

LANDMARKS BERHAD

Company No : 185202-H
(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For The Third Quarter Ended
30 September 2007**

LANDMARKS BERHAD (“LANDMARKS” OR “THE COMPANY”)

A. Notes to the unaudited interim financial report for the period ended 30 September 2007

A1. *Basis of preparation*

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards (FRS) 134²⁰⁰⁴, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006. The explanatory notes attached to the interim financial report 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 the financial year ended 31 December 2006.

A2. *Changes in Accounting Policies/Estimates*

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2006 except for the adoption of two (2) new and revised FRS effective for the financial period beginning 1 January 2007.

The principal effects of the changes in accounting policies to the Group resulting from the adoption of the said new FRS are set out below: -

i) FRS 117 Leases

FRS 117 requires the unamortized revalued amount of leasehold land held for own use to be accounted for as Prepaid Lease Payments and to be amortised on a straight line basis over the lease term. The Group has reclassified such properties which were previously presented as part of Property, Plant and Equipment and were stated at cost less accumulated depreciation. Other than the reclassification from Property, Plant and Equipment to Prepaid Lease Payments of RM27,446,684, the changes in accounting policy does not affect the results of the Company and of the Group for the financial period. The re-statement of the comparative amount as at 31 December 2006 is as follows:

Restatement of comparative amounts

	As previously reported RM'000	Effects of restatement RM'000	As restated RM'000
<i>Non current assets</i>			
Property, Plant and Equipment	290,094	(27,447)	262,647
Prepaid Lease Payments (Leasehold Land)	-	27,116	27,116
<i>Current assets</i>			
Prepaid Lease Payments (Leasehold Land)	-	331	331

ii) FRS 124 Related Party Disclosures

The adoption of FRS 124 has no material effect on the results of the Company and of the Group for the current financial period.

A3. Auditors' Report on the Group's latest Annual Financial Statements

There were no audit qualifications on the Group's financial statements for the year ended 31 December 2006.

A4. Exceptional items of a non-recurring nature

There were no exceptional items of a non-recurring nature during the financial period under review.

A5. Inventories

During the financial period under review, there was no write-down of inventories.

A6. Changes in composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisitions or disposal of subsidiary companies and long-term investment, restructuring, or discontinued operations for the current interim period, except for the following:

- i) Divestment of Sungei Wang Plaza Sdn Bhd ("SWPSB") a wholly-owned subsidiary of Landmarks Berhad to Kencana Property Management Sdn Bhd which was completed on 11 April 2007.

Notes to the unaudited interim financial report for the period ended 30 September 2007

- ii) Acquisition of 64.5% equity interest in Bintan Treasure Bay Pte Ltd (“BTB”) by Primary Gateway Sdn Bhd (“PGSB”), a wholly-owned subsidiary of Landmarks Berhad from Complete Win Group Ltd and Bold Impact Enterprises Ltd (“BIE”) which was completed on 31 May 2007.
- iii) Disposal of equity interest in Shangri-La Hotels (Malaysia) Berhad (“SHMB”) comprising 117,124,000 ordinary shares of RM1.00 each, representing about 26.6% equity interest in SHMB which was completed on 5 September 2007.
- iv) Proposed disposal of entire 100% equity interest in Archipelago Resorts Sdn Bhd (“ARSB”), a wholly owned subsidiary of Landmarks Berhad to Citra Emas Hotels and Resorts Sdn Bhd (formerly known as Suasana Suriajaya Sdn Bhd) which was announced on 28 September 2007. The proposed disposal was completed on 20 November 2007 (note A10).
- v) The Company’s indirect 64.5% owned subsidiary, Bintan Treasure Bay Pte Ltd (“BTB”) had incorporated a private limited company, BTB Management Services Pte Ltd (“BTBMS”) in the Republic of Singapore on 15 November 2007. The intended principal activity of BTBMS is the provision of management services. BTB has subscribed for one (1) ordinary share of SGD1.00 each at par value in BTBMS representing 100% of the paid up capital of BTBMS.

A7. Dividends paid

	2007 (RM'000)	2006 (RM'000)
Ordinary		
Final paid		
2006 – 2.00% less tax	7,018	-
2005 – 2.00% less tax	-	6,679
Total	7,018	6,679

A8. Seasonal or cyclical factors

The Group’s hotel businesses are generally affected by seasonal or cyclical factors. The high season for the Group’s hotels generally lies in the first and last quarters of the financial year.

Notes to the unaudited interim financial report for the period ended 30 September 2007

A9. Segmental information

	Revenue		Profit before tax	
	For the period ended 30 September			
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
	(Restated)		(Restated)	
<i>Results from Continuing Operations</i>				
Hotel and Resort Development	36,893	38,385	8,376	11,149
Engineering	-	6,763	(93)	2,573
Others	241	-	(6,951)	(3,883)
Profit from Operations			1,332	9,839
Interest Expense			(18,407)	(18,419)
Share of net profits of Associates			27,804	18,146
Net profit from discontinued operations			15,632	38,698
Net gain on sale of discontinued operations			470,147	(498)
Profit Before Tax	37,134	45,148	496,508	47,766

A10. Profit from discontinued operations

On 28 September 2007, the Company entered into a share purchase agreement with Citra Emas Hotels and Resorts Sdn Bhd (formerly known as Suasana Suriajaya Sdn Bhd) to dispose off the entire 100% equity interest in ARSB, a wholly-owned subsidiary of Landmarks (“Proposed ARSB Disposal”).

The key assets of ARSB is a 55% equity interest in Archipelago Hotels (East) Sdn Bhd, which in turn holds 60% equity interest in Teluk Datai Resorts Sdn Bhd (“TDRSB”). TDRSB owns, inter-alia, the international class hotel resort known as “The Datai”. ARSB also owns a 50% equity interest in Gugusan Urus Sdn Bhd, the operator company of The Datai.

The assets and liabilities of ARSB has been classified as assets/liabilities held for sale as at 30 September 2007, and accordingly, the results were classified as discontinued operations.

The revenue and results of the discontinued operations are as follows:

	Period ended 30 September 2007 RM'000
Revenue	47,458
Operating profit	20,260
Taxation	(4,628)
Profit after tax for the period	15,632

The major classes of assets and liabilities of the discontinued operations classified as assets/liabilities held for sale are as follow:

	Period ended 30 September 2007 RM'000
<i>Assets :</i>	
Property, plant and equipment	143,199
Prepaid lease payments	14,852
Investment in associate	1,856
Deferred tax assets	2,827
Receivables, deposits and prepayment	5,446
Inventories	6,125
Cash and cash equivalent	13,160
	187,465
<i>Liabilities</i>	
Payables and accruals	6,167
Hire purchase	230
	6,397

The proposed ARSB disposal was completed on 20 November 2007.

A11. Capital commitments

	30 September 2007
	RM'000
Property, plant and equipment	
Authorised but not contracted for	2,122
Contracted but not provided for in the financial statements	-
Total	2,122

A12. Contingent liabilities

There were no contingent liabilities for the financial period under review.

It is to be noted that Landmarks Engineering & Development Sdn Bhd ("LED"), a wholly owned subsidiary of Landmarks, and Ikatan Cekap Sdn Bhd ("ICSB"), a 70% subsidiary of TDR Engineering Sdn Bhd which is 55% owned by LED, have filed a suit in the Kuala Lumpur High Court against Perbadanan Kemajuan Ekonomi Negeri Perlis ("PKENP") and PENS Holdings Sdn Bhd ("PENS"), a wholly owned subsidiary of PKENP, for, inter alia, breach of contract in relation to the development of land in Kuala Perlis. The Board of Landmarks have at all times been inclined to amicably resolve this matter without commencing legal proceedings but eventually had to file the suit in order to preserve its rights. In the said suit, LED has claimed general damages while ICSB has claimed contractual damages amounting to RM20,611,585.60 and also general damages. In response to the said suit, PENS has counter-claimed against ICSB for approximately RM2.4 million and general damages being claims under the same contract.

On the advice of its lawyers, the Company is of the view that the counter claim is without merit and hence, no provision is made by the Company. Notwithstanding the same, Landmarks continues to pursue an amicable settlement of this matter.

A13. Debt and equity securities

Ikatan Perkasa Sdn Bhd, a wholly owned subsidiary of Landmarks Berhad, had on 24 September 2007 repaid its RM130 million short term loan (Note B9).

There were no other issuance or repayment of debt, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review other than as disclosed under Note B9.

A14. Related party transactions

There were no related party transactions for the financial period under review.

A15. *Events subsequent to the balance sheet date*

There were no material events subsequent to the end of the financial period under review that have not been reflected in the financial statements as at the date of this report except for the matters disclosed in note B8(i).

B. Additional Information – BMSB’s listing requirement

B1. *Review of performance for Nine Months to 30 September 2007 compared to Nine Months to 30 September 2006*

For the financial period ended 30 September 2007, the Group recorded reduced revenue of RM37.13 million compared with RM45.15 million in 2006. At the operating level, profit from operations decreased from RM9.84 million in 2006 to RM1.33 million in 2007. The decrease in revenue and profit from operations were mainly due to the engineering division which had no new contracts and lower contribution from The Andaman in Langkawi.

Associated Companies

The share of net profit of the Group’s associated companies of RM27.80 million in 2007 was higher compared with 2006 which was recorded at RM18.15 million. This was due to higher contributions from SHMB and Teknologi Tenaga Perlis Consortium Sdn Bhd.

Overall

The Group registered net profit attributable to shareholders of the Company of RM492.92 million for the period ended 30 September 2007 compared with RM31.59 million in 2006, an increase of RM461.33 million mainly due to exceptional gains from the divestment of SWPSB and disposal of equity interest in SHMB.

B2. *Comments on 3rd quarter against preceding quarter performance*

(RM'000)	2007 3rd Qtr	2007 2nd Qtr (Restated)
Revenue	11,760	9,910
Profit/(Loss) from Operations	(2,198)	1,046
Interest Expense	(4,195)	(8,466)
Operating Loss	(6,393)	(7,420)
Share of net profit of Associates	12,269	6,380
Net profit from discontinued operations	4,660	-
Net gain on sale of discontinued operations (Note B7)	94,867	371,333
Profit Before Tax	105,403	370,293

Additional Information – BMSB’s listing requirement

Revenue for the 3rd quarter is higher than the previous quarter mainly due to higher revenue recorded by the hotels in Langkawi. Profit before tax for the 3rd quarter was lower compared to the previous quarter due to higher exceptional gain from disposal of SWPSB.

B3. Prospects

Subsidiary Companies

The Group expects its remaining hotel in Langkawi to continue to perform credibly despite facing increased competition from new and refurbished products in the market. The Group has embarked on improvements to The Andaman since 2006 and the refurbishment programme is ongoing.

The Group’s investment in BTB, which acquisition was completed on 31 May 2007, is not expected to contribute to the Group’s results in 2007 as initial development work will only commence in 2008.

Associated Companies

Profit contribution from the Group’s associated companies is expected to be lower for the year 2007 due to the disposal of equity interest in SHMB.

Overall

The Group expects to have lower operating results for the financial year 2007 compared with 2006 due to the divestment of SWPSB and disposal of equity interest in SHMB. Based on current projections, the investment in BTB is expected to contribute positively to the Group’s results from year 2008 onwards.

B4. Profit forecast

Not applicable as no profit forecast was published.

B. Additional Information – BMSB’s listing requirement**B5. Tax expense**

(RM'000)	2007	
	Individual period 3 months ended 30 September	Cumulative period 9 months ended 30 September
Current tax :		
Malaysian – current	1,239	2,122
– prior period	-	-
	1,239	2,122
Deferred tax expense		
Malaysian	-	-
	1,239	2,122

The effective tax rate was higher than the statutory tax rate principally due to certain finance cost and expense which are restricted and not tax allowable.

B6. Unquoted investments and properties

There were no profits or losses on sale of unquoted investments and/or properties for the financial period under review except for the disposal of SWPSB which resulted in a gain of RM375.28 million.

B7. Quoted investments

On 5 September 2007, the Group disposed its equity interest in SHMB comprising 117,124,000 ordinary shares of RM1.00 each, representing about 26.6% equity interest in SHMB. The disposal was transacted at RM2.45 per SHMB share, which was at a premium of approximately 2.08% to the five (5) days volume weighted average market price of SHMB of RM2.40 up to 4 September 2007.

	RM'000
Sales proceeds	<u>286,954</u>
Gain on sale of discontinued operations	94,867 =====

B. Additional Information – BMSB’s listing requirement

B8(i). Status of corporate proposals announced

1. The Company had on 20 September 2007 announced the proposed establishment of a New Employees’ Share Option Scheme (“Scheme”) for eligible employees and directors of Landmarks and/or its subsidiaries. The Company had obtained the approval from its shareholders at the Extraordinary General Meeting held on 2 November 2007. The proposed Scheme is pending the approval of Bursa Malaysia Securities Berhad for the listing of the shares to be issued under the Scheme.
2. The Company had on 28 September 2007 announced the proposed disposal of the entire 100% equity interest in ARSB, a wholly-owned subsidiary of Landmarks, to Citra Emas Hotels and Resorts Sdn Bhd (formerly known as Suasana Suriajaya Sdn Bhd). The proposed disposal was completed on 20 November 2007.
3. The Company had on 1 November 2007 announced the proposed acquisition by PGSB, a wholly-owned subsidiary of Landmarks from BIE of 9.5% equity interest in BTB for cash consideration of SGD23.175 million (or RM53.302 million). The proposed acquisition is pending the approval from the Controller of Foreign Exchange for the remittance of the purchase consideration.

B8(ii). Utilisation of proceeds from corporate proposals

1. The divestment of SWPSB, a wholly-owned subsidiary of Landmarks, to Kencana Property Management Sdn Bhd was completed on 11 April 2007. The cash proceeds from the disposal were principally utilised for the acquisition of 64.5% equity interest in BTB and working capital purposes.
2. The Company had on 5 September 2007, disposed its equity interest in SHMB comprising 117,124,000 ordinary shares of RM1.00 each, representing about 26.6% equity interest in SHMB. Out of the total cash proceeds of RM286.954 million, RM130 million was used to reduce bank borrowings and the balance was for working capital.

B. Additional Information – BMSB’s listing requirement

B9. Borrowings and debt securities

The Group’s borrowings, all of which are secured, were as follows:

	As at 30 September 2007 (RM’000)	As at 31 December 2006 (RM’000)
Short term borrowings		
Secured	18,402	31,213
Unsecured	-	-
	18,402	31,213
Long term borrowings		
Secured	98,502	233,158
Unsecured	-	-
	98,502	233,158
Total borrowings	116,904	264,371

Ikatan Perkasa Sdn Bhd’s redeemable secured bonds were refinanced via a RM130 million short term loan on 24 May 2007 and was repaid on 24 September 2007.

B10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk as at the date of this report.

B11. Changes in material litigation

Save as disclosed herein, there is no material litigation pending as at the date of this report.

B12. Dividends

The Board of Directors does not recommend the payment of any interim dividend for the financial period ended 30 September 2007.

B. Additional Information – BMSB’s listing requirement

B13. Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM492.92 million and the weighted average number of ordinary shares outstanding of 480,682,200.

By Order of The Board

**MEGAT AL BAKRY BIN MEGAT ISMAIL
IRENE LOW YUET CHUN
Company Secretaries**

**Kuala Lumpur
28 November 2007**

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