JASAMERIN

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O&G service to drive profits

KUALA LUMPUR: SILK Holdings Bhd (SHB) expects its profitability to continue growing at a healthy pace, driven mainly by its oil and gas (O&G) support services division amid continued accounting losses incurred by its highway infrastructure division.

According to SHB executive chairman Datuk Mohd Azlan Hashim, there are substantial business opportunities in the oil and gas sector.

He said the group was set to strengthen its position as a leading services provider in the industry, especially upon completion of the proposed acquisition by its unit of the remaining stake it did not already own in four ship-operating companies (SOCs) currently held by a joint-venture partner.

"At present, we have a very decent utilisation rate at more than 70%. I can say all our vessels are chartered out," he told reporters after the company's AGM/EGM here yesterday.

At the EGM, shareholders approved the proposed acquisition by its unit, Jaya Merin (M) Sdn Bhd, of the remaining 49% stake in four SOCs held by its joint-venture partner GMV-Jasa Sdn Bhd for a purchase consideration to be determined later and to be satisfied entirely in cash.

The four SOCs are JM Global 1 (Labuan) plc, JM Global 2 (Labuan) plc, JM Global 3 (Labuan) plc and JM Global 4 (Labuan) plc.

Jaya Merin is a 70%-owned subsidiary of AQL Aman Sdn Bhd, which in turn is a wholly owned subsidiary of SHB.

The proposed acquisition would allow Jasa Merin to have full control of the SOCs, and therefore enable it to better manage and control the operations and commercial decisions in respect of the vessels owned by the SOCs.

The group currently owned 18 vessels. According to the circular to shareholders, the acquisition of the SOCs would increae SHB's earnings from its oil and gas support services division by around 50%. The group is expected to complete the proposed acquisition by the end of this month.

"The profitability of our oil and gas support services division is set to continue improving, while the losses of our highway infrastructure division will continue to contract, so overall, we are positive on our financial results (in the current and coming years)," Azlan pointed out.

SHB, which operates the Kajang Dispersal Link Expressway, or widely known as the Kajang SILK Highway, said it expected its highway infrastructure division to continue incurring accounting losses in the medium term, albeit on a declining trend, as traffic volume increased and its borrowing costs declined.

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The division, however, was expected to remain cashflow positive as a result of the restructuring of the long-term debt undertaken in 2008.SHB returned to the black with a net profit of RM4.4mil on revenue of RM383.3mil for its financial year ended July 31.

It reported a net loss of RM679,000 on revenue of RM341.1mil in the preceding year.

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