

TO: BURSA MALAYSIA SECURITIES BERHAD
FR: SILK HOLDINGS BERHAD (405897V)

1. ACCOUNTING POLICIES

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since financial year ended 30 June 2008.

2. CHANGE IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 June 2008.

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

3. QUALIFICATION OF FINANCIAL STATEMENTS

The preceding annual financial statements were not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not materially affected by any seasonal or cyclical fluctuations.

5. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows for the current period except for the realization of shares pledged by a former guarantor to the lenders amounting to RM3.136 million which has been included as other income in the consolidated income statement for the financial period-to-date

6. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current year and in the prior financial year that have material effect in the current period.

7. ISSUANCES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There is no issuance, cancellation, repurchase, resale and repayment of debt and equity securities except for the payment of RM4.595 million for the current period and RM7.732 million for the financial period-to-date to the holders of Sukuk Mudharabah.

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8. DIVIDEND

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

9. SEGMENT REPORTING

There is no disclosure of Segmental Information as required by FRS 114 (2004): Segment Reporting, as the Group is exclusively involved in tolling operations conducted in Malaysia.

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD UNDER REVIEW

Save as disclosed in Note 22, there is no material event subsequent to the end of the period under review.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the period under review.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise of the followings:-

	As at 31.07.2009 RM'000	As at 30.06.2008 RM'000
Performance bond	<u>1,500</u>	<u>1,500</u>
Total	<u>1,500</u>	<u>1,500</u>

14. CHANGE OF FINANCIAL YEAR

On 21 November 2008, the financial year of the Group has been changed from 30 June to 31 July commencing from financial period ending 31 July 2009, and thereafter to end on 31 July of every subsequent year.

Accordingly, there are no comparative figures for the current period ended 31 July 2009 against preceding year's corresponding quarter and period.

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15. REVIEW OF PERFORMANCE

The Group recorded an increase in revenue of RM757,000 to RM10,400,000 for the quarter under review from RM9,643,000 recorded in the preceding quarter.

The Group recorded a revenue of RM40,926,000 and loss after taxation of RM37,418,000 during the 13 months period ended 31 July 2009.

The revenue was derived wholly from the toll collection of Kajang SILK Highway.

Traffic volume grew at an annualised rate of 15% during the quarter.

Due to the change in the financial year end as stated in Note 14, there are no comparative figures for the current period ended 31 July 2009 against preceding year's corresponding quarter and period. The quarterly results ended 30 June 2008 have been attached for illustration purposes only.

16. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

There was no material changes in the quarterly results compared to the results of the preceding quarter except for the reversal of overprovision of amortisation of Expressway Development Expenditure of RM2.3 million in the current quarter.

17. FUTURE YEAR PROSPECTS

Barring unforeseen circumstances, the Board of Directors is of the view that the traffic plying the expressway will continue to grow in the near term as experienced in the current period under review.

The Group is expected to remain cashflow positive as a result of the restructuring of the long term debt whereby the Sukuk Mudharabah obligation payments until 25 January 2015 are now limited to the available cash flow generated from the Kajang SILK Highway.

Given that all the approvals have been obtained for the Proposed Regularisation Scheme, the Group's prospects for the next financial year will further improve given the expected additional contribution from the acquisition of AQL.

18. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

On 8 April 2009, the company issued a profit forecast for 13 months period ending 31 July 2009 via the issuance of Circular to Shareholders in relation to the Proposed Regularisation Scheme.

The consolidated profit after tax and minority interest of RM9.582 million was based on the assumption that the Proposed Regulation Scheme is completed in May 2009.

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However, completion of the Regularisation Scheme has been delayed since the Extraordinary General Meeting on 30 April 2009 for shareholders to deliberate and vote for the Scheme was adjourned to 20 July 2009.

Subsequently, shareholders of the Company approved the Regularisation Scheme at the adjourned Extraordinary General Meeting on 20 July 2009.

At the date of this report, the Company is implementing the Regularisation Scheme, which is now expected to be completed by end of 2009.

19. INCOME TAX

Income tax comprises:

	Current Period to 31 July 09 <u>RM'000</u>	Cumulative Period 31 July 09 <u>RM'000</u>
Provision for taxation	(101)	(95)
	<hr/> <u>(101)</u>	<hr/> <u>(95)</u>

Deferred tax assets have not been recognised in unabsorbed tax losses and unutilised capital allowances carried forward. The unabsorbed tax losses and unutilised capital allowances on RM634 million and RM287 million respectively as at 31 July 2009 are available indefinitely for offset against future taxable profit of the subsidiary company.

20. PROFIT/(LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

- (a) There was no sale of unquoted investments during the period.
- (b) The Group recorded RM6,000 gain on disposal of property, plant and equipment in the current period.

21. QUOTED SECURITIES

- (a) There is no purchase or disposal of quoted securities for the current quarter and financial period to date.
- (b) There is no investment in quoted securities as at the reporting period.

22. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 12 December 2008, the Company submitted an application to the Securities Commission for its approval for the Proposed Regularisation Scheme which comprises of:

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- I. Proposed renounceable rights issue of up to RM10.0 million nominal value 3.00% Redeemable Convertible Unsecured Loan Stocks ("RCULS-A") at 100% of its nominal value of RM1.00 each on the basis of one (1) RCULS-A for every eighteen (18) existing ordinary shares of RM0.50 each in SILK Holdings Berhad ("SHB" and "SHB shares") held prior to the proposed par value reduction to be undertaken based on a minimum subscription level ("Proposed Rights Issue");
- II. Proposed reduction in the existing issued and paid-up share capital of SHB via the cancellation of RM0.25 of the par value of each existing SHB shares ("Proposed Par Value Reduction"); and
- III. Proposed acquisition of 4,706,000 ordinary shares of RM1.00 each representing the entire equity interest in AQL Aman Sdn Bhd ("AQL") for a purchase consideration of RM87.5 million to be satisfied by the issuance of 175 million new ordinary shares of RM0.25 each in SHB after the Proposed Par Value Reduction ("consideration shares") and RM43.75 million nominal value Redeemable Convertible Unsecured Loan Stocks-B ("RCULS-B") of RM1.00 each and assumption of liabilities owing by Jasa Merin Employee Trust to Jasa Merin Sdn Bhd, a 70% subsidiary of AQL amounting to RM6,530,500;

As at the end of the financial period, the Company has obtained the following approvals:-

- i) BNM for the issuance of RCULS-A to non-residents of Malaysia pursuant to the Proposed Rights Issue, the approval of which was obtained vide its letter dated 24 February 2009.
- ii) The SC for the proposed Regularisation Scheme pursuant to the FIC Guidelines, of which the SC has stated that it has no objection on SHB's application vide its letter dated 30 March 2009;
- iii) The Securities Commission ("SC") for the Proposed Regularisation Scheme, the approval of which was obtained vide its letter dated 30 March 2009;
- iv) The ordinary shareholders for the Proposed Regularisation Scheme, the approval of which was obtained during the adjourned Extraordinary General Meeting on 20 July 2009;
- v) Holders of the 20,000,000 20% 10-year Cumulative Non-Convertible Redeemable Preference Shares of RM0.10 each for the Proposed Par Value Reduction, the approval of which was obtained during the adjourned Extraordinary General Meeting on 20 July 2009; and
- vi) The SC for the Proposed Exemptions to En. Johan Zainuddin bin Dzulkifli, Tuan Haji Abdul Rahman bin Ali and persons acting in-concert with them vide its letter dated 29 July 2009;

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Subsequent to the end of the financial period, the Company obtained approval from Bursa Malaysia Securities Berhad for the following:

- i) the admission to the Official List and the listing of and quotation for up to RM10,000,000 nominal value RCULS-A to be issued pursuant to the Proposed Rights Issue;
- ii) the listing of up to 40,000,001 new ordinary shares of RM0.50 each in SHB (for conversion prior to the Proposed Par Value Reduction) or RM0.25 each (for conversion after the Proposed Par Value Reduction) to be issued upon the conversion of the RCULS-A;
- iii) the listing of 175,000,000 new ordinary shares of RM0.25 each in SHB to be issued pursuant to the Proposed Acquisition; and
- iv) the listing of up to 203,094,644 new ordinary shares of RM0.25 each in SHB to be issued upon the conversion of the RCULS-B and RCULS (CR).

vide its letters dated 26 August 2009

In addition, on 14 September 2009, the Company issued the Abridged Prospectus to the eligible shareholders in relation to the Proposed Rights Issue.

23. GROUP BORROWINGS AND DEBT SECURITIES

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

	<u>Current</u> <u>RM'000</u>	<u>Non Current</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Borrowings</u>			
Sukuk Mudharabah	-	744,505	744,505
Cumulative Non-Convertible Redeemable Preference Shares		20,000	20,000
Hire purchase payable	55	231	286
	<u>55</u>	<u>764,736</u>	<u>764,791</u>

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risks as at the date of issue of the report.

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25. MATERIAL LITIGATION

Following the compulsory acquisition of land falling under the Expressway, which was undertaken by the Company pursuant to the Concession Agreement, certain land owners whose land have been acquired, have filed their objection in Court against the Company for higher compensation. In the Company funded stretch, there are 230 cases comprising 200 cases with claims amounting to RM479.54 million while the land owners' claim for 30 cases are yet to be determined. Out of the 230 cases, 103 cases have been settled out of court while other cases are still pending Court hearing.

Pursuant to the Turnkey Contract dated 31 July 2001 between the Company and Sunway Construction Sdn Bhd ("SCSB"), the amount payable by the Company to SCSB for the land use payments (including expenses and charges incurred by SCSB for the acquisition of land and for removal or resettling of squatters or other occupants on the Expressway) has been contracted at a ceiling amount of RM215 million. Any further amounts that may be awarded by the courts beyond RM215 million will therefore be borne by SCSB.

26. LOSS PER SHARE

	Individual Period 31 July 2009	Cumulative Period 31 July 2009
Basic loss per share		
Net loss for the period (RM'000)	(6,677)	(37,418)
Number of ordinary shares issue ('000)	180,000	180,000
Loss per share (sen)	(3.71)	(20.79)

27. COMMITMENTS

	As at 31 July 2009
Contracted but not provided for:	<u>RM '000</u>
Pavement rehabilitation works	1,500

BY ORDER OF THE BOARD
SECRETARIES