SILK HOLDINGS BERHAD *(Co.No.405897-V)*
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NEWS RELEASE (Final)

SILK HOLDINGS RECORDS PRE-TAX LOSS OF RM 65 MILLION FOR QUARTER ENDED 31 DECEMBER 2016

KUALA LUMPUR, 24 February 2017 – SILK Holdings Berhad ("SILK Holdings" or "the Company") announced its results for the quarter ended 31 December 2016 by reporting a revenue of RM 77.9 million and a loss before tax ("LBT") for the quarter of RM 65 million. On full-year basis, the Company recorded a consolidated revenue of RM 303.4 million and a pre-tax loss of RM 128.9 million.

Oil & Gas Division

The global oil & gas industry continues to experience weak market conditions during the tail-end of 2016. Despite the rise in crude oil prices to more than USD 50 per barrel in December 2016, oil and gas activities have remained sluggish. As a result of this, the Oil & Gas Division continues to experience softening demand during the quarter ended 31 December 2016. Consequently, the Division's operating results have contracted with contribution to the Group revenue falling to 40% for the quarter and 48% for the year.

After taking into account RM 34.8 million vessel impairment charge and RM 4 million higher finance cost following the Division's loan restructuring and rescheduling, the Oil & Gas Division recorded loss before taxation of RM 68.5 million for the quarter and RM 126 million for the financial year ended 31 December 2016.

Marine Logistics Division

The Marine Logistic Division, operating its first full quarter via the Company's wholly-owned subsidiary Jasa Merin (Labuan) PLC ("JML"), deployed all three (3) vessels during the quarter contracted to various clients. The Marine Logistics Division contributed 17% of Group revenue for the quarter and 8% for the year ended 31 December 2016. The Division recorded revenue of RM 13.7 million and profit before taxation of RM 1 million for the quarter and a revenue of RM 23.8 million and loss before taxation of RM 2.7 million for the year ended 31 December 2016.

Highway Division

The Highway Division's revenue contribution to the Company has gradually increased to 43% for the quarter and 44% for the year ended 31 December 2016. Effect of the toll rate increase approved in October 2015 was tempered by the reduction in traffic volume. As a result, the Division recorded revenue of RM 33.3 million for the quarter and RM 134.8 million for the year.

The Division recorded improved results of RM 8.6 million profit before taxation for the quarter and RM 6.2 million loss before taxation for the year. This is mainly due to a RM 19 million reduction in its Sukuk finance costs following the reduction in the Sukuk's effective interest rate, but was partially mitigated by higher highway amortization cost following the implementation of the Clarification of the Acceptable Method of Depreciation and Amortisation issued by the Malaysian Accounting Standards Board.

Concluding remarks

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

"World crude oil prices have fallen significantly since June 2014. Oil and gas producers including Petronas have reiterated that moving forward there will be a focus on cost rationalization. Petronas has indicated that it will be reducing capital expenditures by 10% and operating expenditures by approximately 30%.

As a result, oil and gas service providers may experience weaker revenue ahead due to lower market rates and lower utilization. In view of the challenging market conditions, the prospects of the Oil & Gas Division which provides offshore support services, are expected to be challenging. The Board will continue to monitor developments in this sector closely, and take proactive measure to mitigate the challenges. Notwithstanding this, the current market conditions may also present opportunities. The Board will also be mindful of this and will explore these opportunities as and when it becomes available," clarified Dato' Mohd Azlan.

"The chemical vessels provides flexibility in terms of cargo it can carry to include chemicals, clean petroleum products and palm oil. The coastal vessel segment ranging from 3,000 DWT to 10,000 DWT is a niche segment focusing on near coastal transportation used for intra trade in the region. Seaborne chemical trade is greatly influenced by global economic development and it has closely followed the trends of global gross domestic product as well as industrial production growth. Despite the gloomy global economic outlook, the coastal chemical vessel segment is expected to provide stable returns," added Dato' Mohd Azlan.

"In addition, the Board is also of the view that the Highway Division will continue to enjoy further long-term growth in traffic volume due to the highway's excellent connectivity with other highways along its alignment together with the availability of installed capacity, and continuing and increasing development and urbanization in the surrounding vicinity of the highway. Although the Highway Division will continue to record accounting losses due to the existing high finance and amortization costs, it is expected to remain cash flow positive on an operational basis," explained Dato' Mohd Azlan.

"However as announced previously, SHB had on 18 January 2017 entered into a conditional Share Purchase Agreement ("SPA") with Permodalan Nasional Berhad ("PNB") for the proposed disposal of its entire issued and paid-up share capital of SILK Highway comprising 220,000,000 ordinary shares of RM1.00 each for a cash consideration of RM380 million ("Proposed Disposal"). The Proposed Disposal is subject to the satisfaction of various conditions precedents as well as the approval of its shareholders and holders of its Sukuk Mudharabah, as well as the Government of Malaysia. A successful outcome of the Proposed Disposal will result in SHB exiting the highway concessionaire business."

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

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

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

Forward looking statements

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

Issued on behalf of: **SILK Holdings Berhad** By: **acorn communications sdn bhd**
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