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 have not been applied by the Group;

FRSs, Amendments to FRSs and Interpretations

Effective for financial period beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellation
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Financial Instruments: Disclosure
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Cash Flow Statements

Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events After Balance Sheet Date
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 128	Investment in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Investment in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit of a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

Effective for financial period beginning on or after 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standard
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payments
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The above new FRSs, Amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Company and the Group upon their initial application except for the changes arising from the adoption of IC Interpretation 12 (of which the Exposure Draft was referred to as IFRIC 12).

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 issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period ended 31 January 2010. There has been no movement in the issued and paid-up share capital of the Company during the current financial period.

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	10,704	46,900	57,604
RESULTS			
Interest income	71	9	80
Finance costs	(16,045)	(4,169)	(20,214)
Depreciation and amortisation	(1,083)	(6,026)	(7,109)
Profit /(loss) before taxation	(9,161)	18,772	9,611
Income tax	-	(4,185)	(4,185)
Profit /(loss) after taxation	(9,161)	14,587	5,426
Minority interests	-	(4,456)	(4,456)
Profit /(loss) attributable to shareholders of the Company	(9,161)	10,131	970
ASSETS AND LIABILITIES			
Segment assets	924,461	580,115	1,504,576
Segment liabilities	875,825	475,324	1,351,149
OTHER INFORMATION			
Capital expenditure	68	51,167	51,235

A10. VALUATION OF PROPERTY, VESSELS AND EQUIPMENT

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

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

A13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities of the Group comprise of the followings:-

	As at 31 Jan 2010 RM '000	As at 31 July 2009 RM '000
Bank guarantee to charterers and suppliers	8,476	7,626
Highway maintenance bond	1,500	1,500
	9,976	9,126

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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	Profit/(Loss) After Taxation & Minority Interest
	RM '000	RM '000	RM '000
Current quarter (Q2 FYE 2009-2010, Nov 2009-Jan 2010):			
Highway and investment holding	10,704	(9,161)	(9,161)
Oil and Gas	46,900	18,772	10,131
Total	57,604	9,611	970
Preceding year corresponding quarter (Q2 FYE 2008-2009, Nov 2008-Jan 2009):			
Highway and investment holding	0	0	0
Oil and Gas	36,113	4,584	2164
Total	36,113	4,584	2,164

For the current quarter under review the Group recorded higher revenue of RM57.6 million as a result of full quarter contribution from the Highway Division following the completion of the Regularisation Scheme on 14 October 2009. The Group recorded a profit before taxation of RM9.6 million after consolidating RM9.2 million full quarter loss from the Highway Division. After deducting deferred tax charge on the profits from Oil and Gas activities, the Group recorded profit after tax and minority interest of RM0.97 million.

Compared to the preceding year corresponding quarter when it comprised only the Oil and Gas Division, the Group recorded 59.5% higher revenue at RM57.6 million from the previous RM36.1 million. This was achieved following the commissioning of three new vessels and the recognition of full quarter contribution from the Highway Division. The increase in profit before taxation by 109.7% to RM9.6 million from RM4.6 million previously was due to the contribution of the three new vessels as well as the gain from the disposal of a vessel, and after consolidating the full quarter loss attributable to the Highway Division.

The Group recorded 55.2% lower profit after taxation and minority interest of RM0.97 million in the current quarter compared to RM2.2 million recorded in the preceding year corresponding quarter. This is attributable to the consolidation of full quarter loss of the Highway Division in the current quarter

For the six-month period ended 31 January 2010, the Group recorded a revenue of RM106.4 million and a profit after tax and minority interest of RM4.4 million.

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

	Revenue	Profit /Loss) Before Taxation	Profit/(Loss) After Taxation & Minority Interest
	RM '000	RM '000	RM '000
Current quarter (Q2 FYE 2009-2010, Nov 2009-Jan 2010):			
Highway and investment holding	10,704	(9,161)	(9,161)
Oil and Gas	46,900	18,772	10,131
Total	57,604	9,611	970
Immediate preceding quarter (Q1 FYE 2009-2010, Aug-Oct 2009):			
Highway and investment holding	2,031	(1,707)	(1,707)
Oil and Gas	46,782	10,082	5220
Total	48,813	8,375	3,513

Compared to the immediate preceding quarter the Group recorded 18.0% higher revenue of RM57.6 million from RM48.8 million previously arising from full quarter contributions from the Highway Division. The group also recorded a 14.8% higher profit before tax of RM9.6 million from RM8.3 million previously.

Despite the improved results from the Oil and Gas Division, the Group recorded 72.4% lower profit after taxation and minority interest of RM0.97 million in the current quarter compared to RM3.5 million recorded in the immediate preceding quarter. This is attributable to the consolidation of full quarter loss recorded by the Highway Division.

B3. FUTURE YEAR PROSPECTS

Pursuant to the requirements of FRS 3, results for the previous 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.

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 are on long term contracts 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 Jan 2010 RM '000	Cumulative Period 31 Jan 2010 RM '000
Transfer to deferred taxation	4,185	6,780

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 RM9.9 million gain on disposal of a vessel in the current period.

B7. QUOTED SECURITIES

	31 Jan 2010 RM '000	31 July 2009 RM '000
Shares quoted in Malaysia, at cost	285	285
Provision for diminution in value	(155)	(155)
	130	130
Market value of quoted shares	236	156

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There is no corporate exercise that has been completed during the current period or is still pending as at the end of the current period.

Utilisation of proceeds raised from Rights Issue completed in the preceding period:

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Balance RM '000	Intended Timeframe for Utilisation
(i) Working capital	3,259	462	2,797	By the end of FYE 31 July 2010
(ii) Regularisation Scheme expenses	1,700	2,443	-	By the end of FYE 31 July 2010

The actual utilisation for the Regularisation Scheme expenses are higher than initially budgeted, therefore, the deficit was funded out of the portion allocated for working capital.

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	45,358	329,086	374,444
Hire purchase	157	496	653
	45,515	1,074,087	1,119,602

Included in Other payables in the Consolidated Balance Sheet as at 31 January 2010 is approximately RM64.0 million profit accrued up to 31 January 2010 due to Sukukholders on Sukuk Mudharabah. 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 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	Preceeding Year Quarter 31 Oct 2008	Current Year Quarter 31 Oct 2009	Preceeding Year Quarter 31 Oct 2008
	RM '000	RM '000	RM '000	RM '000
Basic earnings per share:				
Profit for the period attributable to equity holders of the parent	970	2,164	4,446	4,354
Weighted average number of ordinary shares ('000)	374,836	180,000	296,478	180,000
Basic earnings per share (sen)	**0.26**	**1.20**	**1.50**	**2.42**
Diluted earnings per share:				
Profit for the period attributable to equity holders of the parent	970	2,164	4,446	4,354
Weighted average number of ordinary shares ('000)	374,836	180,000	296,478	180,000
Additional ordinary shares issuable from conversion of RCULS-B	175,000	-	175,000	-
Additional ordinary shares issuable from conversion of Cumulative Convertible Redeemable Preference Shares	89,179	-	89,179	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	639,015	180,000	560,657	180,000
Diluted earnings per share (sen)	**0.15**	**1.20**	**0.79**	**2.42**

B13. COMMITMENTS

	31 Jan 2010 RM '000	31 July 2009 RM '000
Approved and contracted for:		
Property, vessels and equipment	513,470	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 23 March 2010.

BY ORDER OF THE BOARD
SECRETARIES