

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**SILK HOLDINGS BERHAD**

(Company Number: 405897-V)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED ACQUISITION BY JASA MERIN (MALAYSIA) SDN BHD, A 70%-OWNED SUBSIDIARY OF AQL AMAN SDN BHD WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF SILK HOLDINGS BERHAD, OF THE REMAINING 49% EQUITY INTEREST HELD BY GMV-JASA SDN BHD IN EACH OF THE FOLLOWING COMPANIES:**

- (I) **JM GLOBAL 1 (LABUAN) PLC;**
- (II) **JM GLOBAL 2 (LABUAN) PLC;**
- (III) **JM GLOBAL 3 (LABUAN) PLC; AND**
- (IV) **JM GLOBAL 4 (LABUAN) PLC;**

**FOR A PURCHASE CONSIDERATION TO BE DETERMINED LATER AND TO BE SATISFIED ENTIRELY IN CASH**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



**AFFIN INVESTMENT BANK BERHAD (9999-V)**  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") and the Form of Proxy are set out in this Circular. The EGM will be held as follows:

- |  |   |
|--|---|
| Date and time of the EGM                         | : Friday, 13 December 2013 at 11.00 a.m. or at any adjournment thereof or immediately after the conclusion of the Sixteenth Annual General Meeting which will be held at the same venue and on the same day at 10.00 am or at any adjournment thereof |
| Venue of the EGM                                 | : Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara Off Jalan Damansara, 60000 Kuala Lumpur   |
| Last date and time for lodging the Form of Proxy | : Wednesday, 11 December 2013 at 11.00 a.m.   |
| Form of Proxy to be deposited at                 | : D2-3-2, Solaris Dutamas 1, Jalan Dutamas 1, 50480 Kuala Lumpur  |

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

This Circular is dated 28 November 2013

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Act"	:	The Companies Act, 1965
"Acquisition Share(s)"	:	Collectively, the shares, free from all claims and encumbrances whatsoever attached thereto, in the SOC's representing all the remaining 49% equity interest held by GMV-Jasa in the SOC's to be acquired by JM from GMV-Jasa pursuant to the Proposed Acquisition as more particularly set out below: (a) 4,464,677 ordinary shares in JMG 1; (b) 4,397,451 ordinary shares in JMG 2; (c) 2,855,625 ordinary shares in JMG 3; and (d) 2,855,625 ordinary shares in JMG 4;
"AFFIN Investment" or the "Adviser"	:	AFFIN Investment Bank Berhad (Company No. 9999-V)
"AHTS"	:	Anchor handling tug supply
"AQL"	:	AQL Aman Sdn Bhd (Company No. 596504-H), a wholly-owned subsidiary of SHB
"ASEAN"	:	Association of Southeast Asian Nations
"Board"	:	The Board of Directors of SHB
"bpd"	:	Barrel per day
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
"CCM"	:	Companies Commission of Malaysia
"Circular"	:	This circular dated 28 November 2013 in relation to the Proposed Acquisition
"Completion Date"	:	On the day falling within the period of seven (7) working days from the date of fulfilment of the last of the conditions precedent or such other period as may be mutually agreed by the parties
"Conditional Period"	:	The period of 3 months commencing from the date of the Notice
"EGM"	:	Extraordinary General Meeting
"EOR"	:	Enhanced oil recovery
"EPS"	:	Earnings per share
"E&P"	:	Exploration and production
"EY" or the "Reporting Accountants"	:	Ernst & Young (Firm No. AF:0039)
"FYE"	:	Financial year ended
"GDP"	:	Gross domestic product
"GMV"	:	Global Maritime Ventures Berhad (Company No. 264557-A)
"GMV-Jasa" or the "Vendor"	:	GMV-Jasa Sdn Bhd (Company No. 795893-T), a wholly-owned subsidiary company of GMV
"JM"	:	Jasa Merin (Malaysia) Sdn Bhd (Company No. 56173-U), a 70%-owned subsidiary of AQL
"JMG 1"	:	JM Global 1 (Labuan) Plc (Company No. LL06540)
"JMG 2"	:	JM Global 2 (Labuan) Plc (Company No. LL06541)
"JMG 3"	:	JM Global 3 (Labuan) Plc (Company No. LL06542)

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**DEFINITIONS (cont'd)**

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"JMG 4"	: JM Global 4 (Labuan) Plc (Company No. LL06549)
"JVA"	: The joint venture agreement dated 27 February 2008 between JM and GMV-Jasa wherein both parties agreed to form joint venture company(ies) by incorporating SOCs with the objective of jointly investing in and acquiring OSVs, for the purpose of securing charter contracts for the provision of OSVs to the oil and gas industry
"LPD"	: 31 October 2013, being the latest practicable date prior to the despatch of this Circular
"LCA"	: Labuan Companies Act
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities (as amended from time to time)
"LNG"	: Liquefied natural gas
"mmscfd"	: Million standard cubic feet per day
"NA"	: Net assets attributable to the ordinary equity holders of the Company
"Notice"	: The notice of exercise of call option by JM to GMV-Jasa dated 15 November 2013 for the exercise by JM of its rights to acquire the Acquisition Shares from GMV-Jasa pursuant to the JVA
"OSV(s)"	: Offshore support vessel(s)
"pb"	: Per barrel
"PAT"	: Profit after taxation
"PBT"	: Profit before taxation
"PETRONAS"	: Petroliaam Nasional Berhad (Company No. 20076-K)
"Proposed Acquisition"	: The proposed acquisition of the remaining equity interest held by GMV-Jasa in the SOCs by JM from GMV-Jasa to be satisfied by the Purchase Consideration
"PSC"	: Production sharing contract
"Purchase Consideration"	: The purchase consideration to be paid by JM to GMV-Jasa for the Acquisition Shares which is determined in accordance with Clause 15.3 of the JVA (as illustrated in Section 2.3 of this Circular) pursuant to the Notice
"RM"	: Ringgit Malaysia
"SHB" or "Company"	: SILK Holdings Berhad (Company No. 405897-V)
"SHB Group" or "Group"	: SHB and its subsidiary companies, collectively
"SHB Share"	: Ordinary shares of RM0.25 each in SHB
"SOCs"	: Ship owning companies which consists of JMG 1, JMG 2, JMG 3 and JMG 4, collectively
"USD"	: United States dollar

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**DEFINITIONS (*cont'd*)**

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For the purpose of this Circular, reference to a time of day shall be reference to Malaysian time.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words referring to the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment currently enforced and as may be amended from time to time and any re-enactment thereof.

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## **SILK HOLDINGS BERHAD**

(Company Number: 405897-V)

(Incorporated in Malaysia)

### **Registered Office:**

D2-3-2, Solaris Dutamas  
1, Jalan Dutamas 1  
50480 Kuala Lumpur

28 November 2013

### **Board of Directors:-**

Dato' Mohd Azlan Hashim	<i>(Executive Chairman/Non-Independent Executive Director)</i>
Datuk Seri Razman M Hashim	<i>(Deputy Chairman/Non-Independent Non-Executive Director)</i>
Dato' Harun bin Md Idris	<i>(Independent Non-Executive Director)</i>
Johan Zainuddin bin Dzulkifli	<i>(Non-Independent Non-Executive Director)</i>
Tai Keat Chai	<i>(Independent Non-Executive Director)</i>
Abdul Hamid bin Sh. Mohamed	<i>(Independent Non-Executive Director)</i>
Nik Abdul Malik bin Nik Mohd Amin	<i>(Independent Non-Executive Director)</i>

### **To: The shareholders of SHB**

Dear Sir / Madam,

### **PROPOSED ACQUISITION**

#### **1. INTRODUCTION**

On 15 November 2013, AFFIN Investment, on behalf of the Board had announced that JM, a 70%-owned subsidiary of AQL which in turn is a wholly-owned subsidiary of SHB, had on the same date served a notice to GMV-Jasa to exercise JM's rights under the JVA to acquire the Acquisition Shares from GMV-Jasa, a wholly-owned subsidiary of GMV.

Further details of the Proposed Acquisition are set out in Section 2 of this Circular.

The purpose of this Circular is to provide you with the details of the Proposed Acquisition and consequently seek your approval under the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of SHB. The Notice of the EGM and the Form of Proxy are enclosed with this Circular.

**YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.**

#### **2. PROPOSED ACQUISITION**

##### **2.1 Details of the Proposed Acquisition**

JM had on 27 February 2008 entered into the JVA with GMV-Jasa where both parties agreed to form joint venture company(ies) by incorporating SOC's with the objective of jointly investing in and acquiring OSVs, for the purpose of securing charter contracts for the provision of OSVs to the oil and gas industry.

Subsequent to the JVA, the SOC's were incorporated, where currently JM and GMV-Jasa each holds 51% and 49% equity interest respectively.

Under Clause 15.3 of the JVA, GMV-Jasa granted JM a call option, whereby JM may by a notice in writing issued to GMV-Jasa, offer to acquire all shares held by GMV-Jasa in the SOC's at any point of time within a period of ten years from the date of which funds were first injected into the respective SOC's or any other financial assistance extended by GMV-Jasa or its nominee to the respective SOC's.

Pursuant to the above clause, JM had on 15 November 2013 served the Notice to GMV-Jasa to acquire all the Acquisition Shares at the Purchase Consideration to be determined later, based on terms and conditions of the JVA. The Purchase Consideration will be satisfied in cash and in full as set out in Section 2.2.2 below. There is no arrangement for the payment of the Purchase Consideration on a deferred basis.

## **2.2 Salient terms of the Notice**

### **2.2.1 Conditions precedent**

The Notice shall be conditional upon, inter-alia, the following conditions being fulfilled within the Conditional Period:

- (a) SHB shareholders' approval at the forthcoming EGM for the Proposed Acquisition to be held on 13 December 2013;
- (b) approval from the Labuan Financial Services Authority for the change in directors and shareholders of the SOC's, which is expected to be obtained by end of December 2013;
- (c) the release of all guarantees, indemnities and similar undertakings given by GMV-Jasa in favour of the SOC's, which is expected to be obtained by mid of December 2013; and
- (d) the approval of any other relevant authorities or parties (if required).

If any of the conditions precedent are not fulfilled upon the expiry of the Conditional Period, either party shall be entitled, by giving written notice to the other party to extend the Notice for the parties to fulfill the outstanding conditions precedent.

### **2.2.2 Completion**

On a day falling within the period of seven (7) working days from the date of fulfilment of the last of the conditions precedent or such other extended period as may be mutually agreed by the parties:

- (a) JM shall deliver to GMV-Jasa the Purchase Consideration; and
- (b) GMV-Jasa shall, upon receipt of the Purchase Consideration, deliver to JM the following:
  - (i) a duly executed transfer of the Acquisition Shares.
  - (ii) the resignation letters of the directors of the SOC's appointed by GMV-Jasa, in each case acknowledging that he has no claim against the relevant SOC's whether for loss of office or otherwise;

- (iii) the share certificate(s) for the Acquisition Shares and such waivers and consents and such other documents as JM may require to give good title to and to enable JM to be registered as the holder of the Acquisition Shares.

## 2.3 Basis of and justification for arriving at the Purchase Consideration

Pursuant to Clause 15.3 of the JVA, the Purchase Consideration is to be determined based on GMV-Jasa's cost of investment plus a compounded holding cost of nine per centum per annum. The formula is described below:

$$\text{Purchase Consideration} = \text{GMV-Jasa's cost of investment} \times [1 + r]^n$$

Where r = interest rate of 9% per annum\*

Where n = number of years from the date of injections of funds up to the Completion Date (both dates inclusive)

\* The interest rate of 9% per annum was determined based on GMV-Jasa's minimum rate of return on equity

For illustration purposes, assuming Completion Date of 31 December 2013, the Purchase Consideration is estimated to be RM49,545,282, computed as follows:

SOC	Date of injection of funds by GMV-Jasa	Period (Years)	GMV-Jasa's cost of Investment (RM)	Purchase Consideration (RM)
JMG 1	22 September 2008	5.28	2,712,134	4,273,660
	4 November 2008	5.16	3,029,690	4,725,828
	6 September 2010	3.32	3,160,500	4,207,579
			8,902,324	13,207,067
JMG 2	22 September 2008	5.28	2,712,134	4,273,660
	4 November 2008	5.16	3,029,690	4,725,828
	6 September 2010	3.32	2,940,000	3,914,027
			8,681,824	12,913,515
JMG 3	12 November 2010	3.14	2,205,000	2,889,449
	5 January 2011	2.99	5,145,000	6,656,635
	8 December 2011	2.07	1,813,000	2,166,266
			9,163,000	11,712,350
JMG4	12 November 2010	3.14	2,205,000	2,889,449
	5 January 2011	2.99	5,145,000	6,656,635
	8 December 2011	2.07	1,813,000	2,166,266
			9,163,000	11,712,350
<b>Total</b>			<b>35,910,148</b>	<b>49,545,282</b>

The Purchase Consideration will increase by approximately RM370,000 if the Completion Date is delayed for one month from 31 December 2013.



The basis of determining the Purchase Consideration is justified after taking into consideration the following:

- (i) the cost of equity of other comparable OSV companies listed on Bursa Securities which ranges between 13.07% and 15.46%, as tabulated below:-

Company	*Cost of equity (%)
Alam Maritim Resources Berhad	15.46
Tanjung Offshore Berhad	14.58
Perdana Petroleum Berhad	13.07

*Note:*

\* Source: Bloomberg, 31 October 2013

Based on the above, the interest rate of 9% per annum payable by JM pursuant to the Proposed Acquisition is lower than the range of cost of equity of the comparable companies.

- (ii) the future earnings potential of the SOC's given the prospects of the oil and gas industry as disclosed in Section 4.2 of this Circular and the bareboat charter contracts secured by the SOC's with JM for period until March 2022 with an option to renew for another 2 years.

The Company will make the relevant announcement to Bursa Securities once the final amount of the Purchase Consideration has been determined on the Completion Date.

## 2.4 Source of funding for the Proposed Acquisition

The Proposed Acquisition will be funded via internally generated funds and borrowings.

For illustration purposes, assuming Completion Date of 31 December 2013, the illustrated Purchase Consideration of RM49,545,282 (as set out in Section 2.3 above) will be funded as follows:

Source of Funding	Amount RM
Bank borrowings	40,000,000
Internally generated funds	9,545,282
<b>Total</b>	<b>*49,545,282</b>

*Note:*

- \* If the final amount of the Purchase Consideration is higher than the amount illustrated above, SHB will source the additional funding requirement from its internally generated funds to fund the excess amount. Conversely, if the final amount of the Purchase Consideration is lower than the amount illustrated above, SHB will reduce its allocation from the internally generated funds accordingly.

## 2.5 Brief information on the SOC's

Pursuant to the JVA, the SOC's were established under the 'one ship one company concept' with the objective of jointly investing in and acquiring OSVs for the purpose of securing chartered contracts for the provision of OSV to the oil and gas industry.

The SOC's were all incorporated on 3 June 2008 under the LCA, in Labuan, Malaysia and each is principally engaged in the ownership and operation of OSV and provision of services to the oil and gas industry. The details of the SOC's are as follows:

SOC	JMG 1	JMG 2	JMG 3	JMG 4
Issued and paid-up share capital				
- No. of shares	9,111,585	8,974,389	5,827,806	5,827,806
- Amount				
• USD	5,539,025	5,401,829	5,827,806	5,827,806
• RM equivalent*	18,168,004	17,718,004	18,700,000	18,700,000
Date of investment by:				
- JM	3 June 2008	3 June 2008	3 June 2008	3 June 2008
- GMV-Jasa	22 September 2008	22 September 2008	12 November 2010	12 November 2010
	4 November 2008	4 November 2008	5 January 2011	5 January 2011
	6 September 2010	6 September 2010	8 December 2011	8 December 2011
Directors	1. Abdul Rahman bin Ali <sup>^</sup> 2. Mohd Noor Ismardi bin Idris <sup>^</sup> 3. Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad <sup>^</sup> 4. Mohd Nordin bin Che Omar <sup>#</sup> 5. Hajar binti Abdullah <sup>#</sup>	1. Abdul Rahman bin Ali <sup>^</sup> 2. Mohd Noor Ismardi bin Idris <sup>^</sup> 3. Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad <sup>^</sup> 4. Mohd Nordin bin Che Omar <sup>#</sup> 5. Abdul Karim bin Ismail <sup>#</sup>	1. Abdul Rahman bin Ali <sup>^</sup> 2. Mohd Noor Ismardi bin Idris <sup>^</sup> 3. Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad <sup>^</sup> 4. Datin Husniarti binti Tamin <sup>#</sup> 5. Aida Haniza binti Mohamed Kamarudin <sup>#</sup>	1. Abdul Rahman bin Ali <sup>^</sup> 2. Mohd Noor Ismardi bin Idris <sup>^</sup> 3. Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad <sup>^</sup> 4. Datin Husniarti binti Tamin <sup>#</sup> 5. Aida Haniza binti Mohamed Kamarudin <sup>#</sup>
	None of the directors hold any direct shares in the SOC's			
Type of vessel owned	70M/DP2 120MT AHTS	70M/DP2 120MT AHTS	70M/DP2 120MT AHTS	70M/DP2 120MT AHTS
Name of vessel	JM BAYU	JM SEPOI	JM SAMUDERA	JM SETIA
Year made	2010	2011	2011	2011
Date of delivery	10 August 2010	5 January 2011	10 September 2011	15 October 2011
Date of commencement of operation	24 November 2010	22 March 2011	13 October 2011	2 November 2011
Country of registration	Malaysia	Malaysia	Malaysia	Malaysia
Port of Registry	Port Kelang, Malaysia	Port Kelang, Malaysia	Port Kelang, Malaysia	Port Kelang, Malaysia

SOC	JMG 1	JMG 2	JMG 3	JMG 4
Type of services provided	Provision of AHTS vessel to the oil and gas industry	Provision of AHTS vessel to the oil and gas industry	Provision of AHTS vessel to the oil and gas industry	Provision of AHTS vessel to the oil and gas industry
Area of operation	Malaysian waters (mainly Sabah, Sarawak and East Coast of Malaysia)	Malaysian waters (mainly Sabah, Sarawak and East Coast of Malaysia)	Malaysian waters (mainly Sabah, Sarawak and East Coast of Malaysia)	Malaysian waters (mainly Sabah, Sarawak and East Coast of Malaysia)

Notes:

\* Based on the exchange rate of USD to RM as at the date of subscription of shares

^ Nominee director of JM

# Nominee director of GMV-Jasa

Technical abbreviations:

"M" : metres

"DP2" : dynamic positioning 2

"MT" : metric tonne

The shareholders of the SOC's as at the LPD are as follows:

JMG 1	Direct		Indirect	
	No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	-	-	<sup>(1)(2)</sup> 4,646,908	51
Abdul Rahman bin Ali	-	-	<sup>(1)(2)</sup> 4,646,908	51
Dato' Mohd Azlan Hashim	-	-	<sup>(1)(2)</sup> 4,646,908	51
Infra Bumitek Sdn Bhd	-	-	<sup>(1)(2)</sup> 4,646,908	51
SHB	-	-	<sup>(3)</sup> 4,646,908	51
AQL	-	-	<sup>(4)</sup> 4,646,908	51
GMV	-	-	<sup>(5)</sup> 4,464,677	49
JM	4,646,908	51	-	-
GMV-Jasa	4,464,677	49	-	-

Notes:

(1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA

(2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:

(a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or

(b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share

SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOC's by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares

(3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA

(4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA

(5) The information in relation to the indirect shareholders of the SOC's by virtue of shareholding in GMV is not publicly available as at the LPD

JMG 2	Direct		Indirect	
	No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	-	-	<sup>(1)(2)</sup> 4,576,938	51
Abdul Rahman bin Ali	-	-	<sup>(1)(2)</sup> 4,576,938	51
Dato' Mohd Azlan Hashim	-	-	<sup>(1)(2)</sup> 4,576,938	51
Infra Bumitek Sdn Bhd	-	-	<sup>(1)(2)</sup> 4,576,938	51
SHB	-	-	<sup>(3)</sup> 4,576,938	51
AQL	-	-	<sup>(4)</sup> 4,576,938	51
GMV	-	-	<sup>(5)</sup> 4,397,451	49
JM	4,576,938	51	-	-
GMV-Jasa	4,397,451	49	-	-

**Notes:**

- (1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA
- (2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:
- (a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or
- (b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share
- SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares
- (3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA
- (4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA
- (5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

JMG 3	Direct		Indirect	
	No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	-	-	<sup>(1)(2)</sup> 2,972,181	51
Abdul Rahman bin Ali	-	-	<sup>(1)(2)</sup> 2,972,181	51
Dato' Mohd Azlan Hashim	-	-	<sup>(1)(2)</sup> 2,972,181	51
Infra Bumitek Sdn Bhd	-	-	<sup>(1)(2)</sup> 2,972,181	51
SHB	-	-	<sup>(3)</sup> 2,972,181	51
AQL	-	-	<sup>(4)</sup> 2,972,181	51
GMV	-	-	<sup>(5)</sup> 2,855,625	49
JM	2,972,181	51	-	-
GMV-Jasa	2,855,625	49	-	-

Notes:

- (1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA
- (2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:
- (a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or
- (b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share
- SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares
- (3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA
- (4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA
- (5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

JMG 4	Direct		Indirect	
	No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	-	-	<sup>(1)(2)</sup> 2,972,181	51
Abdul Rahman bin Ali	-	-	<sup>(1)(2)</sup> 2,972,181	51
Dato' Mohd Azlan Hashim	-	-	<sup>(1)(2)</sup> 2,972,181	51
Infra Bumitek Sdn Bhd	-	-	<sup>(1)(2)</sup> 2,972,181	51
SHB	-	-	<sup>(3)</sup> 2,972,181	51
AQL	-	-	<sup>(4)</sup> 2,972,181	51
GMV	-	-	<sup>(5)</sup> 2,855,625	49
JM	2,972,181	51	-	-
GMV-Jasa	2,855,625	49	-	-

Notes:

- (1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA
- (2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:
- (a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or
- (b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share
- SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares
- (3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA
- (4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA
- (5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

Further details of the business operations and financial summary of the SOCs are set out in **Appendix I(a) to Appendix I(d)** of this Circular.

## 2.6 Information on the Vendor

### 2.6.1 Background information

GMV-Jasa was incorporated in Malaysia on 15 November 2007 under the Act as a private limited company. GMV-Jasa is an investment-holding company and is a wholly-owned subsidiary of GMV.

The authorised, issued and paid-up share capital of GMV-Jasa are as follows:

Type	No. of shares	Par value (RM)	Amount (RM)
Authorised	25,000,000	1.00	25,000,000
Issued and paid-up	3,626,002	1.00	3,626,002

(Source: CCM search results dated 24 November 2013)

### 2.6.2 Directors of GMV-Jasa

The directors of GMV-Jasa are as follows:

Name	Designation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Datin Husniarti binti Tamin	Director	-	-	-	-
Abdul Karim bin Ismail	Director	-	-	-	-

(Source: CCM search results dated 24 November 2013)

### 2.6.3 Shareholders of GMV-Jasa

The shareholder of GMV-Jasa is as follows:

Name	Direct		Indirect <sup>^</sup>	
	No. of shares	%	No. of shares	%
GMV	3,626,002	100	-	-

(Source: CCM search results dated 24 November 2013)

Note:

<sup>^</sup> The information in relation to the indirect interest in GMV-Jasa is not publicly available

### 2.6.4 Information on GMV

GMV was incorporated on 19 May 1993 as a vehicle to manage the RM500 million fund under the Government's Shipping Venture Fund. GMV is a subsidiary of Bank Pembangunan Malaysia Berhad. GMV is a marine venture capital investment holding company incorporated to accelerate the development of the country's maritime industry. GMV's mandated role is to develop the national shipping business sector through building strategic alliances with local partners to jointly acquire vessels for domestic as well as international operations.

As at the LPD, the authorised share capital of GMV is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each ("**GMV Shares**"), of which RM300,000,000 comprising 300,000,000 GMV Shares have been issued and fully paid-up.

(Source: CCM search results dated 24 November 2013)

The shareholders of GMV and their respective shareholding are as follows:-

	Direct		Indirect <sup>^</sup>	
	No of GMV Shares held	%	No of GMV Shares held	%
Bank Pembangunan dan Infrastruktur Malaysia Berhad	270,000,000	90.0	-	-
CIMB Bank Berhad	10,500,000	3.5	-	-
Prudential Assurance Malaysia Berhad	3,000,000	1.0	-	-
Mezzanine Ventures Sdn. Bhd.	3,000,000	1.0	-	-
OCBC Bank (Malaysia Berhad)	3,000,000	1.0	-	-
Kerajaan Negeri Pahang	3,000,000	1.0	-	-
Hong Leong Bank Berhad	1,500,000	0.5	-	-
Alliance Bank Malaysia Berhad	1,500,000	0.5	-	-
HSBC Bank Malaysia Berhad	1,500,000	0.5	-	-
Hicom Holdings Berhad	1,500,000	0.5	-	-
AFFIN Bank Berhad	1,500,000	0.5	-	-

(Source: CCM search results dated 24 November 2013)

Note:

<sup>^</sup> The information in relation to the indirect interest in GMV is not publicly available.

The directors of GMV and their respective shareholding are as follows:-

	Direct		Indirect	
	No of GMV Shares held	%	No of GMV Shares held	%
Tan Sri Dr. Abdul Samad bin Haji Alias	-	-	-	-
Dato' Abdul Rahim bin Abu Bakar Hashim	-	-	-	-
Taufiq Ahmad @ Ahmad Mustapha bin Ghazali	-	-	-	-
Datin Husniarti binti Tamin	-	-	-	-
Abdul Aziz bin Ishak	-	-	-	-
Eshah binti Meor Suleiman	-	-	-	-
Rashidah binti Mohd Sies	-	-	-	-
Mohd Zafer bin Mohd Hashim	-	-	-	-

(Source: CCM search results dated 24 November 2013)

## 2.7 Assumption of liabilities

Pursuant to the Proposed Acquisition, JM will assume the existing shareholder's guarantee provided by GMV-Jasa of RM205,569,700 representing GMV-Jasa's proportionate share in respect of the aggregate amount of the term loan facilities granted by financial institutions to the SOC's. The term loan facilities were taken to partly finance the construction of the OSV owned by the respective SOC's. In addition, SHB may be required to provide a corporate guarantee as an additional security for the term loan facilities of the SOC's. The terms of the arrangement are expected to be finalised by 31 December 2013.

Apart from the above, there are no other liabilities, including contingent liabilities or guarantees to be assumed by SHB and/or JM arising from the Proposed Acquisition.

## 2.8 Additional financial commitment required

There is no additional financial commitment required to put the SOC's on stream as these companies are all operating entities.

## 3. RATIONALE FOR THE PROPOSED ACQUISITION

After the initial gestation period following the commencement of operations, the financial performance of the SOC's have started to show positive results as can be seen from the companies' past financial performance in **Appendix I**. Based on the latest audited consolidated financial statements of SHB and the SOC's for the FYE 31 July 2013, the SOC's collectively contributed approximately 19.18% and 72.52% to the SHB Group's revenue and PAT, respectively.

The financial performance of the SOC's is expected to improve and continue to grow moving forward. As such, with the Proposed Acquisition, which will allow JM to hold 100% equity interest in the SOC's, it will have an overall positive impact on the SHB Group in terms of net profits attributable to the equity holders of SHB.



Further, the 120 metric tonne AHTS owned by the SOCs currently offer better prospects and potentially higher profit margin as compared to the 60 metric tonne AHTS segment operated by the SHB Group given the greater demand for larger capacity vessels by the oil and gas players. This coupled with the expected positive market outlook for the OSVs segment, will significantly benefit the SHB Group.

The Proposed Acquisition will also allow JM to have full control of the SOCs and therefore enable JM to better manage and control the operations and commercial decisions in respect of the vessels owned by the SOCs.

The Group has the right to exercise the call option within a period of ten years from the date on which the funds were first injected by GMV-Jasa into the respective SOCs. The expiry dates for these call options are 21 September 2018 (for JMG 1 and JMG 2) and 11 November 2020 (for JMG 3 and JMG 4). If the call option were to be exercised at a later date, JM will have to pay compounded interest rate of 9% per annum up to the date of acquisition. The maximum payment will be if the call option is exercised on the 10<sup>th</sup> year of the option period. Therefore, with the call option been exercised now and source external bank borrowings to fund the same, in terms of opportunity cost, the Group will be able realise cost savings from the differential between the 9% acquisition cost and cost of funding on the new borrowings. Based on the LPD, the cost of funding on the new borrowings is 5.4% per annum.

## **4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS**

### **4.1 Overview and outlook of the Malaysian economy**

The Malaysian economy has been making commendable progress since the launch of the transformation agenda in 2010 and is on track to become a high-income and developed nation by 2020. GDP growth has been strong with low unemployment and manageable inflation. As a result of the transformation agenda as well as other initiatives, domestic demand, particularly private investment and consumption, has increasingly been the driver of growth. Meanwhile, the export structure has become diversified with higher intra-regional trade. With a more balanced economic structure, Malaysia was able to achieve a steady growth of 4.2% in the first half of 2013, despite the increasingly volatile and challenging global economic environment. Given the resilience of the domestic economy and better growth prospects in the US, Japan and China during the second half of the year, the Malaysian economy is expected to expand at a firmer pace in the second half and to achieve 4.5% — 5% in 2013. Growth is supported by strong macroeconomic fundamentals as well as accommodative monetary and fiscal policies.

The 2013 Budget has further strengthened the transformation agenda through various programmes and projects. This agenda, apart from pursuing the objective of a high-income and developed nation by 2020, is also to ensure that the rakyat will reap maximum benefits from the implementation of development projects. Hence, the 2013 Budget focused on sustaining economic growth and improving the well-being of the rakyat.

The implementation of initiatives under the 2013 Budget will continue to sustain the growth momentum and increase the resilience of the economy. Going forward, there will be accelerated efforts to enhance competitiveness of the Malaysian economy through greater innovation, productivity and efficiency. As fiscal consolidation efforts continue, the role of the private sector as the driver of growth will become increasingly important. In its role as the enabler of economic activity, the Government will continue to improve its service delivery as well as ensure a conducive ecosystem for private sector activity to thrive, particularly in higher value-added activities. To strengthen the external sector, efforts will be intensified to encourage export of goods and services as well as investment in strategic export-oriented industries to ensure that Malaysia is well positioned to leverage new opportunities in the challenging global market.

*(Source: Economic Report 2013/2014)*

#### **4.2 Overview and outlook of the Malaysian oil and gas industry**

Crude oil (including condensates) registered a marginal decline of 0.03% to 576,744 bpd during the first eight months of 2013 (January – August 2012: 2.1%; 576,944 bpd) due to lower production from maturing oil fields. Given the declining production trend, efforts have been made to optimise existing oil fields and accelerate new development projects. These efforts have begun to yield results. For 2013, production is projected to increase 2.5% to 600,000 bpd (2012: 3.1%; 585,182 bpd) due to output from new fields, notably Gumusut-Kakap located at Offshore Sabah which is expected to come on stream during the fourth quarter of 2013.

Meanwhile, production of natural gas which grew 6.1% to 6,258 mmscfd (January - August 2012: -0.2%; 5,896 mmscfd) cushioned the decline in crude oil output. Growth was contributed by higher volume from PETRONAS LNG Complex, Sarawak and additional output from the Telok gas field in Peninsular Malaysia. Thus, for 2013, natural gas production is expected to increase 3.8% to 6,250 mmscfd (2012: 1.5%; 6,023 mmscfd) on the back of stronger demand from the power, industrial, petrochemical industries and external market. For 2013, value-added of the mining sector is projected to increase 2.2% (2012: 1.4%) on higher output of crude oil and natural gas during the second half of 2013.

PETRONAS continues to pursue exploration activity to sustain production levels. As of end-June 2013, four new oil wells have been discovered which include Adong Kecil West in offshore Sarawak and Ara fields in offshore Peninsular Malaysia. In addition, six new fields are expected to be brought on stream, increasing the total number of Malaysia's producing fields to 143, comprising 82 oil and 61 gas fields (2012: 77 oil fields; 55 gas fields). As a result, crude oil reserves stood at 5.85 billion barrels as at 1 January 2013 and are estimated to last 27 years, while gas reserves stood at 98.3 trillion cubic feet, sufficient to last 43 years.

Dated Brent traded at an average of USD108 pb during the first six months (January - June 2012: USD114 pb) due to the increasingly uncertain global economic outlook. However, since July 2013 to September 2013, Dated Brent has averaged above USD110 pb on improving growth prospects in key advanced economies, reflected by the better-than-expected manufacturing data from China, which signalled firmer demand for energy. Riding on this trend, Tapis price also increased to USD113 pb in July 2013 compared with USD108 pb in April 2013. For 2013, the International Energy Agency reported that global oil demand is expected to increase to 90.8 million bpd. On the supply side, while there will be an increase in production notably from the US due to rising shale oil output, global oil supply is estimated to remain tight at 91.3 million bpd. Hence, Dated Brent and Tapis prices are expected to remain stable at USD105 pb and USD115 pb, respectively in 2013 (2012: USD112 pb; USD119 pb) supported by the improving economic outlook in emerging markets during the second half of 2013.

*(Source: Economic Report 2013/2014)*

### **4.3 Prospects of the SOC's**

Following the efforts by Malaysia to increase the country's identifiable oil and gas reserves and to counter declining production, offshore E & P activities have increased significantly. Furthermore, in order to boost current production, towards meeting the rising demand, PETRONAS and its PSC partners are pursuing EOR programs, brown field rejuvenation projects and marginal field and deepwater development. Additionally, exploration activities are also actively pursued to discover new oil and gas reserves, thus ensuring that the country will be able to meet future demand. This high level of offshore activities augurs well for the OSV companies and the hive of activities are expected to be sustained for the next five years. In respect of the SOC's vessels, increasing level of exploration into harsher environments such as deepwater is expected to further increase demand for larger AHTS such as those owned by the SOC's. The SOC's will be able to further strengthen its market position in Malaysia to take advantage of the positive long-term outlook of the oil and gas industry. Currently, with four (4) units of 120 metric tonne AHTS, the SOC's are believed to rank second in the market for the OSV segment in Malaysia.

*(Source: Management of SHB)*

## **5. RISK FACTORS RELATING TO THE PROPOSED ACQUISITION**

Below are the risk factors in relation to the Proposed Acquisition and those that may impact the SOC's. It is not an exhaustive list of all the risks in relation to the Proposed Acquisition and there is no assurance that any change in the factors as described below will not have a material adverse effect on the business and operations of the SOC's:

### **5.1 Business and industry risks**

The Board does not foresee any material risks pursuant to the Proposed Acquisition in view that the SHB Group is already subject to the inherent risks associated with the oil and gas industry including fluctuations in crude oil prices, forces of supply of and demand for vessels that would result in fluctuations of charter rates and vessel value, risk of damage to and/or loss of vessels and interruptions to operations due to adverse weather conditions and mechanical failures as well as general business risks such as shortages of labour, equipment and machinery, increases in the costs of labour and equipment, credit flexibility and interest rate conditions, fluctuations in exchange rates, development in the economic and political environment in Malaysia, economic uncertainties and changes in Government policies.

In this regard, the Proposed Acquisition will not expose the SHB Group to further risks of the same nature.

Notwithstanding the above, whilst the SHB Group keeps abreast with the latest developments in the oil and gas industry and adopt and implement various strategies including effective risk management practices to mitigate these risks, no assurance can be given that any change in the above factors will not have any material and adverse impact to the business of SOC's and consequently, the SHB Group.

### **5.2 Non-completion risks**

The completion of the Proposed Acquisition is conditional upon the conditions precedent being satisfied. Although, there can be no assurance that such conditions precedent will be satisfied, SHB and/or JM will take reasonable steps to ensure satisfaction of the conditions precedent in order to complete the Proposed Acquisition in a timely manner.

## 6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are as follows:

### 6.1 Issued and paid-up share capital, substantial shareholdings

As the Proposed Acquisition will be wholly settled via cash, it will not have any effect on the issued and paid-up share capital of JM or SHB nor substantial shareholdings of JM or SHB.

### 6.2 NA, NA per SHB Share and gearing

The proforma effects of the Proposed Acquisition on the NA per SHB Share and gearing of SHB based on the latest audited consolidated financial statements of SHB for the FYE 31 July 2013 are as follows:

	Audited as at 31 July 2013 RM'000	After the Proposed Acquisition RM'000
Share capital	108,333	108,333
Share premium	54,045	54,045
Equity component of convertible preference shares	1,384	1,384
Equity component of convertible loan stocks	34,034	34,034
Reverse acquisition deficit	(92,791)	(92,791)
Retained earnings	39,270	<sup>(1)</sup> 32,699
	144,275	137,704
Employee trust shares	(6,688)	(6,688)
Shareholders' funds / NA	137,587	131,016
No. of SHB Shares ('000)	433,333	433,333
NA per SHB Share (RM)	0.32	0.30
Total borrowings	1,649,857	<sup>(2)</sup> 1,689,857
Gearing (times) <sup>(3)</sup>	11.99	12.90

Notes:

- (1) The retained earnings would reduce by RM6.571 million after taking into account the following:

	RM'000
Difference between the fair value of the consideration paid and the carrying amount of the non-controlling interests	*6,071
Estimated expenses in respect of the Proposed Acquisition	500
	<u>6,571</u>

\* Computed as follows:

	RM'000
Purchase Consideration	<sup>(a)</sup> 49,545
Less: Carrying amount of the non-controlling interest acquired	<sup>(b)</sup> (40,658)
Accretion from change in equity interest	<u>(2,816)</u>
	<u>6,071</u>

(a) Based on the estimated Purchase Consideration assuming completion date of 31 December 2013

(b) The actual amount will be based on the carrying amount as at the acquisition date

Depending on the final Purchase Consideration and the carrying amount of the non-controlling interests as at the acquisition date, the resulting effect on the retained earnings may differ from what is reflected in this Proforma Consolidated Statement of Financial Position.

- (2) Assuming the Purchase Consideration is to be partly funded via borrowings of RM40,000,000
- (3) Computed as total borrowings divided by NA

### 6.3 Earnings and EPS

Assuming the Proposed Acquisition has been completed prior to 1 August 2012 and based on SHB's latest audited consolidated income statements for the FYE 31 July 2013 and the latest audited income statements of the SOCs for the FYE 31 July 2013, the pro forma effects on the consolidated earnings of SHB are as follows:

	Before the Proposed Acquisition RM'000	After the Proposed Acquisition RM'000
Consolidated PAT (attributable to shareholders) for FYE 31 July 2013	4,413	4,413
Add: Non-controlling interest	-	4,666
Less: Estimated transaction costs in relation to the Proposed Acquisition	-	(500)
Estimated financing costs	-	<sup>(1)</sup> (2,160)
<b>Pro forma consolidated PAT</b>	<b>4,413</b>	<b>6,419</b>
<b>EPS (sen)</b>	<b>1.1</b>	<b>1.6</b>

Note:

- (1) Assumes interest cost of 5.4% per annum on the borrowings of RM40,000,000 to partly fund the Proposed Acquisition

## 7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained all of which are pending as at the LPD:

- (i) SHB shareholders' approval for the Proposed Acquisition at the forthcoming EGM;
- (ii) approval from the Labuan Financial Services Authority for changes in directors and shareholders in the SOCs; and
- (iii) any other relevant regulatory authorities/parties (if required).

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by SHB.

**8. OTHER CORPORATE EXERCISES WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED**

Save for the Proposed Acquisition, there are no other corporate proposals which have been announced by SHB but not yet completed as at the date of this Circular.

**9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and/or major shareholders of SHB and its subsidiaries and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

**10. DIRECTORS' RECOMMENDATION**

The Board, after having taken into consideration all aspects of the Proposed Acquisition (including but not limited to the rationale for the Proposed Acquisition and the financial effects of the Proposed Acquisition), is of the opinion that the Proposed Acquisition is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

**11. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Acquisition to be completed by end December 2013.

Events	Tentative Date
Conclusion of the EGM	13 December 2013
Completion of the Proposed Acquisition	End December 2013

**12. EGM**

The forthcoming EGM, the notice of which is enclosed in this Circular, will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara off Jalan Damansara, 60000 Kuala Lumpur on Friday, 13 December 2013 at 11.00 a.m. or at any adjournment thereof or immediately after the conclusion of the Sixteenth Annual General Meeting which will be held at the same venue and on the same day at 10.00 a.m. or at any adjournment thereof for the purpose of considering the Proposed Acquisition contained herein and if thought fit, passing the ordinary resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible so as to arrive at the Company's registered office no later than forty-eight (48) hours before the time stipulated for the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person should you subsequently decide to do so.

**13. FURTHER INFORMATION**

You are requested to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**SILK HOLDINGS BERHAD**

**DATO' MOHD AZLAN HASHIM**  
**Non-Independent Executive Chairman**

## APPENDIX I (a) – INFORMATION ON THE SOCS (JMG 1)

### 1. HISTORY AND BUSINESS

Pursuant to the JVA, JMG 1 was established under the 'one ship one company concept' with the objective of jointly investing in and acquiring OSV for the purpose of securing chartered contracts for the provision of OSVs to the offshore oil and gas industry.

JMG 1 was incorporated on 3 June 2008 under the LCA in Labuan, Malaysia and is principally engaged in the ownership and operation of OSV and provision of services to the oil and gas industry. JMG 1 owns one 70M/DP2 120MT AHTS named JM Bayu. JMG 1 commenced its vessel charter business on 24 November 2010.

### 2. AUTHORISED, ISSUED AND PAID-UP SHARE CAPITAL

The authorised, issued and paid-up share capital of JMG 1 as at the LPD are as follows:

Type	No. of shares	Amount (USD)	Amount <sup>(2)</sup> (RM)
Authorised <sup>(1)</sup>	N/A	N/A	N/A
Issued and paid-up	9,111,585	5,539,025	18,168,004

(1) Effective 11 February 2010, shares of companies incorporated under the LCA shall have no par or nominal value in accordance with Section 46(1) of the LCA. There is also no concept of authorised share capital for companies incorporated under the LCA

(2) Based on the exchange rate of USD to RM as at the date of subscription of shares

N/A Not applicable

### 3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of JMG 1 are as follows:

JMG 1	Country of Incorporation/ Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	Malaysian	-	-	<sup>(1)(2)</sup> 4,646,908	51
Abdul Rahman bin Ali	Malaysian	-	-	<sup>(1)(2)</sup> 4,646,908	51
Dato' Mohd Azlan Hashim	Malaysian	-	-	<sup>(1)(2)</sup> 4,646,908	51
Infra Bumitek Sdn Bhd	Malaysia	-	-	<sup>(1)(2)</sup> 4,646,908	51
SHB	Malaysia	-	-	<sup>(3)</sup> 4,646,908	51
AQL	Malaysia	-	-	<sup>(4)</sup> 4,646,908	51
GMV	Malaysia	-	-	<sup>(5)</sup> 4,464,677	49
JM	Malaysia	4,646,908	51	-	-
GMV-Jasa	Malaysia	4,464,677	49	-	-

Notes:

(1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA

(2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:

(a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or



## APPENDIX I (a) – INFORMATION ON THE SOCS (JMG 1) (cont'd)

(b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share

SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares

(3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA

(4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA

(5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

### 4. BOARD OF DIRECTORS

As at the LPD, the particulars of the board of directors of JMG 1 are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Abdul Rahman bin Ali	Malaysian	Director	-	-	<sup>(1)</sup> 4,646,908	51
Mohd Noor Ismardi bin Idris	Malaysian	Director	-	-	-	-
Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad	Malaysian	Director	-	-	-	-
Mohd Nordin bin Che Omar	Malaysian	Director	-	-	-	-
Hajar binti Abdullah	Malaysian	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his shareholding in SHB pursuant to Section 2(2) of the LCA

### 5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

As at the LPD, JMG 1 does not have any subsidiaries and associated companies.

### 6. FINANCIAL SUMMARY

The summary of the financial information of JMG 1 based on the audited financial statements of JMG 1 for the past three (3) FYE 31 July are as follows:

FYE 31 July (audited)		2011 (RM)	2012 (RM)	2013 (RM)
Revenue		10,188,412	16,339,493	15,180,883
(Loss)/profit before taxation	before	(6,049,840)	99,799	413,457
(Loss)/profit after taxation	after	(6,049,840)	96,805	401,053
Gross EPS		(0.66)	0.01	0.05
Net EPS				
- Basic		(0.66)	0.01	0.04

**APPENDIX I (a) – INFORMATION ON THE SOCS (JMG 1) (cont'd)**

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Number of shares in issue	9,111,585	9,111,585	9,111,585
NA	11,922,249	12,019,054	12,420,107
NA per share	1.31	1.32	1.36
Total borrowings	99,765,000	95,631,574	86,107,382
Gearing (times)	8.37	7.96	6.93
Current ratio (times)	0.44	0.57	0.23

**7. COMMENTARIES ON PAST PERFORMANCE****FYE 2013 as compared to FYE 2012**

For the FYE 31 July 2013, the revenue decreased by RM1.2 million or 7% due to the decrease in the utilisation rate of its vessel to 72% from 88% in the previous year, where the chartered days were 262 days in FYE 31 July 2013 as compared to 321 days in FYE 31 July 2012. The lower chartered days were mainly due to the vessel had undergone drydocking for routine inspection during FYE 31 July 2013. However, the PBT was higher compared to FYE 31 July 2012 due to the lower finance cost incurred by the company and the higher average daily charter of RM57,960 as compared to RM50,902 in the previous year. The lower finance cost incurred by the company was mainly due to the lower loan principal outstanding in FYE 31 July 2013 as compared to FYE 31 July 2012.

**FYE 2012 as compared to FYE 2011**

For the FYE 31 July 2012, revenue increased by RM6.2 million or 60.4% due to increased vessel utilisation rate to 88% from 70% in the previous year. The lower vessel utilisation rate in FYE 31 July 2011 was due to the vessel's first year of commercial commencement with 249 chartered days as compared to 321 chartered days in FYE 31 July 2012. The company took delivery of its vessel in 10 August 2010 and the vessel was without a chartered contract for 107 days in FYE 31 July 2011. In line with the increase in revenue and higher charter rate, where the average daily charter rate was RM50,902 as compared to RM40,917 in the previous year, the company recorded a higher PBT of RM99,799 as compared to the loss before taxation of RM6.0 million in FYE 31 July 2011. The loss before taxation of RM6.0 million in FYE 31 July 2011 was also caused by depreciation charge of RM6.7 million and finance cost of RM6.8 million.

**8. CHANGES IN THE ACCOUNTING POLICIES AND ESTIMATES**

The adoption of new or amended accounting policies did not have any significant effect on the financial performance or position of JMG 1 for the FYE 31 July 2011 to 31 July 2013.

**9. AUDIT QUALIFICATION**

There were no audit qualifications on the audited financial statements on JMG 1 for the FYE 31 July 2011 to 31 July 2013.

**10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, JMG 1 does not have any material commitments and contingent liabilities.

## APPENDIX I (b) – INFORMATION ON THE SOCS (JMG 2)

### 1. HISTORY AND BUSINESS

Pursuant to the JVA, JMG 2 was established under the 'one ship one company concept' with the objective of jointly investing in and acquiring OSV for the purpose of securing chartered contracts for the provision of OSVs to the offshore oil and gas industry.

JMG 2 was incorporated on 3 June 2008 under the LCA in Labuan, Malaysia and is principally engaged in the ownership and operation of OSV and provision of services to the oil and gas industry. JMG 2 owns one 70M/DP2 120MT AHTS named JM Sepoi. JMG 2 commenced its vessel charter business on 22 March 2011.

### 2. AUTHORISED, ISSUED AND PAID-UP SHARE CAPITAL

The authorised, issued and paid-up share capital of JMG 2 as at the LPD are as follows:

Type	No. of shares	Amount (USD)	Amount <sup>(2)</sup> (RM)
Authorised <sup>(1)</sup>	N/A	N/A	N/A
Issued and paid-up	8,974,389	5,401,829	17,718,004

(1) Effective 11 February 2010, shares of companies incorporated under the LCA shall have no par or nominal value in accordance with Section 46(1) of the LCA. There is also no concept of authorised share capital for companies incorporated under the LCA

(2) Based on the exchange rate of USD to RM as at the date of subscription of shares

N/A Not applicable

### 3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of JMG 2 are as follows:

JMG 2	Country of Incorporation/ Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	Malaysian	-	-	<sup>(1)(2)</sup> 4,576,938	51
Abdul Rahman bin Ali	Malaysian	-	-	<sup>(1)(2)</sup> 4,576,938	51
Dato' Mohd Azlan Hashim	Malaysian	-	-	<sup>(1)(2)</sup> 4,576,938	51
Infra Bumitek Sdn Bhd	Malaysia	-	-	<sup>(1)(2)</sup> 4,576,938	51
SHB	Malaysia	-	-	<sup>(3)</sup> 4,576,938	51
AQL	Malaysia	-	-	<sup>(4)</sup> 4,576,938	51
GMV	Malaysia	-	-	<sup>(5)</sup> 4,397,451	49
JM	Malaysia	4,576,938	51	-	-
GMV-Jasa	Malaysia	4,397,451	49	-	-

Notes:

(1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA

(2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:

(a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or

## APPENDIX I (b) – INFORMATION ON THE SOCS (JMG 2) (cont'd)

(b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share

SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares

(3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA

(4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA

(5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

### 4. BOARD OF DIRECTORS

As at the LPD, the particulars of the board of directors of JMG 2 are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Abdul Rahman bin Ali	Malaysian	Director	-	-	<sup>(1)</sup> 4,576,938	51
Mohd Noor Ismardi bin Idris	Malaysian	Director	-	-	-	-
Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad	Malaysian	Director	-	-	-	-
Mohd Nordin bin Che Omar	Malaysian	Director	-	-	-	-
Abdul Karim bin Ismail	Malaysian	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his shareholding in SHB pursuant to Section 2(2) of the LCA

### 5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

As at the LPD, JMG 2 does not have any subsidiaries and associated companies.

### 6. FINANCIAL SUMMARY

The summary of the financial information of JMG 2 based on the audited financial statements of JMG 2 for the past three (3) FYE 31 July are as follows:

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Revenue	5,080,303	19,521,045	19,654,733
(Loss)/profit before taxation	(3,777,947)	3,837,295	4,468,656
(Loss)/profit after taxation	(3,777,947)	3,817,295	4,448,656
Gross EPS	(0.42)	0.43	0.50
Net EPS			
- Basic	(0.42)	0.43	0.50
Number of shares in issue	8,974,389	8,974,389	8,974,389

**APPENDIX I (b) – INFORMATION ON THE SOCS (JMG 2) (cont'd)**

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
NA	13,905,589	17,722,884	22,171,540
NA per share	1.55	1.97	2.47
Total borrowings	99,765,000	95,631,625	86,105,645
Gearing (times)	7.17	5.40	3.88
Current ratio (times)	0.10	0.51	0.66

**7. COMMENTARIES ON PAST PERFORMANCE****FYE 2013 as compared to FYE 2012**

For the FYE 31 July 2013, revenue increased slightly by RM0.1 million as the company was able to maintain the utilisation rate of its vessel at 100%. The PBT in FYE 31 July 2013 was higher compared to FYE 31 July 2012 mainly due to the lower finance cost incurred by the company and slightly higher average daily charter rate of RM53,865 as opposed to RM53,336 in the previous year.

**FYE 2012 as compared to FYE 2011**

For the FYE 31 July 2012, revenue increased by RM14.4 million or 284.2% due to the increase in chartered days to 366 days, compared to 99 days in the previous year. The lower chartered days in FYE 31 July 2011 was due to the vessel's first year of commercial commencement during the year. The company took delivery of its vessel in 15 August 2011 and the vessel was without a chartered contract for 109 days in FYE 31 July 2011. In line with the increase in revenue and higher average daily charter rate of RM53,336 as compared to RM51,316 in FYE 31 July 2011, the company recorded PBT of RM3.8 million as compared to a loss before taxation of RM3.8 million in the previous year. The loss before taxation of RM3.8 million in the FYE 31 July 2011 was also caused by depreciation charge of RM3.5 million and finance cost of RM3.4 million.

**8. CHANGES IN THE ACCOUNTING POLICIES AND ESTIMATES**

The adoption of new or amended accounting policies did not have any significant effect on the financial performance or position of JMG 2 for the FYE 31 July 2011 to 31 July 2013

**9. AUDIT QUALIFICATION**

There were no audit qualifications on the audited financial statements on JMG 2 for the FYE 31 July 2011 to 31 July 2013.

**10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, JMG 2 does not have any material commitments and contingent liabilities.

## APPENDIX I (c) – INFORMATION ON THE SOCS (JMG 3)

### 1. HISTORY AND BUSINESS

Pursuant to the JVA, JMG 3 was established under the 'one ship one company concept' with the objective of jointly investing in and acquiring OSV for the purpose of securing chartered contracts for the provision of OSVs to the offshore oil and gas industry.

JMG 3 was incorporated on 3 June 2008 under the LCA in Labuan, Malaysia and is principally engaged in the ownership and operation of OSV and provision of services to the oil and gas industry. JMG 3 owns one 70M/DP2 120MT AHTS named JM Samudera. JMG 3 commenced its vessel charter business on 13 October 2011.

### 2. AUTHORISED, ISSUED AND PAID-UP SHARE CAPITAL

The authorised, issued and paid-up share capital of JMG 3 as at the LPD are as follows:

Type	No. of shares	Amount (USD)	Amount <sup>(2)</sup> (RM)
Authorised <sup>(1)</sup>	N/A	N/A	N/A
Issued and paid-up	5,827,806	5,827,806	18,700,000

(1) Effective 11 February 2010, shares of companies incorporated under the LCA shall have no par or nominal value in accordance with Section 46(1) of the LCA. There is also no concept of authorised share capital for companies incorporated under the LCA

(2) Based on the exchange rate of USD to RM as at the date of subscription of shares

N/A Not applicable

### 3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of JMG 3 are as follows:

JMG 3	Country of Incorporation/ Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkifli	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Abdul Rahman bin Ali	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Dato' Mohd Azlan Hashim	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Infra Bumitek Sdn Bhd	Malaysia	-	-	<sup>(1)(2)</sup> 2,972,181	51
SHB	Malaysia	-	-	<sup>(3)</sup> 2,972,181	51
AQL	Malaysia	-	-	<sup>(4)</sup> 2,972,181	51
GMV	Malaysia	-	-	<sup>(5)</sup> 2,855,625	49
JM	Malaysia	2,972,181	51	-	-
GMV-Jasa	Malaysia	2,855,625	49	-	-

Notes:

(1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA

(2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:

(a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or



## APPENDIX I (c) – INFORMATION ON THE SOCS (JMG 3) (cont'd)

(b) if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share.

SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares

- (3) Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA  
 (4) Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA  
 (5) The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD

### 4. BOARD OF DIRECTORS

As at the LPD, the particulars of the board of directors of JMG 3 are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Abdul Rahman bin Ali	Malaysian	Director	-	-	<sup>(1)</sup> 2,972,181	51
Mohd Noor Ismardi bin Idris	Malaysian	Director	-	-	-	-
Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad	Malaysian	Director	-	-	-	-
Datin Husniarti binti Tamin	Malaysian	Director	-	-	-	-
Aida Haniza binti Mohamed Kamarudin	Malaysian	Director	-	-	-	-

Note:

- (1) Deemed interested by virtue of his shareholding in SHB pursuant to Section 2(2) of the LCA

### 5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

As at the LPD, JMG 3 does not have any subsidiaries and associated companies.

### 6. FINANCIAL SUMMARY

The summary of the financial information of JMG 3 based on the audited financial statements of JMG 3 for the past three (3) FYE 31 July are as follows:

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Revenue	-	17,073,296	21,040,425
(Loss)/profit before taxation	(25,551)	2,762,875	6,007,391
(Loss)/profit after taxation	(25,551)	2,742,875	5,987,391
Gross EPS	(0.01)	0.47	1.03

**APPENDIX I (c) – INFORMATION ON THE SOCS (JMG 3) (cont'd)**

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Net EPS			
- Basic	(0.01)	0.47	1.03
Number of shares in issue	4,653,202	5,827,806	5,827,806
NA	14,941,868	21,384,743	27,372,134
NA per share	3.21	3.67	4.70
Total borrowings	79,495,000	110,000,000	108,601,574
Gearing (times)	5.32	5.14	3.97
Current ratio (times)	0.14	18.70	3.22

**7. COMMENTARIES ON PAST PERFORMANCE****FYE 2013 as compared to FYE 2012**

For the FYE 31 July 2013, revenue increased by RM4.0 million or 23% mainly due to the increase in the utilisation rate of its vessel to 100% from 92% in the previous year. In line with the increase in revenue and higher average daily charter rate of RM57,645 as compared to RM57,101 in the previous year, the company recorded PBT of 6.0 million, an increase of RM3.2 million or 117.4% from the previous year.

**FYE 2012 as compared to FYE 2011**

For the FYE 31 July 2012, the company commenced its first charter with 299 chartered days or 92% vessel utilisation rate. As the vessel construction for JMG 3 had started later than JMG 1 and JMG 2, the vessel was delivered to the company in September 2011 and commenced its first charter in October 2011. Due to the high vessel utilisation rate of 92% for the FYE 31 July 2012 despite being the first year of commencement of its vessel charter business, the company recorded PBT of RM2.8 million as opposed to a loss before taxation of RM0.02 million in the previous year. The loss before taxation of RM0.02 million during the FYE 31 July 2011 was attributable to operating expenses as the company was dormant during the year.

**8. CHANGES IN THE ACCOUNTING POLICIES AND ESTIMATES**

The adoption of new or amended accounting policies did not have any significant effect on the financial performance or position of JMG 3 for the FYE 31 July 2011 to 31 July 2013.

**9. AUDIT QUALIFICATION**

There were no audit qualifications on the audited financial statements on JMG 3 for the FYE 31 July 2011 to 31 July 2013.

**10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, JMG 3 does not have any material commitments and contingent liabilities.



## APPENDIX I (d) – INFORMATION ON THE SOCS (JMG 4)

### 1. HISTORY AND BUSINESS

Pursuant to the JVA, JMG 4 was established under the 'one ship one company concept' with the objective of jointly investing in and acquiring OSV for the purpose of securing chartered contracts for the provision of OSVs to the offshore oil and gas industry

JMG 4 was incorporated on 3 June 2008 under the LCA in Labuan, Malaysia and is principally engaged in the ownership and operation of OSV and provision of services to the oil and gas industry. JMG 4 owns one 70M/DP2 120MT AHTS named JM Setia. JMG 4 commenced its vessel charter business on 2 November 2011.

### 2. AUTHORISED, ISSUED AND PAID-UP SHARE CAPITAL

The authorised, issued and paid-up share capital of JMG 4 as at the LPD are as follows:

Type	No. of shares	Amount (USD)	Amount <sup>(2)</sup> (RM)
Authorised <sup>(1)</sup>	N/A	N/A	N/A
Issued and paid-up	5,827,806	5,827,806	18,700,000

(1) Effective 11 February 2010, shares of companies incorporated under the LCA shall have no par or nominal value in accordance with Section 46(1) of the LCA. There is also no concept of authorised share capital for companies incorporated under the LCA

(2) Based on the exchange rate of USD to RM as at the date of subscription of shares  
N/A Not applicable

### 3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of JMG 4 are as follows:

JMG 4	Country of Incorporation/ Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Johan Zainuddin bin Dzulkipli	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Abdul Rahman bin Ali	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Dato' Mohd Azlan Hashim	Malaysian	-	-	<sup>(1)(2)</sup> 2,972,181	51
Infra Bumitek Sdn Bhd	Malaysia	-	-	<sup>(1)(2)</sup> 2,972,181	51
SHB	Malaysia	-	-	<sup>(3)</sup> 2,972,181	51
AQL	Malaysia	-	-	<sup>(4)</sup> 2,972,181	51
GMV	Malaysia	-	-	<sup>(5)</sup> 2,855,625	49
JM	Malaysia	2,972,181	51	-	-
GMV-Jasa	Malaysia	2,855,625	49	-	-

Notes:

(1) Deemed interested by virtue of his/its shareholding in SHB pursuant to Section 2(2) of the LCA

(2) Pursuant to the LCA, a person shall be deemed to hold a beneficial interest in a share:

(a) if that person, either alone or together with other persons, is entitled (otherwise than as a trustee for, on behalf of, or on account of, another person) to receive, directly or indirectly, any dividends in respect of the share or to exercise, or to control the exercise of, any rights attaching to the shares; or

## APPENDIX I (d) – INFORMATION ON THE SOCS (JMG 4) (cont'd)

- (b) *if that person, being a corporation, holds any beneficial interest in a share of another corporation which holds, or a subsidiary of which holds, any beneficial interest in the first-mentioned share*

*SHB is a listed company on Bursa Securities. For purposes of disclosing the indirect shareholders of the SOCs by virtue of shareholding in SHB, we have relied on section 6A(4)(c) of the Act for guidance and have disclosed those shareholders who exercise or control the exercise of not less than 15% of the votes attached to the SHB Shares*

- (3) *Deemed interested by virtue of its shareholding in AQL pursuant to Section 2(2) of the LCA*  
 (4) *Deemed interested by virtue of its shareholding in JM pursuant to Section 2(2) of the LCA*  
 (5) *The information in relation to the indirect shareholders of the SOCs by virtue of shareholding in GMV is not publicly available as at the LPD*

### 4. BOARD OF DIRECTORS

As at the LPD, the particulars of the board of directors of JMG 4 are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Abdul Rahman bin Ali	Malaysian	Director	-	-	<sup>(1)</sup> 2,972,181	51
Mohd Noor Ismardi bin Idris	Malaysian	Director	-	-	-	-
Tuan Kamal Rul Alta bin Tuan Abd Aziz Mohamad	Malaysian	Director	-	-	-	-
Datin Husniarti binti Tamin	Malaysian	Director	-	-	-	-
Aida Haniza binti Mohamed Kamarudin	Malaysian	Director	-	-	-	-

*Note:*

- (1) *Deemed interested by virtue of his shareholding in SHB pursuant to Section 2(2) of the LCA*

### 5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

As at the LPD, JMG 4 does not have any subsidiaries and associated companies.

### 6. FINANCIAL SUMMARY

The summary of the financial information of JMG 4 based on the audited financial statements of JMG 4 for the past three (3) FYE 31 July are as follows:

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Revenue	-	12,403,623	17,652,215
(Loss)/profit before taxation	(12,000)	(410,521)	2,785,730
(Loss)/profit after taxation	(12,000)	(410,521)	2,765,730
Gross EPS (sen)	(0.26)	(7.04)	47.80

**APPENDIX I (d) – INFORMATION ON THE SOCS (JMG 4) (cont'd)**

FYE 31 July (audited)	2011 (RM)	2012 (RM)	2013 (RM)
Net EPS (sen)			
- Basic	(0.26)	(7.04)	47.46
Number of shares in issue	4,653,202	5,827,806	5,827,806
NA	14,955,425	18,244,904	21,010,634
NA per share	3.21	3.13	3.61
Total borrowings	79,495,000	110,000,000	108,601,574
Gearing (times)	5.32	6.03	5.17
Current ratio (times)	0.14	13.21	2.27

**7. COMMENTARIES ON PAST PERFORMANCE****FYE 2013 vs FYE 2012**

For the FYE 31 July 2013, revenue increased by RM5.2 million or 42% mainly due to the increase in the chartered days from 238 days in FYE 31 July 2012 to 338 days in FYE 31 July 2013. In line with the increase in revenue and higher average daily charter rate of RM52,290 as compared to RM52,016 in the previous year, the company recorded a PBT of RM2.8 million as compared to loss before taxation of RM0.4 million in the previous year.

**FYE 2012 vs FYE 2011**

For the FYE 31 July 2012, the company commenced its first year of charter with 238 chartered days or 83% vessel utilisation rate. As the vessel construction for JMG 4 had started later than JMG 1 and JMG 2, the vessel was delivered to the company in October 2011 and commenced its first charter in November 2011. However, despite recorded a revenue of RM12.4 million, the company incurred loss before taxation of RM0.4 million in FYE 31 July 2012 due to low vessel utilisation rate of 83%. The loss incurred in FYE 31 July 2011 was attributable to operating expenses as the company was dormant during the year.

**8. CHANGES IN THE ACCOUNTING POLICIES AND ESTIMATES**

The adoption of new or amended accounting policies did not have any significant effect on the financial performance or position of JMG 4 for the FYE 31 July 2011 to 31 July 2013.

**9. AUDIT QUALIFICATION**

There were no audit qualifications on the audited financial statements on JMG 4 for the FYE 31 July 2011 to 31 July 2013.

**10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, JMG 4 does not have any material commitments and contingent liabilities.

**APPENDIX II – PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SHB  
AS AT 31 JULY 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER**



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**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION INCLUDED IN A CIRCULAR TO  
SHAREHOLDERS**

(Prepared for inclusion in the Circular to Shareholders to be dated 28 November 2013  
("Circular"))

26 November 2013

The Board of Directors  
SILK Holdings Berhad  
Plaza Tol Sungai Balak  
KM 28.3A Lebuhraya Kajang SILK  
43000 Kajang  
Selangor Darul Ehsan  
Malaysia

Dear Sirs

**SILK HOLDINGS BERHAD ("SHB" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE  
GROUP")**

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
31 JULY 2013 IN CONNECTION WITH THE PROPOSED ACQUISITION BY JASA MERIN  
(MALAYSIA) SDN BHD, A 70%-OWNED SUBSIDIARY OF AQL AMAN SDN BHD WHICH IN  
TURN IS A WHOLLY-OWNED SUBSIDIARY OF SILK HOLDINGS BERHAD, OF REMAINING  
49% EQUITY INTEREST HELD BY GMV-JASA SDN BHD IN JM GLOBAL 1 (LABUAN)  
PLC, JM GLOBAL 2 (LABUAN) PLC, JM GLOBAL 3 (LABUAN) PLC AND JM GLOBAL 4  
(LABUAN) PLC FOR A PURCHASE CONSIDERATION TO BE DETERMINED LATER TO BE  
SATISFIED IN CASH ("PROPOSED ACQUISITION")**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statement of financial position of SILK Holdings Berhad as at 31 July 2013. The pro forma consolidated statement of financial position which is set out in the Appendix 1 (which we have stamped for the purpose of identification) has been compiled by the Directors of the Company for inclusion in the Circular to be dated 28 November 2013 in connection with the Proposed Acquisition.

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statements of financial position are described in Note 3 of the Appendix 1.



The pro forma consolidated statement of financial position has been compiled by the Directors of the Company, for illustrative purposes only, to show the effects of the Proposed Acquisition on the audited consolidated statement of financial position of the Company as at 31 July 2013 had the Proposed Acquisition been effected on that day.

As part of this process, information about the financial position has been extracted by the Directors of the Company from the financial statements for the year ended 31 July 2013, on which audit report has been issued.

### **The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position**

The Directors of the Company are responsible for compiling the pro forma consolidated statement of financial position on the basis of the applicable criteria as stated in Note 3 of the Appendix 1.

### **Our responsibilities**

Our responsibility is to express an opinion as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors of the Company on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statement of financial position on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of pro forma consolidated statement of financial position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.



A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion:

- (i) the pro forma consolidated statement of financial position of the Company, which has been prepared by the Directors of the Company, has been properly prepared on the basis of the notes set out in Note 3 of the Appendix I of this letter using financial statements prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and
- (ii) each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position is appropriate for the purposes of preparing the pro forma consolidated statement of financial position.



Building a better  
working world


### Other matters

This letter is issued for the sole purpose of complying with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad in connection with the Proposed Acquisition. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Acquisition described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than pursuant to the Proposed Acquisition.

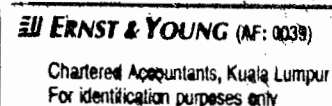
Yours faithfully



Ernst & Young  
AF: 0039  
Chartered Accountants



Ismed Darwis Bahatlar  
No. 2921/04/14(J)  
Chartered Accountant



Appendix I

**SILK Holdings Berhad**

**Pro Forma Consolidated Statement of Financial Position as at 31 July 2013**

The pro forma consolidated statement of financial position of SILK Holdings Berhad as set out below has been prepared for illustrative purposes only and to show the effects of the events and transactions referred to in the notes to the pro forma consolidated statement of financial position had they been effected on 31 July 2013.

	<b>Audited At 31 July 2013 RM'000</b>	<b>Adjustment RM'000</b>	<b>Pro forma RM'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, vessels and equipment	1,146,114		1,146,114
Concession intangible assets	876,382		876,382
Goodwill on consolidation	647		647
	<u>2,023,143</u>		<u>2,023,143</u>
<b>Current assets</b>			
Inventories	735		735
Trade and other receivables	63,048		63,048
Tax recoverable	551		551
Cash and bank balances	91,806	(10,045)	81,761
	<u>156,140</u>		<u>146,095</u>
Non-current assets classified as held for sale	189		189
	<u>156,329</u>		<u>146,284</u>
<b>Total assets</b>	<u>2,179,472</u>		<u>2,169,427</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	108,333		108,333
Share premium	54,045		54,045
Equity component of convertible preference shares	1,384		1,384
Equity component of convertible loan stocks	34,034		34,034
Reverse acquisition deficit	(92,791)		(92,791)
Retained earnings	39,270	(6,571)	32,699
	<u>144,275</u>		<u>137,704</u>
Employee trust shares	(6,688)		(6,688)
	<u>137,587</u>		<u>131,016</u>
Non-controlling interest	89,799	(43,474)	46,325
<b>Total equity</b>	<u>227,386</u>		<u>177,341</u>

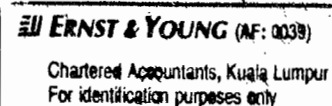


Appendix I

SILK Holdings Berhad

Pro Forma Consolidated Statement of Financial Position as at 31 July 2013 (Contd.)

	Audited At 31 July 2013 RM'000	Adjustment RM'000	Pro forma RM'000
<b>Non-current liabilities</b>			
Loans and borrowings	1,503,725	40,000	1,543,725
Ijarah rental payable	136,492		136,492
Liability component of convertible loan stocks	5,867		5,867
Deferred tax liabilities	59,173		59,173
Provision for heavy repairs	892		892
	<u>1,706,149</u>		<u>1,746,149</u>
<b>Current liabilities</b>			
Loans and borrowings	146,132		146,132
Trade and other payables	69,253		69,253
Liability component of convertible preference shares	10,837		10,837
Ijarah rental payable	16,895		16,895
Provision for heavy repairs	2,181		2,181
Provision for taxation	639		639
	<u>245,937</u>		<u>245,937</u>
<b>Total liabilities</b>	<u>1,952,086</u>		<u>1,992,086</u>
<b>Total equity and liabilities</b>	<u>2,179,472</u>		<u>2,169,427</u>
<b>Net asset</b>	227,386		177,341
<b>Number of shares as at 31 July 2013 ('000)</b>	433,333		433,333
<b>Net asset per share</b>	0.52		0.41



## Appendix I

### SILK Holdings Berhad

### Notes to the Pro Forma Consolidated Statement of Financial Position as at 31 July 2013

#### 1.0 Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report:

AQL	AQL Aman Sdn Bhd
GMV-Jasa	GMV-Jasa Sdn Bhd
JM	Jasa Merin (Malaysia) Sdn Bhd
JMG 1	JM Global 1 (Labuan) Plc
JMG 2	JM Global 2 (Labuan) Plc
JMG 3	JM Global 3 (Labuan) Plc
JMG 4	JM Global 4 (Labuan) Plc
SHB	SILK Holdings Berhad
SHB Group or the Group	SHB and its subsidiaries
SOC	Ship owning companies which consists of JMG 1, JMG 2, JMG 3 and JMG 4, collectively

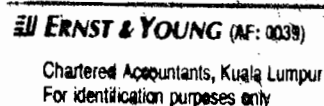
#### 2.0 Introduction

JM had on 27 February 2008 entered into the joint venture agreement ("JVA") with GMV-Jasa where both parties agreed to form joint venture company(ies) by incorporating SOC's with the objective of jointly investing in and acquiring offshore support vessels for the purpose of securing charter contracts for the provision of offshore support vessels to the oil and gas industry.

Subsequent to the JVA, the SOC's were incorporated, where currently JM and GMV-Jasa each holds 51% and 49% equity interest respectively.

Under Clause 15.3 of the JVA, GMV-Jasa granted JM a call option, whereby JM may by a notice in writing issued to GMV-Jasa, offer to acquire all shares held by GMV-Jasa in the SOC's ("Notice") at any point of time within a period of ten years from the date of the first injection of funds or any other financial assistance extended by GMV-Jasa or its nominee to the respective SOC's.

Pursuant to the above clause, JM had on 15 November 2013 served the Notice to GMV-Jasa to acquire all the remaining 49% equity interest held by GMV-Jasa in the SOC's at the purchase consideration to be determined later, based on terms and conditions of the JVA, to be fully satisfied in cash.



**Appendix I**

**SILK Holdings Berhad**

**Notes to the Pro Forma Consolidated Statement of Financial Position as at 31 July 2013 (Contd.)**

**3.0 Basis of preparation**

The pro forma consolidated statement of financial position of SHB Group as at 31 July 2013 has been prepared for illustrative purposes only, to show the effects of the proposed acquisition by JM, a 70%-owned subsidiary of AQL which in turn is a wholly-owned subsidiary of SHB, of remaining 49% equity interest held by GMV-Jasa in the SOCs for a cash consideration to be determined later to be satisfied in cash (hereinafter referred to as the "Proposed Acquisition").

The pro forma consolidated statement of financial position, for which the Board of Directors of SHB is solely responsible, has been properly compiled using the audited financial statements of SHB Group which were prepared using accounting policies that are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of SHB Group.

The pro-forma consolidated statement of financial position, because of its nature, may not be reflective of SHB Group's actual financial position. Furthermore, such information does not purport to predict the future consolidated financial position of the Group.

The pro forma consolidated statement of financial position is presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

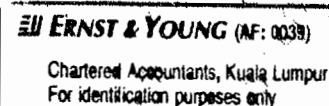
**4.0 Effect on pro forma consolidated statement of financial position**

Pursuant to Clause 15.3 of the JVA, the purchase consideration is to be determined based on GMV-Jasa's cost of investment plus a compounded holding cost of nine per centum per annum.

The purchase consideration is subject to the change in the holding period of the investment in SOCs, whereby it is determined based on the number of years from the date of injection of funds up to the completion date.

For illustration purposes, assuming a completion date of 31 December 2013, the purchase consideration is estimated to be RM49,545,282. The consideration is to be funded via external borrowings and internally generated funds amounting to RM40,000,000 and RM9,545,282 respectively.

The Proposed Acquisition will result in an increase in SHB Group's equity interest in the SOCs and derecognition of the carrying amount of the non-controlling interests.



Appendix I

SILK Holdings Berhad

Notes to the Pro Forma Consolidated Statement of Financial Position as at 31 July 2013 (Contd.)

4.0 Effect on pro forma consolidated statement of financial position (contd.)

The difference between the fair value of the consideration paid and the carrying amount of the non-controlling interests is recognised directly in equity, in this case, the effect is recognised in the Group's retained earnings. Assuming the completion date is on 31 December 2013, the effect in the retained earnings is as follows:

	RM
Cash consideration paid	49,545,282
Add: Estimated expenses for Proposed Acquisition	500,000
Less: Non-controlling interests acquired	(40,657,467)
Less: Accretion from change in equity interest	(2,816,345)
	<u>6,571,470</u> <sup>^</sup>

<sup>^</sup> The non-controlling interests acquired will be based on the carrying amount of the non-controlling interests as of the acquisition date. Accordingly, the final determination of purchase consideration, non-controlling interests acquired and resulting effect on the retained earnings may differ significantly from what is reflected in this pro forma consolidated statement of financial position.

An analysis of the movement of cash and bank balances are as follows:

	RM'000
Cash and bank balances as at 31 July 2013, before adjustments	91,806
Increase/(decrease) in cash and bank balances:	
Proceeds from external borrowings	40,000
Consideration paid for Proposed Acquisition	(49,545)
Estimated expenses for Proposed Acquisition	(500) *
Cash and bank balances as at 31 July 2013 in pro forma consolidated statement of financial position	<u>81,761</u>

\* Expenses associated to the Proposed Acquisition are estimated to be RM500,000 of which the entire amount is reflected in the retained earnings for the purpose of this pro forma consolidated statement of financial position.



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## ACCOUNTANTS' REPORT

(Prepared for inclusion in the Circular to Shareholders to be dated 28 November 2013  
("Circular"))

26 November 2013

The Board of Directors  
SILK Holdings Berhad  
Plaza Tol Sungai Balak  
KM 28.3A Lebuhraya Kajang SILK  
43000 Kajang  
Selangor Darul Ehsan  
Malaysia

Dear Sirs:

## SILK HOLDINGS BERHAD ("SHB" OR "THE COMPANY") ACCOUNTANTS' REPORT

### 1.0 Introduction

This report has been prepared by Messrs. Ernst & Young, an approved company auditor, for inclusion in the Circular of SHB in connection with the proposed acquisition by Jasa Merin (Malaysia) Sdn Bhd, a 70%-owned subsidiary of AQL Aman Sdn Bhd which in turn is a wholly-owned subsidiary of SHB, of remaining 49% equity interest held by GMV-Jasa Sdn Bhd in the following companies:

- (I) JM Global 1 (Labuan) Plc;
- (II) JM Global 2 (Labuan) Plc;
- (III) JM Global 3 (Labuan) Plc; and
- (IV) JM Global 4 (Labuan) Plc;

(collectively known as the "SOC")

for a cash consideration to be determined later to be satisfied in cash

(hereinafter referred to as the "Proposed Acquisition").

Details of the Proposed Acquisition are described in Note 3.2.



## 1.0 Introduction (contd.)

This report is issued for the sole purpose of complying with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad in connection with the Proposed Acquisition and should not be relied upon for any other purposes. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Acquisition described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than pursuant to the Proposed Acquisition.

## 2.0 Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report:

AQL	AQL Aman Sdn Bhd
GMV-Jasa	GMV-Jasa Sdn Bhd
JM	Jasa Merin (Malaysia) Sdn Bhd
JMG 1	JM Global 1 (Labuan) Plc
JMG 2	JM Global 2 (Labuan) Plc
JMG 3	JM Global 3 (Labuan) Plc
JMG 4	JM Global 4 (Labuan) Plc
SHB or the Company	SILK Holdings Berhad
SHB Group or the Group	SHB and its subsidiaries
SOC	Ship owning companies which consist of JMG 1, JMG 2, JMG 3 and JMG 4, collectively

## 3.0 General information

### 3.1 Background

The SOCs are private limited liability company(ies), incorporated and domiciled in Labuan.

The principal activity of these companies is the provision of supply vessel services in the offshore oil and gas industry.

The holding, penultimate holding and ultimate holding companies of the SOCs are JM, AQL and SHB, all of which are incorporated in Malaysia. SHB is listed on Bursa Malaysia Securities Berhad and produces financial statements for public use.



### **3.0 General information (contd.)**

#### **3.2 Details of the Proposed Acquisition**

JM had on 27 February 2008 entered into the joint venture agreement ("JVA") with GMV-Jasa where both parties agreed to form joint venture company(ies) by incorporating SOC's with the objective of jointly investing in and acquiring offshore support vessels for the purpose of securing charter contracts for the provision of offshore support vessels to the oil and gas industry.

Subsequent to the JVA, the SOC's were incorporated, where currently JM and GMV-Jasa each holds 51% and 49% equity interest respectively.

Under Clause 15.3 of the JVA, GMV-Jasa granted JM a call option, whereby JM may by a notice in writing issued to GMV-Jasa, offer to acquire all shares held by GMV-Jasa in the SOC's ("Notice") at any point of time within a period of ten years from the date of the first injection of funds or any other financial assistance extended by GMV-Jasa or its nominee to the respective SOC's.

Pursuant to the above clause, JM had on 15 November 2013 served the Notice to GMV-Jasa to acquire all the remaining 49% equity interest held by GMV-Jasa in the SOC's at the purchase consideration to be determined later, based on terms and conditions of the JVA, to be fully satisfied in cash.

#### **4.0 Auditors and audited financial statements**

The financial year end of SHB and its subsidiaries falls on 31 July 2013. The financial statements of all the companies in the Group were audited by EY in respect of FYE 31 July 2011, 31 July 2012 and 31 July 2013. The auditors' reports of all audited financial statements for the respective financial years under review were not subject to any qualification or modification.

#### **5.0 Dividend**

The Company has not paid or declared any dividend since its date of incorporation on 14 October 1996.



## **6.0 Summary of significant accounting policies**

### **6.1 Basis of preparation**

The financial statements of the SOCs have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards for financial year ended 31 July 2013 and Financial Reporting Standards ("FRS") in Malaysia for financial year ended 31 July 2012 and 2011.

The financial statements of the SOCs have also been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the SOC's functional currency.

### **6.2 MFRS adoption in accounting policies and explanation of transition to MFRS**

The financial statements for the year ended 31 July 2013 are the SOC's first financial statements prepared in accordance with MFRS and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards have been applied. In the previous years, the financial statements of the SOC were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. The SOC's date of transition to MFRS is 1 August 2012. Accordingly, the SOC has adopted MFRS framework applicable for annual periods beginning on or after 1 August 2012.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 July 2012. The transition from FRS to MFRS did not have any material impact on the financial statements of the SOC.

### **6.3 Vessels and equipment and depreciation**

All items of vessels and equipment are initially recorded at cost. The cost of an item of vessels and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the SOC and the cost of the item can be measured reliably.





### 6.3 Vessels and equipment and depreciation (contd.)

Subsequent to recognition, vessels and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of vessels and equipment are required to be replaced in intervals, the SOC's recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the vessel and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Vessels under construction are not depreciated as these assets are not yet available for use. Depreciation of vessels and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life as follows:

Vessels	15 years
Drydocking expenditure	2 1/2 years
Computer system	4 years

The drydocking expenditure is capitalised and depreciated over a period of 30 months or over the period until next drydocking date, whichever is shorter.

The carrying values of vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 6.4 Impairment of non-financial assets

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).



## **6.0 Summary of significant accounting policies (contd.)**

### **6.4 Impairment of non-financial assets (contd.)**

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### **6.5 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the SOC<sub>s</sub> become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The SOC<sub>s</sub> determine the classification of its financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All financial assets of the SOC<sub>s</sub> are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.



## **6.0 Summary of significant accounting policies (contd.)**

### **6.5 Financial assets (contd.)**

The SOC's assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment of receivables could include the SOC's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions.

### **6.6 Impairment of financial assets**

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss except for receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### **6.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **6.8 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the SOC's become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.



## **6.0 Summary of significant accounting policies (contd.)**

### **6.8 Financial liabilities (contd.)**

The SOCs have not designated any financial liabilities as at fair value through profit or loss.

The SOCs' other financial liabilities include other payables and loan.

Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loan is recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loan is classified as current liabilities unless the SOCs have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### **6.9 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the SOCs incurred in connection with the borrowing of funds.



## **6.0 Summary of significant accounting policies (contd.)**

### **6.10 Leases**

#### **As lessor**

Leases where the SOCs retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as vessel charter hire rental. The accounting policy for vessel charter hire rental is set out in Note 6.11.

### **6.11 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the SOCs and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### **Vessel charter hire rental**

Vessel charter hire rental is recognised as revenue on a time apportionment basis based on the usage of the vessel.

### **6.12 Income tax**

Income tax on the profit for the year comprises current tax only. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

As the SOCs are carrying on a Labuan trading activity, their profits would be subject to tax under Labuan Business Activity Tax, 1990 under two options:

- (i) to be taxed at rate of 3% on audited profits; or
- (ii) upon election, to pay a flat tax of RM20,000.

### **6.13 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.



## 7.0 JMG 1

### 7.1 Statements of comprehensive income

The statements of comprehensive income for the financial years ended 31 July 2011, 31 July 2012 and 31 July 2013 are as follows:

		I-----FRS framework-----I		MFRS
		2011	2012	framework
	Note	RM	RM	2013
				RM
Revenue	7.5(a)	10,188,412	16,339,493	15,180,883
Cost of sales		(9,051,679)	(8,909,918)	(8,009,057)
<b>Gross profit</b>		<u>1,136,733</u>	<u>7,429,575</u>	<u>7,171,826</u>
<b>Other item of income</b>				
Interest income		17,609	17,554	20,433
<b>Other items of expense</b>				
Administrative expenses		(421,046)	(394,452)	(382,983)
Finance cost	7.5(b)	(6,783,136)	(6,952,878)	(6,395,819)
<b>(Loss)/profit before tax</b>	7.5(c)	<u>(6,049,840)</u>	<u>99,799</u>	<u>413,457</u>
Income tax expense	7.5(d)	-	(2,994)	(12,404)
<b>(Loss)/profit net of tax, representing total comprehensive (loss)/income for the year</b>		<u>(6,049,840)</u>	<u>96,805</u>	<u>401,053</u>



## 7.0 JMG 1

## 7.2 Statements of financial position

The statements of financial position for the financial years ended 31 July 2011, 31 July 2012 and 31 July 2013 are as follows:

		-----FRS framework-----		MFRS
		2011	2012	framework
	Note	RM	RM	2013
				RM
<b>Non-current asset</b>				
Vessel and equipment	7.5(e)	108,863,177	101,926,363	96,650,436
<b>Current assets</b>				
Trade receivable	7.5(f)	2,550,240	4,975,600	-
Prepayment		109,820	123,479	132,739
Cash and bank balances	7.5(g)	812,666	1,146,018	2,665,872
		3,472,726	6,245,097	2,798,611
<b>Total assets</b>		112,335,903	108,171,460	99,449,047
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	7.5(h)	648,654	517,838	909,154
Loan	7.5(i)	7,274,531	10,439,633	11,119,390
Income tax payable		-	2,994	12,404
		7,923,185	10,960,465	12,040,948
<b>Net current liabilities</b>		(4,450,459)	(4,715,368)	(9,242,337)
<b>Non-current liability</b>				
Loan	7.5(i)	92,490,469	85,191,941	74,987,992
<b>Total liabilities</b>		100,413,654	96,152,406	87,028,940
<b>Net assets</b>		11,922,249	12,019,054	12,420,107
<b>Equity attributable to equity holders of the Company</b>				
Share capital	7.5(j)	18,168,004	18,168,004	18,168,004
Accumulated losses		(6,245,755)	(6,148,950)	(5,747,897)
<b>Total equity</b>		11,922,249	12,019,054	12,420,107
<b>Total equity and liabilities</b>		112,335,903	108,171,460	99,449,047



## 7.0 JMG 1

### 7.3 Statements of cash flows

The statements of cash flows for the financial years ended 31 July 2011, 31 July 2012 and 31 July 2013 are as follows:

		I-----FRS framework-----I		MFRS
		2011	2012	2013
	Note	RM	RM	RM
<b>Operating activities</b>				
(Loss)/profit before tax		(6,049,840)	99,799	413,457
<u>Adjustments for:</u>				
Interest expense	7.5(b)	6,783,136	6,952,878	6,395,819
Depreciation of vessel and equipment	7.5(c)	6,750,338	6,936,814	6,995,483
Interest income		(17,609)	(17,554)	(20,433)
Total adjustments		13,515,865	13,872,138	13,370,869
Operating cash flows before changes in working capital		7,466,025	13,971,937	13,784,326
<u>Changes in working capital:</u>				
Trade receivable		(2,644,305)	(2,425,360)	4,975,600
Prepayment		-	(13,659)	(9,260)
Trade and other payables		(12,014,304)	(130,816)	391,316
Total changes in working capital		(14,658,609)	(2,569,835)	5,357,656
Cash flows (used in)/from operating activities		(7,192,584)	11,402,102	19,141,982
Income tax paid		-	-	(2,994)
Net cash flows (used in)/generated from operating activities		(7,192,584)	11,402,102	19,138,988
<b>Investing activities</b>				
Purchase of vessel and equipment		(5,821,765)	-	(1,719,556)
Interest received		17,609	17,554	20,433
Net cash flows (used in)/generated from investing activities		(5,804,156)	17,554	(1,699,123)
<b>Financing activities</b>				
Proceeds from drawdown of loan		14,964,750	-	-
Repayment of term loan		-	(4,133,426)	(9,524,192)
Interest paid		(6,783,136)	(6,952,878)	(6,395,819)
Proceeds from issuance of share capital		4,650,000	-	-
Net cash flows generated from/(used in) financing activities		12,831,614	(11,086,304)	(15,920,011)
Net (decrease)/increase in cash and cash equivalents		(165,126)	333,352	1,519,854
Cash and cash equivalents at beginning of financial year		977,792	812,666	1,146,018
Cash and cash equivalents at end of financial year	7.5(g)	812,666	1,146,018	2,665,872





## 7.0 JMG 1

### 7.4 Statements of changes in equity

The statements of changes in equity for the financial years ended 31 July 2011, 31 July 2012 and 31 July 2013 are as follows:

	Note	Total equity RM	Share capital RM	Accumulated losses RM
<b><u>FRS framework</u></b>				
At 1 August 2010		11,522,089	11,718,004	(195,915)
Total comprehensive loss		(6,049,840)	-	(6,049,840)
Issuance of share capital	7.5(j)	6,450,000	6,450,000	-
At 31 July 2011 and 1 August 2011		11,922,249	18,168,004	(6,245,755)
Total comprehensive income		96,805	-	96,805
At 31 July 2012		12,019,054	18,168,004	(6,148,950)
<b><u>MFRS framework</u></b>				
At 1 August 2012		12,019,054	18,168,004	(6,148,950)
Total comprehensive income		401,053	-	401,053
At 31 July 2013		12,420,107	18,168,004	(5,747,897)



## 7.0 JMG 1

## 7.5 Notes to the financial statements

## (a) Revenue

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Vessel charter hire income	10,188,412	16,339,493	15,180,883

The revenue represents vessel charter hire income receivable from its immediate holding company, Jasa Merin (Malaysia) Sdn Bhd.

## (b) Finance cost

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Interest expense on term loan	6,783,136	6,952,878	6,395,819

## (c) (Loss)/profit before tax

(Loss)/profit before tax is stated after charging:

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Auditors' remuneration	10,000	10,000	9,000
Depreciation of vessel and equipment (Note 7.5(e))	6,750,338	6,936,814	6,995,483

## (d) Income tax expense

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Current income tax:			
Labuan Business Activity Tax	-	2,994	12,404

The Company's tax is provided for based on 3% (2012: 3%) of (loss)/profit before tax as elected under Section 4(1) of the Labuan Business Activity Act, 1990.

There is no tax charge for the financial year ended 31 July 2011 as the Company was in loss



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## 7.0 JMG 1

### 7.5 Notes to the financial statements (contd.)

#### (e) Vessel and equipment

	Vessel RM	Vessel under construction RM	Drydocking expenditure RM	Computer system RM	Total RM
<b>FRS framework</b>					
<b>At cost</b>					
At 1 August 2010	-	109,791,750	-	-	109,791,750
Addition	-	5,821,765	-	-	5,821,765
Reclassification	115,613,515	(115,613,515)	-	-	-
At 31 July 2011, 1 August 2012 and 31 July 2012	115,613,515	-	-	-	115,613,515
<b>Accumulated depreciation</b>					
At 1 August 2010	-	-	-	-	-
Charge for the year (Note 7.5(c))	6,750,338	-	-	-	6,750,338
At 31 July 2011 and 1 August 2012	6,750,338	-	-	-	6,750,338
Charge for the year (Note 7.5(c))	6,936,814	-	-	-	6,936,814
At 31 July 2012	13,687,152	-	-	-	13,687,152
<b>Net carrying amount</b>					
At 31 July 2011	108,863,177	-	-	-	108,863,177
At 31 July 2012	101,926,363	-	-	-	101,926,363
<b>MFRS framework</b>					
<b>At cost</b>					
At 1 August 2012	115,613,515	-	-	-	115,613,515
Additions	-	-	1,557,047	162,509	1,719,556
At 31 July 2013	115,613,515	-	1,557,047	162,509	117,333,071
<b>Accumulated depreciation</b>					
At 1 August 2012	13,687,152	-	-	-	13,687,152
Charge for the year (Note 7.5(c))	6,936,810	-	51,902	6,771	6,995,483
At 31 July 2013	20,623,962	-	51,902	6,771	20,682,635
<b>Net carrying amount</b>					
At 31 July 2013	94,989,553	-	1,505,145	155,738	96,650,436



## 7.0 JMG 1

### 7.5 Notes to the financial statements (contd.)

#### (e) Vessel and equipment (contd.)

The vessel is pledged for a term loan facility as disclosed in Note 7.5(i).

During the financial year ended 31 July 2011, the borrowing cost capitalised in relation to the vessel under construction amounted to RM162,631.

#### (f) Trade receivable

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
<b>Trade receivable</b>			
Amount due from holding company	2,550,240	4,975,600	-
Total trade receivable	2,550,240	4,975,600	-
Add: Cash and bank balances (Note 7.5(g))	812,666	1,146,018	2,665,872
Total loan and receivable	3,362,906	6,121,618	2,665,872

The amount due from holding company has normal credit term of 30 (2012: 30; 2011: 30) days.

#### (g) Cash and bank balances

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Cash at bank	182,564	498,361	1,997,782
Fixed deposit with a licensed bank	630,102	647,657	668,090
Cash and bank balances (Note 7.5(f))	812,666	1,146,018	2,665,872

The weighted average interest rate of deposit at the reporting date was 3.05% (2012: 2.85%, 2011: 2.80%) per annum.

The average maturity of deposit at the end of the financial year was 365 (2012: 365; 2011: 365) days.



## 7.0 JMG 1

## 7.5 Notes to the financial statements (contd.)

### (h) Trade and other payables

	I-----FRS framework-----I		MFRS
	2011	2012	2013
	RM	RM	RM
<b>Trade payable</b>			
Amount due to holding company	618,334	-	-
<b>Other payables</b>			
Amount due to vessel contractors	20,320	-	-
Amount due to holding company	-	-	150,714
Accruals	10,000	517,838	758,440
	30,320	517,838	909,154
	648,654	517,838	909,154
<b>Total trade and other payables</b>	648,654	517,838	909,154
Add: Loan (Note 7.5(i))	99,765,000	95,631,574	86,107,382
<b>Total financial liabilities carried at amortised cost</b>	100,413,654	96,149,412	87,016,536

The amount due to holding company is non-interest bearing and repayable on demand. This amount is unsecured and is to be settled in cash.

### (i) Loan

	I-----FRS framework-----I		MFRS
	2011	2012	2013
	RM	RM	RM
<b>Current</b>			
Secured:			
7.00% per annum fixed rate RM bank loan	7,274,531	10,439,633	11,119,390
<b>Non-current</b>			
Secured:			
7.00% per annum fixed rate RM bank loan	92,490,469	85,191,941	74,987,992
<b>Total loan (Note 7.5(h))</b>	99,765,000	95,631,574	86,107,382



## 7.0 JMG 1

## 7.5 Notes to the financial statements (contd.)

## (i) Loan (contd.)

The remaining maturities of the loan as at the reporting dates are as follows:

	I-----FRS framework-----I		MFRS framework
	2011	2012	2013
	RM	RM	RM
Within one year	7,274,531	10,439,633	11,119,390
More than 1 year and less than 2 years	12,470,625	11,194,315	11,929,178
More than 2 years and less than 5 years	37,411,875	38,676,599	41,202,976
More than 5 years	42,607,969	35,321,027	21,855,838
	<u>99,765,000</u>	<u>95,631,574</u>	<u>86,107,382</u>

7.00% per annum fixed rate RM bank loan

This loan has been drawdown under an eight-year tenure. This facility is secured by the following:

- (a) Facilities agreement;
- (b) A fixed and floating charge by way of debenture on present and future assets of the Company inclusive of the vessel;
- (c) Assignment of all benefits, interests, rights and property of the vessel building contract;
- (d) First legal/mortgage charge over the vessel;
- (e) Assignment of insurance policy for the vessel in favour of the bank;
- (f) Irrevocable Letter of Notification from holding company and acknowledged by charterer to remit all contract proceeds in respect of the vessel leased to holding company's escrow account with the bank;
- (g) Assignment of charter proceeds in respect of the vessel leased to holding company; and
- (h) Corporate guarantee from the shareholders, namely Jasa Merin (Malaysia) Sdn Bhd and GMV-Jasa Sdn Bhd.



## 7.0 JMG 1

## 7.5 Notes to the financial statements (contd.)

## (j) Share capital

	----- Number of ordinary shares -----		
	-----FRS framework-----		MFRS
	2011	2012	2013
<b>Issued and fully paid:</b>			
At beginning of financial year	7,145,121	9,111,585	9,111,585
Issued during the year	1,966,464	-	-
At end of financial year	<u>9,111,585</u>	<u>9,111,585</u>	<u>9,111,585</u>
	----- Amount -----		
	-----FRS framework-----		MFRS
	2011	2012	2013
	RM	RM	RM
<b>Issued and fully paid:</b>			
At beginning of financial year	11,718,004	18,168,004	18,168,004
Issued during the year	6,450,000	-	-
At end of financial year	<u>18,168,004</u>	<u>18,168,004</u>	<u>18,168,004</u>

The shares of Labuan company shall have no par value or nominal value in accordance with Section 46(1) of the Labuan Companies Act, 1990.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

During the financial year ended 31 July 2011, the Company has increased its issued and fully paid share capital from RM11,718,004 to RM18,168,004 by issuing 1,966,464 units of ordinary shares via:

- (i) Capitalisation of amount due to holding company of RM1,800,000; and
- (ii) Cash contribution of RM4,650,000.



## 7.0 JMG 1

## 7.5 Notes to the financial statements (contd.)

## (k) Fair values of financial instruments

## A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Carrying amount RM	Fair value RM
<b>Financial liability:</b>		
<b>Loan (non-current):</b>		
7.00% per annum fixed rate RM bank loan (Note 7.5(i))		
<b><u>FRS framework</u></b>		
31 July 2011	92,490,469	92,084,983
31 July 2012	85,191,941	79,777,698
<b><u>MFRS framework</u></b>		
31 July 2013	74,987,992	69,280,632

## B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivable (current)	7.5(f)
Trade and other payables (current)	7.5(h)
Loan (current)	7.5(i)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amount of the current portion of the loan is reasonable approximation of fair value due to the insignificant impact of discounting.





## 7.0 JMG 1

### 7.5 Notes to the financial statements (contd.)

#### (I) Financial risk management objectives and policies

The Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the reporting periods, the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

##### (i) Credit risk

Credit risk, or the risk of counterparts defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on ongoing basis via Company management reporting procedures.

At the reporting dates, the Company's maximum exposure to credit risk is only represented by the carrying amount of financial assets recognised in the statements of financial position.

At the reporting dates, all balances of trade receivable of the Company were due from the holding company.

##### (ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.