



SILK HOLDINGS BERHAD (Co.No.405897-V)

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NEWS RELEASE (Final)

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**SILK HOLDINGS RECORDS PRE-TAX LOSS
OF RM 20.6 MILLION FOR QUARTER ENDED 30 JUNE 2016**

KUALA LUMPUR, 30 August 2016 – SILK Holdings Berhad (“SILK Holdings” or “the Group”) announced its results for the quarter ended 30 June 2016 by reporting a revenue of RM 41.2 million and a loss before tax (“LBT”) of RM 20.6 million.

Oil & Gas Division

Following the announcement to Bursa Malaysia dated 1 June 2016 on the proposed disposal of Sistem Lingkaran Lebuhraya Kajang Sdn Bhd (“SILK Highway”) to WZ Satu Bhd (“WZSB”), the Oil & Gas Division spearheaded by Jasa Merin (Malaysia) Sdn Bhd’s (“Jasa Merin”), becomes the predominant contributor to the Group’s overall revenue performance contributing 91% to the Group’s revenue.

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. Average monthly crude oil prices continue to remain depressed, although there have been some improvements since January 2016. As such, there has been cutbacks in exploration and production activities, translating into fewer charter contracts for offshore support vessel (“OSV”) providers, which in turn translates into an over-supply of vessels and reduction in charter rates. During the quarter under review, the Division managed to secure one long-term contract extension for a straight supply vessel.

As a direct consequence of the prevalent weak sentiment throughout the oil and gas industry, the Division’s revenue for the quarter stands at RM 37.6 million. This translated into a loss before taxation of RM 18.5 million for the quarter.



On a year-to-date basis, the Division reported revenues of RM 84.5 million. The top-line performance was however impacted upon by the increase in depreciation, amortisation and finance charges for the financial year resulting in a cumulative net loss for the period of RM 27.3 million.

Marine Logistics Division

During the current period, the Group commenced its marine logistic services business via its wholly-owned subsidiary Jasa Merin (Labuan) PLC ("JML"). The three (3) chemical tankers operated by JML were deployed during the quarter generating a revenue of RM 3.7 million. However, as a result of pre-operating expenses, the Division recorded RM 3.3 million loss before tax.

Highway Division

In line with the announcement to Bursa Malaysia dated 1 June 2016 mentioned previously, the performance of Highway Division for the quarter ended 30 June 2016 is displayed separately as "Disposal Group Held For Sale", whereby the Division recorded a revenue performance of RM 34.4 million on the back of an average daily traffic volume ("ADTV") of 198,000 vehicles per day.

The traffic volume and revenue performance were however offset by depreciation, amortisation and finance charges amounting to RM 30.6 million. This subsequently resulted in net loss for the quarter of RM 4 million.

On a year-to-date basis, the Division reported revenues of RM 68.3 million. The top-line performance was however impacted by the increase in depreciation, amortisation and finance charges for the financial year amounting to RM 60.5 million, resulting in a cumulative net loss for the period of RM 6.8 million.



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Concluding remarks

Dato' Mohd Azlan commented, "The economic and competitive landscape for the Group's businesses is becoming increasingly competitive and challenging. The Board expects this to continue for several quarters going forward."

"Oil prices have fallen significantly since June 2014 and there is a move towards cost rationalisation within the industry. Going forward, this may result in weaker revenue performance ahead. In view of the weak market conditions, the Division's immediate term prospects will continue to be challenging. The Board will continue to monitor developments in this sector closely, and take proactive measure to mitigate the challenges" explained Dato' Mohd Azlan.

"The seaborne chemical trade in which the Group's Marine Logistics Division is focusing on is greatly influenced by global economic development as well as industrial production growth. Despite the gloomy global economic outlook, the coastal chemical vessel segment is expected to provide stable returns", concluded Dato' Mohd Azlan.



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SILK Holdings Bhd (“SILK Holdings”) was incorporated as SILK Concessionaire Holdings Sdn Bhd on 14 October 1996, and subsequently changed its name to Sunway Infrastructure Berhad on 14 February 2002. It was initially incorporated to facilitate the listing of Sistem Lingkaran Lebuhraya Kajang Sdn Bhd (“SILK Highway”), which holds the concession for the 37 km Kajang Traffic Dispersal Ring Road until 2037.

SILK Holdings assumed its present name on 31 October 2008, after its successful regularisation scheme on 14 October 2009 which included the acquisition of AQL Aman Sdn Bhd, the holding company of the 70% owned Jasa Merin (Malaysia) Sdn Bhd (“Jasa Merin”), an offshore marine support services company. The Terengganu State Government holds the remaining 30% of JM via Terengganu Incorporated Sdn Bhd.

Jasa Merin was incorporated in December 1980 as Jackson Marine (Malaysia) Sdn Bhd. It commenced operations in October 1982. In 1986, the company name was subsequently changed to its present name. Jasa Merin’s principal activity is the provision of offshore support vessels (“OSV”) services on medium to long-term charters to several oil and gas companies.

Forward looking statements

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of SILK Holdings Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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