

ASIA PACIFIC LAND BERHAD (4069-K)

(INCORPORATED IN MALAYSIA)

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

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 (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. These 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 the financial year ended 31 December 2008.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2008.

2 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2008 was not qualified.

3 Comments About Seasonal or Cyclical Factors

The business operations of the Group during the financial year under review have not been materially affected by any seasonal or cyclical factors.

4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual due to their nature, size or incidence for the financial period ended 30 June 2009.

5 Changes in Estimates

There were no material changes in estimates for the financial period ended 30 June 2009.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 June 2009.

7 Dividends Paid

No dividend were paid in the current quarter ended 30 June 2009.

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8 Segmental Information

| | 3 months ended | | 6 months ended | |
|--|----------------|------------|----------------|------------|
| | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment Revenue | | | | |
| Revenue from continuing operations: | | | | |
| Property Development | 36,566 | 25,354 | 74,831 | 42,304 |
| Others | 2,074 | 1,789 | 4,083 | 3,305 |
| Total revenue including inter- segment sales | 38,640 | 27,143 | 78,914 | 45,609 |
| Elimination of inter-segment sales | (22,118) | (14,408) | (44,739) | (21,709) |
| Total revenue from continuing operations | 16,522 | 12,735 | 34,175 | 23,900 |
| Segment Results | | | | |
| Results from continuing operations: | | | | |
| Property Development | 3,649 | 3,449 | 8,664 | 2,251 |
| Plantation | (427) | (2) | (560) | (2) |
| Others | 5,202 | 1,393 | 3,491 | 289 |
| | 8,424 | 4,840 | 11,595 | 2,538 |
| Eliminations | (6,230) | (1,410) | (8,421) | (1,646) |
| | 2,194 | 3,430 | 3,174 | 892 |

9 Carrying Amount of Revalued Assets

The revaluation of property, plant and equipment and investment properties have been brought forward without amendment from the financial statement for the year ended 31 December 2008.

10 Changes in the Composition of the Group

There were no material changes in the composition of the Group during the financial period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations since the last financial statement for the year ended 31 December 2008.

11 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2008.

12 Subsequent Events

There were no material transactions or events subsequent to the end of the current quarter till the date of issue of this quarterly report.

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

13 Performance Review

The Group recorded a revenue of RM16.5 million and profit before tax of RM1.2 million for the current quarter under review as compared to a revenue of RM12.7 million and profit before tax of RM3.3 million in the corresponding quarter of previous year.

The improvement in revenue registered in the current quarter under review arose mainly from the contributions derived from progress work in both local and overseas development projects namely MyHabitat Serviced Residences and Platinum Galaxy Boulevard, Changshu China.

Lower profit before tax in the current quarter under review as compared to the corresponding quarter of last year is due to one time accrual of interest income on the balance of sale proceeds from the disposal of City Square Centre in the corresponding quarter of last year.

14 Variations of Results Against The Preceding Quarter

The Group registered a revenue of RM16.5 million and profit of RM1.2 million in the current quarter under review as compared to a revenue of RM17.7 million and profit of RM52,000 in the previous quarter ended 31 March 2009. The work progress at our local development project was maintained. The improvement in profit before tax was mainly due to pre-operating cost for overseas project incurred in the previous quarter.

15 Prospects

The remaining quarters will continue to be a challenging one indeed not only to the Group, but for the region and the global economies. However with the recent liberalisation measures on abolishment of local ownership equity for mergers and acquisition and foreign investment committee approvals should help to boost both local and foreign demand for Malaysian properties. In addition to this, our local main core projects MyHabitat Serviced Apartment Tower 1 is expected to be completed in this year end and the balance revenue from the sale to date will be recognised accordingly. In addition, due to the advance construction and attractive sales packages, purchasers interest and confidence in Tower 2 is also enhanced.

Though China is not spared from the economic crisis, the Group maintains a favourable long term outlook for its ongoing overseas property development projects there. We are optimistic of the government's pump priming measures and recent indications are that purchasers confidence are returning. Building works for the shop houses are in progress and Phase 1 is expected to be completed by beginning of year 2010.

The Group expect to plant up to 3,000ha of the plantation land with seedlings by the end of year 2009. To date approximately 1,000 ha of the land has been planted. The first batch of trees will bear fruits by year 2012 onwards.

16 Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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17 Income Tax Expenses

| | 3 months ended | | 6 months ended | |
|---|----------------|------------|----------------|------------|
| | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Continuing operations | | | | |
| Tax expense | | | | |
| Charge for the year | (836) | (894) | (2,973) | (1,288) |
| Under provided in prior years | (100) | (2,559) | (100) | (2,559) |
| Deferred tax | | | | |
| Due to origination and reversal of timing differences | 1,299 | - | 1,299 | - |
| Income tax expense | 363 | (3,453) | (1,774) | (3,847) |

The effective tax rate for the current quarter under review of the Group is lower than the statutory rate of taxation is mainly due to reversal of deferred tax liabilities on interest received which was realised.

However, the Group reported higher effective tax rate for the period ended 30 June 2009 than the statutory rate of taxation mainly due to certain expenses in the subsidiaries were disallowed.

18 Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties (classified under property, plant and equipment or investment properties) subsequent to the financial year ended 31 December 2008.

19 Status of Corporate Proposals

The corporate proposals that have been announced by the Company but not completed as of this announcement are as follows:-

Proposed Acquisition of 95% Equity Interest in PT. Tunas Sejati Abadi, Indonesia

The Board of Directors of the Company had announced that Pacific Agriculture Holdings Pte. Ltd. (PAH), a wholly owned subsidiary of the Company, has on 11 January 2008 entered into a Conditional Shares Sale & Purchase And Subscription of New Shares Agreement (CSPA 1) with Halim Jawan and Rubiyanto (hereinafter referred to as "the Vendors") to acquire 190 shares of Rp.1,000,000 each (or 95% equity interest) in PT. Tunas Sejati Abadi (TSA) for a total cash consideration of Rp.190,000,000 and subscription for new shares of 37,810 shares of Rp.1,000,000 each with a total nominal value of Rp.37,810,000,000 (Proposed Acquisition).

TSA was incorporated on 3 July 2006 in Indonesia. TSA intends to cultivate oil palm on a plot of land measuring approximately 16,000 hectares located in Desa Long Beleh Modang, Kecamatan Kembang Janggut Desa Buluk Sen, Muara Ritan, Ritan Baru, Long Lalang, Gunung Sari, Kecamatan Tabang, Kabupaten Kutai Kartanegara, East Kalimantan, Indonesia ("the Land") for which it has successfully obtained the Ijin Lokasi (Location Permit) and "Ijin Usaha Budidaya Perkebunan" (Plantation Permit). TSA will pursue further with relevant authorities in Indonesia until the Right to Use for Exploitation Certificate ("Sertifikat Hak Guna Usaha") over the Location Permit area is obtained and the oil palm plantation is established. The total Land cost is anticipated to be approximately USD3,760,000.

The conditions precedent to the CSPA 1 include amongst others, the approval of Indonesia's Capital Investment Coordinating Board ("Badan Koordinasi Penanaman Modal") for the change in shareholding for conversion of TSA into a foreign capital investment company and to secure the rights to a minimum net cultivable area of 12,800 hectares.

On 4 July 2008, TSA has obtained approval from the Indonesia's Capital Investment Coordinating Board ("Badan Koordinasi Penanaman Modal") for the conversion of TSA to a foreign capital investment company subject to final approval from Minister of Law & Human Rights.

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19 Status of Corporate Proposals (cont'd.)

Proposed Acquisition of Land

- i) Bakti Dinamik Sdn. Bhd. ("BDSB") had on 29 August 2008 entered into a Sale and Purchase Agreement with Two Friends Sdn. Bhd. ("vendor") for the acquisition of a piece of land held under PN 27041 Lot 844, Seksyen 67, Bandar and Daerah Kuala Lumpur together with a dwelling house erected thereon for a total purchase consideration of Ringgit Malaysia Four Million Two Hundred Thousand (RM4,200,000.00) only. To date, BDSB has fully settled the purchase price to the vendor.

- ii) Island Bay Resorts Sdn. Bhd. ("IBR"), a wholly owned subsidiary of the Company had on 23 September 2008 entered into a Sale and Purchase Agreement with United Overseas Bank (Malaysia) Bhd ("UOB") for the acquisition of a piece of vacant land held in perpetuity under Geran No.11116, Lot No. 87, Seksyen 2, Bandar Batu Ferringhi, Daerah Timur Laut, Negeri Pulau Pinang for a total purchase consideration of Ringgit Malaysia Six Million (RM6,000,000.00) only. IBR has paid 20% as deposit to the vendor.

Upon completion of the proposed acquisition of the land, the Joint-Venture Agreement executed between IBR and UOB on 3 June 2002 in relation to the proposed development on the land on a joint venture basis shall be deemed terminated by mutual consent and neither party shall have any claims whatsoever against the other party.

- iii) BDSB had on 17 February 2009 executed a Sale and Purchase Agreement ("the SPA") with Grand Damansara Sdn. Bhd. ("vendor") for the acquisition of freehold land in Bandar and Daerah Kuala Lumpur, Wilayah Persekutuan measuring approximately 773.936 square metres together with a double-storey building erected thereon for a total purchase consideration of Ringgit Malaysia Ten Million (RM10,000,000.00) only. To date, BDSB had paid 60% of the purchase price to the vendor.

20 Status of Utilisation of Proceeds

The status of utilisation of proceeds from disposal of City Square Centre as at the date of this report is as follows:-

| Purposes | RM'mil |
|--|--------|
| Repayment of bank borrowings and interest of AP Land Group | 342 |
| New investments | 134 |
| Working capital | 129 |
| Expenses of the disposal | 16 |
| | <hr/> |
| | 621 |

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21 Borrowings and Debt Securities

| | As at 30.06.2009 RM'000 |
|--------------------------------|-------------------------------|
| Short Term Borrowings : | |
| Secured | |
| Revolving Credit | 84,441 |
| Terms Loan | 1,076 |
| Hire purchase payables | 725 |
| Total | <u>86,242</u> |
| Long Term Borrowings : | |
| Secured | |
| Term loans | 27,524 |
| Bonds | 47,748 |
| Hire purchase payables | 1,186 |
| Total | <u>76,458</u> |
| Total Borrowings | <u>162,700</u> |

Included in the above long term borrowings is a foreign bond of JPY1,300,000,000 (RM47,747,700) issued by a foreign subsidiary.

22 Off Balance Sheet Financial Instruments

The Group has no financial instruments with off balance sheet risk as at the date of this report.

23 Changes in Material Litigation

As at 24 August 2009, there were no changes in material litigation save as disclosed below since the last audited balance sheet date of 31 December 2008.

- (a) The Company and 4 of its subsidiaries together with Low Yat Construction Company Sdn Berhad vs. Datuk Bandar Kuala Lumpur for negligence and nuisance in connection to the construction of an underpass along Jalan Tun Razak at the main frontage and access road to City Square Centre.

On 14 May 2009, the Plaintiffs applied for withdrawal of the said suit against the Defendant and the Court duly granted the withdrawal with cost to be taxed. The Court has not fixed a date for hearing on the cost to be taxed.

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23 Changes in Material Litigation (cont'd.)

- (b) A wholly-owned subsidiary of Asia Pacific Land Berhad, Rawang Lakes Sdn Bhd. (RLSB or 2nd Defendant) is counter claiming for damages and loss for breach of contract against the claim by its contractor, Mampu Jaya Sdn. Bhd. (MJSB or 1st Plaintiff), for the payment of workdone. The Plaintiffs' Summary Judgement Application was dismissed by the Senior Assistant Registrar on 24 November 2004. The Plaintiffs filed an appeal to the Judge in Chambers. On 11 August 2005, the Judge dismissed the Plaintiffs' appeal with costs.

On 17 July 2009, the court granted a Winding-Up Order against MJSB under Shah Alam High Court Winding Up filed by Yeh Elikh t/a Chuan Huat Crane & Excavator Services. The court has fixed 24 August 2009 for case management and trials dates are remained fixed on 5 to 8 July 2010.

24 Dividend Payable

The Company did not declare any dividend for the quarter ended 30 June 2009.

25 Earnings per Share

The basic earnings per share for the periods are based on the Group's profit/(loss) for the period divided by the number of ordinary shares of the company in issue during the periods as follows:

| | 3 months ended 30.06.2009 | 6 months ended 30.06.2009 |
|--|--|--|
| Profit/(Loss) for the period (RM'000) | 1,566 | (432) |
| <i>Weighted average number of Ordinary Shares ('000)</i> | | |
| Shares at the beginning of the period | 688,560 | 688,560 |
| Shares repurchased during the period | - | - |
| Weighted average no. of shares issued | 688,560 | 688,560 |
| Basic earning/(loss) per share (Sen) | <u>0.227</u> | <u>(0.063)</u> |

As at 30 June 2009, the Company has not granted any options or contract that may entitle its holder to convert into Ordinary Share and therefore, dilute its basic earnings per share.

26 Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2009.

By Order of the Board

Chan Kam Lye
Tan Bee Lian
Company Secretaries
24 August 2009