>	<u>2,304,457</u>
Current assets			
Inventories		1,206	1,214
Trade and other receivables		60,585	80,229
Tax recoverable		63	43
Cash and bank balances	A12	111,880	96,983
		<u>173,734</u>	<u>178,469</u>
Assets classified as held for sale		-	41,578
Total assets		<u>2,462,161</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		(57,643)	16,741
Reverse acquisition deficit		(92,791)	(92,791)
		<u>112,419</u>	<u>186,803</u>
Non-controlling interests		33,056	62,044
Total equity		<u>145,475</u>	<u>248,847</u>

SILK HOLDINGS BERHAD (405897-V)**(Incorporated in Malaysia)****UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		31-Dec-2016	Audited
	Notes	RM '000	31-Dec-2015
		RM '000	RM '000
Non-current liabilities			
Borrowings	A14	1,282,861	1,432,010
Ijarah rental payable	A14	378,730	371,593
Deferred tax liabilities		36,296	65,231
Provisions		65,088	63,119
		1,762,975	1,931,953
Current liabilities			
Borrowings	A14	348,829	194,009
Trade and other payables	A15	97,181	99,897
Ijarah rental payable		59,329	29,193
Provision for taxation		270	99
Provisions		48,102	20,506
		553,711	343,704
Total liabilities		2,316,686	2,275,657
Total equity and liabilities		2,462,161	2,524,504
Net assets per share attributable to equity holders of the Company		RM 0.16	RM 0.27

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 31 DECEMBER 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	-	-	-	(74,384)	(28,988)	(103,372)	
At 31 December 2016	<u>175,383</u>	<u>87,470</u>	<u>(92,791)</u>	<u>(57,643)</u>	<u>33,056</u>	<u>145,475</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 31 DECEMBER 2016
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of revenue		319,269
Collection of other income		4,672
		<u>323,941</u>
Payment of expenses		(81,697)
Net tax paid		(1,199)
Net cash generated from operating activities		<u>241,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment		687
Purchase of property, vessels and equipment		(110,951)
Highway development expenditure		(2,421)
Net cash used in investing activities		<u>(112,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings		87,886
Repayment of borrowings		(90,260)
Payment of finance costs		(111,089)
Net cash generated from financing activities		<u>(113,463)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		14,897
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD		<u>96,983</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(a)	<u>111,880</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:

	RM '000
Cash and bank balances	3,430
Deposits with licensed financial institutions	108,450
	<u>111,880</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 October to 31 December 2016 and represents the fourth 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 December 2016 has been prepared in accordance with MFRS 134 Interim Financial Reporting.

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 authorization 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 28 February 2017.

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	Marine Logistics Division RM '000	Investment Holding and Others RM '000	Adjustments RM '000	Total RM '000
Current period:						
(Q4 2016)						
Revenue						
External customers	30,975	33,303	13,656	-	-	77,934
Inter-segment	-	-	-	2,195	(2,195)	-
Total revenue	30,975	33,303	13,656	2,195	(2,195)	77,934
Segment profit/(loss) before taxation	(68,466)	8,570	1,056	(31,185)	24,989	(65,036)
Segment assets	1,163,055	1,191,313	81,862	280,003	(254,072)	2,462,161
Segment liabilities	1,052,845	1,218,204	80,569	980	(35,912)	2,316,686

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 logistics operation by JML in the current 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) 31-Dec-16 RM '000	Cumulative Period (12 months) 31-Dec-16 RM '000
Interest income	745	3,116
Gain on disposal of property, vessel and equipment	248	248
Interest expenses	(31,810)	(155,347)
Depreciation of property, vessel and equipment	(27,402)	(105,518)
Impairment of goodwill	(647)	-
Impairment of property, vessel and equipment	(34,795)	(34,795)
Amortisation of concession intangible assets	(14,605)	(23,239)
Rental expenses	(130)	(130)

A9. INCOME TAX

	Current Period (3 months) 31-Dec-16 RM '000	Cumulative Period (12 months) 31-Dec-16 RM '000
Current period tax charge:		
Malaysian income tax	336	1,411
Deferred income tax:		
temporary differences	(17,826)	(26,948)
	<u>(17,490)</u>	<u>(25,537)</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. 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) 31-Dec-16 RM '000	Cumulative Period (12 months) 31-Dec-16 RM '000
Basic loss per share:		
Loss net of tax attributable to owners of the parent (RM '000)	(33,126)	(74,384)
Weighted average number of ordinary shares in issue ('000)	701,534	701,534
Basic loss per share (sen)	<u>(4.72)</u>	<u>(10.60)</u>

A11. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

There is no valuation of property, vessels and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on property, vessels and equipment.

A12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	31-Dec-16	31-Dec-15
	RM '000	RM '000
Deposits with licensed financial institutions	108,450	85,643
Cash and bank balances	3,430	11,340
Total cash and cash equivalents	<u>111,880</u>	<u>96,983</u>

Included in the deposits placed with licensed financial institutions is RM4.3 million (31 December 2015: RM8.3 million) pledged for banking facilities granted to subsidiaries.

A13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

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

A14. GROUP BORROWINGS AND DEBT SECURITIES

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

	31-Dec-16	31-Dec-15
	RM '000	RM '000
Secured short term borrowings:		
Overdrafts	9,071	2,977
Revolving credits	20,000	35,000
Term loans	284,580	141,211
Sukuk Mudharabah	35,077	14,691
Hire purchase financings	101	130
Total short term borrowings	<u>348,829</u>	<u>194,009</u>
Secured long term borrowings:		
Revolving credits	20,000	-
Term loans	654,938	788,833
Sukuk Mudaharabah	607,826	642,981
Hire purchase financings	97	196
Total long term borrowings	<u>1,282,861</u>	<u>1,432,010</u>

Included in current and non-current liabilities in the consolidated statement of financial position as at 31 December 2016 is RM438.1 million (31 December 2015: RM400.8 million) profits accrued due to Sukukholders on Sukuk Mudharabah.

A15. PAYABLES

	31-Dec-16	31-Dec-15
	RM '000	RM '000
Trade payables	62,543	11,117
Amount due to director	3,700	-
Amount payable for new shipbuilding	-	56,502
Advance license and access fee	17,833	17,886
Accruals and other payables	13,105	14,392
	<u>97,181</u>	<u>99,897</u>

A16. DEBT AND EQUITY SECURITIES

The Group did not undertake any issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

A17. DIVIDEND

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

A18. COMMITMENTS

	31-Dec-16	31-Dec-15
	RM '000	RM '000
Capital expenditure		
Approved and contracted for:		
Vessel and equipment	1,926	72,104
Highway development expenditure	1,001	8,018
Approved but not contracted for:		
Vessel and equipment	26,224	51,864
Highway development expenditure	<u>119,340</u>	<u>8,826</u>

A19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise the following:-

	31-Dec-16 RM '000	31-Dec-15 RM '000
Performance bond for expressway maintenance and upgrading	3,225	3,225
Bank guarantee to charterers and suppliers	9,918	12,784

A20. UNUSUAL ITEMS

Except as disclosed in A21, there were no items affecting assets, liabilities, equity, net income, or cash flow that were unusual because of their nature, size and incidence in the current period.

A21. SUBSEQUENT EVENTS

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

On 18 January 2017, the Company entered into a conditional Share Purchase Agreement ("SPA") with Permodalan Nasional Berhad ("PNB" or "the Purchaser") in relation to the Proposed Disposal.

The proposed Disposal involves the disposal of the entire issued and paid-up share capital of SILK comprising 220,000,000 ordinary shares of RM1.00 each for a cash consideration of RM380 million.

The SPA is subject to the satisfaction of the conditions precedent ("Conditions Precedent") on or before 24 March 2017, or such later date as the parties may mutually determine as set out below:

1. The Purchaser having obtained the approval of its Investment Committee and, if applicable, its board of directors.
2. The Purchaser having given notice to SHB that the Purchaser:
 - a. is satisfied with the results of the Due Diligence Inquiry, or
 - b. is satisfied with the Remedy works, or
 - c. wishes to proceed with Completion.
3. The Company having obtained:
 - a. the approval from the Government of Malaysia for the change in shareholding structure of SILK arising from the SPA,
 - b. the approval of its shareholders for the disposal of the Shares,
 - c. the approval of Sukukholders holding in aggregate not less than two-thirds of the Sukuk Mudharabah in relation to :

- i. the sale and transfer to the Purchaser of the SILK shares pursuant to the SPA,
 - ii. all the necessary amendments to be made to the documents in connection with the Sukuk Mudharabah to allow the Sukuk Mudharabah to be offered for sale, sold and transferred from the present Sukuk holders to other person or persons, and
 - iii. the unconditional release of the Company's obligation under the limited corporate guarantee executed between the Company (as guarantor to the Sukuk Mudharabah) and the Security Agent of the Sukuk Mudharabah dated 18 January 2008, and
 - d. consent from Affin Bank Berhad for the change in shareholders for the bank guarantee facilities of up to RM10 million.
4. The Purchaser and the Company receiving the acceptance from the Sukukholders holding more than 50% of Sukuk Mudharabah of the conditional offer by PNB to acquire the Sukuk Mudharabah from each Sukuk holder.

The above Conditions Precedent in sections (2), (3)(c)(ii) and (4) are for the benefit of the Purchaser and may be waived by the Purchaser in respect of its fulfillment and compliance.

The parties agreed that the Due Diligence inquiry should be completed by 15 March 2017 and the Proposed Disposal to be completed in five (5) business days after the date on which the last Conditions Precedent has been fulfilled or waived.

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

B1. REVIEW OF PERFORMANCE

B1. Review of performance

	Current Period (3 months) 31-Dec-16 RM '000	% of Group Revenue	Cumulative Period (12 months) 31-Dec-16 RM '000	% of Group Revenue
Revenue				
Oil and Gas Division	30,975	40%	144,748	48%
Highway Divison *	33,303	43%	134,838	44%
Marine Logistics Division	13,656	17%	23,838	8%
Investment Holding and Others	2,195		7,375	
Adjustments	(2,195)		(7,375)	
Total	77,934	100.0%	303,424	100.0%
Profit/(loss) before taxation				
Oil and Gas Division	(68,466)		(125,966)	
Highway Divison *	8,570		(6,161)	
Marine Logistics Division	1,056		(2,724)	
Investment Holding and Others	(31,185)		(26,853)	
Adjustments	24,989		32,795	
Total	(65,036)		(128,909)	

* Results of the Highway Division for the periods ended 30 June 2016 and 30 September 2016 were previously disclosed as Discontinued Operation.

i. Highway Division

The Highway Division revenue contribution to the Group has gradually increased to 43% for the quarter and 44% for the year ended 31 December 2016.

Effect of the toll rate increase approved in October 2015 has been tempered by the reduction in traffic volume. As a result, the Division recorded revenue of RM33.3 million for the quarter and RM134.8 million for the year.

The Division recorded improved results of RM8.6 million profit before taxation for the quarter and RM6.2 million loss before taxation of for the year mainly due to a RM19 million reduction in its Sukuk finance costs following the reduction in the Sukuk's effective interest rate, but was partially mitigated by higher highway amortization cost following the implementation of the Clarification of the Acceptable Method of Depreciation and Amortisation issued by the Malaysian Accounting Standards Board.

ii. Oil and Gas Division

During the periods ended 31 December 2016, the Oil and Gas Division continues to experience weak market condition. Despite the rise in crude oil prices to more than USD50 per barrel in December 2016, the oil and gas activities have remained sluggish.

Consequently, the Division's operating results have contracted with contribution to the Group revenue falling to 40% for the quarter and 48% for the year.

After taking into account RM34.8 million vessel impairment charge and RM4 million higher finance cost following the Division's loan restructuring and rescheduling, the Oil and Gas Division recorded loss before taxation of RM68.5 million for the quarter and RM126 million for the financial year ended 31 December 2016.

iii. Marine Logistics Division

The Marine Logistics Division which operated three chemical tankers contributed 17% of Group revenue for the quarter and 8% for the year ended 31 December 2016.

The division recorded revenue of RM13.7 million and profit before taxation of RM1 million for the quarter and a revenue of RM23.8 million and loss before taxation of RM2.7 million for the year ended 31 December 2016.

iv. Group

The Group recorded a revenue of RM77.9 million for the quarter and RM303.4 million for the year.

After taking into account of the vessel impairment charge and higher finance cost incurred by the Oil and Gas Division and the accounting adjustments at the Highway Division, the Group recorded loss before taxation of RM65 million in the quarter and RM128.9 million for the year ended 31 December 2016.

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

	Current Period 31-Dec-16 RM '000	Preceding Period 30-Sep-16 RM '000	% Change
Revenue			
Oil and Gas Division	30,975	29,305	5.7%
Highway Divison *	33,303	33,279	0.1%
Marine Logistics Division	13,656	6,530	109.1%
Investment Holding and Others	2,195	1,614	36.0%
Adjustments	(2,195)	(1,614)	
Total	77,934	69,114	12.8%
Profit/(loss) before taxation			
Oil and Gas Division	(68,466)	(30,212)	(126.6%)
Highway Divison *	8,570	(6,342)	n/a
Marine Logistics Division	1,056	(508)	n/a
Investment Holding and Others	(31,185)	1,318	n/a
Adjustments	24,989	-	
Total	(65,036)	(35,744)	(81.9%)

* Results of the Highway Division for the period ended 30 September 2016 were previously disclosed as Discontinued Operation.

During the current period:

- the Highway Division recorded improved results following the RM19 million reduction in its Sukuk finance cost, which was partially offset by higher highway amortization charge.
- Marine Logistics Division recorded an improved results benefitting from increased operational volume and market condition.
- The Oil and Gas Division recorded lower results following the RM34.8 million vessel impairment charge and RM4 million higher finance cost incurred upon restructuring and rescheduling its borrowings.

In line with the above, the Group recorded higher loss before taxation of RM65 million from RM35.7 million in the preceding period.

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. Highway Division

Traffic volume utilising the expressway will continue to grow due to:

- SILK Highway's connectivity with other highways along its alignment together with the availability of installed capacity, and
- continuing and increasing development and urbanization in the surrounding vicinity of Kajang SILK Highway.

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.

The Highway Division improved its results and remain cash flow positive on an operational basis.

c. Marine Logistics 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 A21, 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.

B.9 REALISED AND UNREALISED PROFITS OF THE GROUP

	<u>31-Dec-16</u> RM '000	<u>31-Dec-15</u> RM '000
Total retained (losses)/profits of the Company and its subsidiaries:		
- realised (loss)/profit	(92,314)	29,005
- unrealised loss	(131,655)	(124,964)
	<u>(223,969)</u>	<u>(95,959)</u>
Less consolidation adjustments	166,326	112,700
Total Group retained (losses)/profit as per consolidated accounts	<u>(57,643)</u>	<u>16,741</u>

B10. 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
SECRETARY**