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

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The acquisition of AQL Aman Sdn Bhd ("AQL") was completed on 13 October 2009. Pursuant to Appendix B of FRS 3 – Business Combinations, this acquisition was deemed a reverse take-over arrangement. Due to the application of FRS 3 rules relating to reverse take-over, AQL, the legal subsidiary, became the acquirer of the Group for accounting purposes. Accordingly, the consolidated financial statements for the current period and the comparative amounts in the corresponding period of the preceding year have been prepared as a continuation of the financial statements of AQL, but under the name of SILK Holdings Berhad ("SILK"), the legal parent.

The interim financial statements should be read in conjunction with the audited financial statements of AQL and SILK for the period ended 31 July 2009. 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 period ended 31 July 2009.

A2. CHANGE IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the period ended 31 July 2009.

During the current period, the Group has adopted FRS 8 – Operating Segments, which has become effective on 1 July 2009. FRS 8 replaces FRS 114_{2004} - Segment Reporting and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of the disclosures presented in the financial statements of the Group, and accordingly, it does not have any material impact on the financial statements of the Group.

The following FRSs and IC Interpretations were issued but not yet effective, and have not been applied by the Group;

FRSs and Interpretations		**Effective for financial period beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit of a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2010

The adoption of the new FRSs and Interpretations upon their effective dates is not expected to have any significant impact on the interim financial statements of the Group.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

A3. QUALIFICATION OF FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the period ended 31 July 2009 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. 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.

A6. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

The Group did not undertake any other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period ended 31 October 2009 except for the following;

a. Par Value Reduction

On 2 October 2009, the Company obtained the sealed and signed order of the High Court of Malaya dated 28 August 2009 confirming the reduction in the existing issued and paid-up share capital in the Company via cancellation of RM0.25 of the par value of each existing ordinary shares.

Consequent upon the Par Value Reduction, the par value of ordinary shares of the Company has been reduced from RM0.50 to RM0.25 per share with effect from 13 October 2009.

b. Issue of new shares and debts

i) Renounceable Rights Issue of up to RM10,000,000 nominal value 3% Redeemable Convertible Unsecured Loan Stock – A ("RCULS-A") at 100% of its nominal value of RM1 each on the basis of one (1) RCULS-A for every eighteen (18) existing ordinary shares of RM0.50 each in the Company held prior to the par value reduction.

As of the close of the acceptance and payment of the Rights Issue on 1 October 2009, the Company received total acceptances and excess applications of RM4,958,889 nominal value of RCULS-A.

On 6 October 2009, the Board of Directors of the Company allotted the RCULS-A to all the applicants, including the excess applications.

Pursuant to the Par Value Reduction becoming effective prior to the listing date of RCULS-A, the RCULS-A were automatically converted into new ordinary shares of RM0.25 each in the Company at the conversion rate of RM1.00 nominal value RCULS-A for four (4) new ordinary shares.

ii) Acquisition of AQL Aman Sdn Bhd

On 13 October 2009, upon completion of the Sale and Purchase Agreement dated 24 November 2008, the Company issued;

- 175,000,000 new ordinary shares of RM0.25 each in the Company, and
- RM43,750,000 nominal value 3% Redeemable Convertible Unsecured Loan Stocks - B ("RCULS-B") of RM1.00 each

to the vendors of AQL as part of the purchase considerations of its acquisition of AQL.

Movements in the issued and paid-up share capital of the Company during the current financial period are as follows;

	Share Capital	
	No. of Shares	**RM**
As at 31 July 2009	180,000,004	90,000,002
Par Value Reduction	-	(45,000,001)
Issued upon conversion of RCULS-A	19,835,556	4,958,889
Issued as part-considerations of the acquisition of AQL	175,000,000	43,750,000
	374,835,560	93,708,890

A8. DIVIDEND

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

A9. SEGMENT REPORTING

Segment information for the financial period as presented in respect of the Group's business segment.

	Highway & Investment Holding Division	Oil & Gas Division	Total
	RM '000	RM '000	RM '000
REVENUE			
Revenue from external customers	2,031	46,782	48,813
RESULTS			
Interest income	6	-	6
Finance costs	(2,902)	(4,263)	(7,165)
Depreciation and amortisation	(195)	(6,048)	(6,243)
Profit /(loss) before taxation	(1,707)	10,082	8,375
Income tax	-	(2,527)	(2,527)
Profit /(loss) after taxation	(1,707)	7,555	5,848
Minority interests	-	(2,335)	(2,335)
Profit /(loss) attributable to shareholders of the Company	(1,707)	5,220	3,513
ASSETS AND LIABILITIES			
Segment assets	939,606	521,655	1,461,261
Segment liabilities	878,105	437,943	1,316,048
OTHER INFORMATION			
Capital expenditure	4	21,380	21,384

A10. 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.

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD UNDER REVIEW

There is no material event subsequent to the end of the period under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

On 20 July 2009, the shareholders of the Company approved the acquisition of AQL Aman Sdn Bhd ("AQL") for a total purchase consideration of RM87.5 million satisfied by the issuance of;

i. 175,000,000 new ordinary shares of RM0.25 each in the Company ("Consideration Shares"), and

ii. RM43.75 million nominal value RCULS-B of RM1.00 each

and in addition, the assumption of liabilities owing by Jasa Merin Employee Trust to Jasa Merin (Malaysia) Sdn Bhd, a 70% subsidiary of AQL, amounting to RM6.53 million ("JMET's liabilities").

The acquisition was completed on 13 October 2009 by the issuance of the Consideration Shares and RCULS-B to the vendors of AQL, the assumption of JMET's liabilities, and listing of the Consideration Shares on the Main Market of Bursa Malaysia Securities Berhad.

As mentioned in Note A1, the acquisition of AQL Aman Sdn Bhd ("AQL") was completed on 13 October 2009. Pursuant to Appendix B of FRS 3 – Business Combinations, this acquisition was deemed a reverse take-over arrangement. Due to the application of FRS 3 rules relating to reverse take-over, AQL, the legal subsidiary, became the acquirer of the Group for accounting purposes. Accordingly, the consolidated financial statements for the current period and the comparative amounts in the corresponding period of the preceding year have been prepared as a continuation of the financial statements of AQL, but under the name of SILK Holdings Berhad ("SILK"), the legal parent.

The cost of the business combination was determined in accordance with Appendix B of FRS 3 – Business Combinations ("FRS 3") on the basis of fair value of the Company as of 14 October 2009 and the number of new ordinary shares that AQL would have had to issue to the shareholders of the Company to provide the same percentage of ownership of the combined entity.

FRS 3 requires the Group to complete the determination of the cost of the business combination and the allocation of the cost of the business combination to the acquiree's assets, liabilities and contingent liabilities within a period of twelve months of the acquisition date. As the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities and the cost of the combination are in the process of finalisation, provisional values are used to account for the combination.

Details of the net assets acquired, based on their provisional values, are as follows:

	Acquiree's Carrying Value (Highway Division) RM '000
Identifiable assets and liabilities	
Non-current assets:	
Property plant and equipment	2,896
Expressway development expenditure	920,323
	923,219
Current assets:	
Receivable	599
Short term deposits	14,071
Cash and bank balances	522
	15,192
Non-current liabilities:	
Borrowings	764,778
	764,778
Current liabilities:	
Payables	73,497
Tax payables	120
	73,617
Identifiable net assets acquired / provisional cost of business combination	100,016

Details of cash flows arising from the acquisition are as follows;

	Group RM '000
Total purchase considerations	94,031
Purchase considerations discharged by issuance of shares (Note A7)	(43,750)
Purchase considerations discharged by issuance of RCULS-B (Note A7)	(43,750)
Purchase considerations discharged by assumption of JMET's liability	(6,531)
Expenses directly attributable to the acquisition, paid in cash	-
Less: Cash and cash equivalents of acquiree	(14,248)
Cash inflow to the Group on acquisition	14,248
Cash outflow to the Company on acquisition	-
Cash inflow to the Group on acquisition is represented by:	
Short term deposits	8,071
Cash and bank balances	6,177
Cash and cash equivalents of acquiree	14,248

Had the acquisition been completed at the start of the current period, the acquired business, i.e. the Highway Division, would have contributed revenue of RM 10.4 million, and loss before taxation of RM 9.9 million to the Group for the period from 1 August 2009 to 31 October 2009.

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise of the followings:-

	As at 31.10.2009 RM '000	As at 31.07.2009 RM '000
Bank guarantee to charterers and suppliers	7,626	7,626
Highway maintenance bond	1,500	1,500
	9,126	9,126

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN BOARD LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. REVIEW OF PERFORMANCE

	Revenue	Profit /Loss) Before Taxation
	RM '000	RM '000
Current quarter (Q1 FYE 2009-2010, Aug-Oct 2009):		
Highway and investment holding	2,031	(1,707)
Oil and Gas	46,782	10,082
Total	48,813	8,375
Preceding year corresponding quarter (Q1 FYE 2008-2009, Aug-Oct 2008)		
Highway and investment holding	-	-
Oil and Gas	31,816	4,621
Total	31,816	4,621
Variance	53.4%	81.2%
Immediate preceding quarter (Q4 FYE 2008-2009, May-July 2009)		
Highway and investment holding	-	-
Oil and Gas	45,007	9,439
Total	45,007	9,439
Variance	8.5%	(11.3%)

Pursuant to the requirements of FRS 3, results for the current period comprise the 3 months contributions from the Oil & Gas Division (from AQL) and 17 days contribution from the Highway Division (from SILK). Similarly, following the requirements of FRS3, the preceding quarters comparatives are those of the Oil & Gas Division only. Accordingly, the performance review below is pursuant to the aforesaid.

For the current quarter under review (Q1 FYE 2009-2010, Aug-Oct 09), the group recorded higher revenue of RM48.8 million as a result of contributions from the Highway Division following the completion of the Regularisation Scheme on 14 October 2009. The Group recorded a profit before taxation of RM8.4 million after taking into account RM1.7 million loss attributable to 17 days negative contribution from the Highway Division.

Compared to the preceding year corresponding quarter (Q1 FYE 2008-2009, Aug-Oct 2008), the Group (which comprise only the oil and gas division) recorded 53.4% higher revenue and 81.2% higher profit before taxation arising from the commencement of three new vessels subsequent to that period. The increase from Oil & Gas Division has more than offset the RM1.7 million loss attributable to 17 days negative contribution from the Highway Division.

Compared to the immediate preceding quarter (Q4 FYE 2008-2009, May-July 2009), the Group (which again comprise only the oil and gas division) recorded 8.5% higher revenue arising from commencement of one vessel in the end of that quarter whilst the profit before tax was lower by 11.3% in view of the RM1.7 million loss attributable to 17 days negative contribution from the Highway Division. However, for the Oil and Gas Division, profit was higher by 6.8% due to full contribution of a new vessel that commenced operations at the end of the preceding quarter.

Had the acquisition of AQL been completed at the beginning of the current period under review (Q1 2009-2010, Aug-Oct 2009), the results of the Group would have been as follows:

	Revenue RM '000	Profit /(Loss) Before Taxation RM '000
Current quarter (Q1 FYE 2009-2010, Aug-Oct 2009)		
Highway	10,362	(9,949)
Oil & Gas	46,782	10,082
	57,144	133

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

Besides the additional revenue and loss before taxation from the highway concession business as disclosed in Note A9, there is no material changes in the quarterly results compared to the results of the preceding quarter.

B3. FUTURE YEAR PROSPECTS

Pursuant to the requirements of FRS 3, results for the current quarter under review comprise the 3 months contributions from the Oil & Gas Division (from AQL) and 17 days contribution from the Highway Division (from SILK).

Accordingly, for the year ending 31 July 2010, the results shall comprise of 12 months contributions from the Oil & Gas Division and 9 ½ months from Highway Division.

Similarly, the next 3 quarters will also recognise the full contribution of the Highway Division, as illustrated in Note B1 above, in particular, the last paragraph of the said Note B1.

Given the above and barring unforeseen circumstances, the Board of Directors is of the view that:

a. contributions from the Oil & Gas Division will remain positive as all vessels have been on long term contract of 1 to 7 years, and

b. traffic volume utilising the expressway will continue to grow in the near term as experienced in the current period under review. However, the Highway Division will continue to record accounting losses, albeit on a declining basis.

The Group is expected to remain cashflow positive as a result of

a. the additional contributions from the Oil & Gas Division

b. the restructuring of the long term debt whereby the Sukuk Mudharabah obligation payments until 25 January 2015 are currently limited to the available cash flow generated from the Kajang SILK Highway.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore , no comparison is available.

B5. INCOME TAX

Income tax comprises:

	Current Period 31 Oct 2009 RM '000	Cumulative Period 31 Oct 2009 RM '000
Transfer to deferred taxation	2,377	2,377

The transfer to deferred taxation for the current period is in relation to the Oil and Gas Division.

No provision for income tax for the highway operation business due to availability of unabsorbed capital allowances and unutilised tax losses.

B6. 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 RM15,000 gain on disposal of property, plant and equipment in the current period.

B7. QUOTED SECURITIES

	31.10.2009 RM '000	31.07.09 RM '000
Shares quoted in Malaysia, at cost	285	285
Provision for diminution in value	(155)	(155)
	130	130
Market value of quoted shares	226	156

B8. 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:

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 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 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;

Bursa Malaysia Securities Berhad has, vide its letter dated 12 October 2009, approved the upliftment of the Company from the PN17 status effective on the date of:

(i) the listing of and quotation for the new ordinary shares of RM0.25 each in SHB arising from the conversion of RCULS-A and from the issuance of 175,000,000 Consideration Shares; and

(ii) the issuance of redeemable convertible unsecured loan stocks-B to the vendors of AQL.

Subsequently, on 14 October 2009, the Company completed the Regularisation Scheme upon the listing of and quotation of the new shares on the Main Market of Bursa Malaysia Securities Berhad and the issuance of RM43,750,000 nominal value RCULS-B to the vendors of AQL.

With the completion of the Regularisation Scheme, the Company has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of Practice Note 17 of the Main Market Listing Requirements. The PN17 status upliftment was granted on 12 October 2009 and was effective on 14 October 2009.

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Utilisation of proceeds raised from Rights Issue:

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Balance RM '000	Intended Timeframe for Utilisation
(i) Working capital	3,259	258	3,001	Within one year
(ii) Regularisation Scheme expenses	1,700	1,434	266	Within one year
Total	4,959	1,692	3,267	

B9. GROUP BORROWINGS AND DEBT SECURITIES

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

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured:			
Sukuk Mudharabah	0	744,505	744,505
Term loans	42,406	289,301	331,707
Cumulative Non-Redeemable Preference Shares	-	20,000	20,000
Hire purchase	150	441	591
	42,556	1,054,247	1,096,803

Included in Other payables in the Consolidated Balance Sheet as at 31 October 2009 is the profit accrued up to 31 October 2009 on Sukuk Mudharabah amounting to approximately RM62.0 million. As stated in Note B3, the Sukuk Mudharabah obligation payments until 25 January 2015 are now limited to the available cash flow generated from the Kajang SILK Highway.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. 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 201 cases with claims amounting to RM481.86 million while the land owners' claim for 29 cases are yet to be determined. Out of the 230 cases, 118 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 out to SCSB at a ceiling amount of RM215 million. Any further amounts that may be awarded by the courts beyond RM215 million will be the obligation of and will therefore be borne by SCSB.

B12. EARNINGS PER SHARE

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31 Oct 2009 RM '000	Preceeding Year Quarter 31 Oct 2008 RM '000	Current Year Quarter 31 Oct 2009 RM '000	Preceeding Year Quarter 31 Oct 2008 RM '000
Basic earnings per share:				
Profit for the period attributable to equity holders of the parent	3,513	2,189	3,513	2,189
Weighted average number of ordinary shares ('000)	218,120	180,000	218,120	180,000
Basic earnings per share (sen)	**1.61**	**1.22**	**1.61**	**1.22**
Diluted earnings per share:				
Profit for the period attributable to equity holders of the parent	3,513	2,189	3,513	2,189
Weighted average number of ordinary shares ('000)	218,120	180,000	218,120	180,000
Additional ordinary shares issuable from conversion of RCULS-B	175,000	-	175,000	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	393,120	180,000	393,120	180,000
Diluted earnings per share (sen)	**0.89**	**1.22**	**0.89**	**1.22**

B13. COMMITMENTS

	31.10.2009 RM '000	31.07.09 RM '000
Approved and contracted for:		
Property, vessels and equipment	563,104	584,485

The commitments represent eight (8) vessels which are due for delivery between 2010 and 2012.

B14. COMPARATIVE FIGURES

The comparative figures have been modified to conform to Appendix B of FRS 3 – Business Combination.

B15. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 8 December 2009.

BY ORDER OF THE BOARD
SECRETARIES