

**KUMPULAN HARTANAH SELANGOR BERHAD**

Company No. 559747-W

(Incorporated in Malaysia)

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**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>st</sup> DECEMBER 2009**

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**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

**A1 Accounting policies and basis of preparation**

The unaudited condensed interim financial statements of the Group have been prepared in accordance with the requirement of Financial Reporting Standards (FRS) 134 "Interim Financial Reporting" issued by Malaysian Accounting Standard Board ("MASB") and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2008.

The accounting policies, method of computation and basis of consolidation applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2008.

**A2 Audit report of preceding annual financial statements**

The audited financial statements for the financial year ended 31 December 2008 were not subject to any audit qualification.

**A3 Seasonal or cyclical factors**

The Group's operations were not materially affected by seasonal or cyclical factors.

**A4 Unusual items affecting assets, liabilities, equity, net income or cashflows**

There were no significant unusual items for the current quarter except as follows:

<u>Income Statement</u>	<u>Current quarter</u> <b>RM'000</b>
<u>Other income</u>	
1 Recognition of Specific Grant by Menteri Besar Selangor (Incorporated)	<b>115,101</b>
<u>Other operating expenses</u>	
2 Impairment of goodwill	<b>49,740</b>

**A5 Material changes in estimates**

There were no material changes in estimates of amounts reported in prior interim periods in the current financial year or previous financial years that have material effect in the period under review.

**A6 Changes in equity and long term debts**

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, repurchase, resale and repayment of debt and equity securities during the period under review.

**A7 Dividend paid**

There was no dividend paid during the period under review.

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---

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---

#### **A8 Segment information**

No segmental reporting is presented as the Group is operating principally in one industry and within the country.

#### **A9 Property, plant and equipment**

Valuation of property, plant and equipment have been brought forward without any amendments from the previous annual audited financial statements.

#### **A10 Material events subsequent to the end of the interim period**

There were no other material events subsequent to the end of the current financial quarter ended 31<sup>st</sup> December 2009 up to the date of this report which, is likely to substantially affect the results of the operations of the Group other than the matters as disclosed in Note B11 "Material Litigation" to this interim financial statements.

#### **A11 Changes in the composition of the Group**

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

#### **A12 Contingent liabilities**

The contingent liabilities as at 31<sup>st</sup> December 2009 are as follows:

<b>a) Secured</b>	<b>RM'000</b>
Foreclosure proceedings taken by a financial institution in respect of a third party charge granted by a subsidiary company on a piece of land	39,676
<b>b) Unsecured</b>	
Other claims filed against the Group	7,852

**c)** A third party filed an action alleging that a subsidiary's termination of the joint venture agreement and the agreements ancillary thereto ("JVA") due to the third party's breach of four fundamental conditions of the JVA was wrongful and claimed for the transfer of the ownership of the said land to the third party, damages to be assessed and the loss of profits of approximately RM350 million. The subsidiary has filed its defence and made a counterclaim against the third party for the said four fundamental breaches of the JVA by the third party and claiming amongst others, for the return of vacant possession of the said land, damages in the sum totaling to approximately RM399 million and an indemnity against all claims in the foreclosure proceedings as stated in (a) above. Both parties have obtained an ex-parte injunction against each other in respect of the said land. The third party has filed an application to set aside the Ad-Interim injunction obtained in favour of the subsidiary until the disposal of the inter-parte hearing of the Injunction Applications. The case is now fixed for hearing for Enclosure 4, 11 and 16 on 24 February 2010 and case management for Enclosure 2 on 1 March 2010.

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---

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ENDED 31<sup>ST</sup> DECEMBER 2009**


---

**A13 Employee Share Option Scheme ("ESOS")**

The Company implemented an ESOS on 21 December 2005 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the shareholders at the Extraordinary General Meeting on 15 June 2004.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 15% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to Directors and senior management.
- Not more than 10% of the shares available under the ESOS is allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- Any Director (both executive and non-executive Directors) of the KHSB Group (other than a company within the Group which is dormant) or an employee of the KHSB Group who is employed full time and is on the payroll of the KHSB Group (other than a company within the Group which is dormant), but does not include employees under probation, are eligible to participate in the scheme, subject to the final decision of the Options Committee.
- The option price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad, for the five market days preceding the offer date, or the par value of the shares of the Company of RM1, whichever is the higher.
- The options granted are exercisable from the date of grant and have a contractual option term of five years.
- Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

The terms of shares options outstanding as at the date of this unaudited interim financial statements are as follows:

Grant date	Expiry Date	Exercise Price RM	1.1.2009 '000	No of Share Options			31.12.2009 '000
				Granted '000	Terminated '000	Exercised '000	
28.12.05	28.12.10	1.00	38,085	-	(5,117)	-	32,968
05.01.08	28.12.10	1.00	<u>2,347</u>	<u>-</u>	<u>(840)</u>	<u>-</u>	<u>1,507</u>
			<b>40,432</b>	<b>-</b>	<b>(5,957)</b>	<b>-</b>	<b>34,475</b>

No options were exercised during the financial year.

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Company No. 559747-W

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---

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>ST</sup> DECEMBER 2009**

---

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENTS****B1 Review of performance**

For the current quarter under review, the group revenue is RM46.10 million which is higher by 226% (RM31.97 million) compared to RM14.13 million in the corresponding quarter 2008, mainly attributed to higher revenue from property development sector. The Group profit before tax for the current quarter under review was RM21.99 million compared to loss before tax of RM69.48 million in the corresponding quarter 2008 mainly due to significant contribution from other income.

**B2 Comment on material change in profit before tax**

Group revenue for the current quarter of RM46.10 million increased by 202% compared to RM15.26 million recorded in the previous quarter mainly attributable to recognition of sale of land in the current quarter. The Group recorded a profit before tax of RM21.99 million in the current quarter as compared to loss before tax of RM11.28 million in the previous quarter mainly due to significant contribution from other income.

**B3 Commentary on prospects**

The Group anticipate continued challenges in the property development industry and the year 2010 performance are expected to remain challenging. The Group will continue to strive on improving its operational efficiency and development of resources. Current land banks will be reviewed for optimum utilization to generate more revenue.

**B4 Profit forecast and profit guarantee**

No profit forecast or profit guarantee were issued for this financial period.

**B5 Taxation**

	<b>Current Year To-date 31-12-09 RM'000</b>
<b>Current tax provision</b>	<b>(2,046)</b>
<b>Deferred tax transfer from balance sheet</b>	<b>(6,505)</b>
<b>Total income tax expense</b>	<b><u>(8,551)</u></b>

The group tax charge in the current financial period reflects an effective rate which is lower than statutory tax rate as certain expenses are not deductible in subsidiary companies in the Group.

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Company No. 559747-W  
(Incorporated in Malaysia)

---

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>st</sup> DECEMBER 2009**

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**B6 Unquoted investment and properties**

There were no disposal of unquoted investments and properties during this financial period.

**B7 Quoted securities**

There were no purchases or sales of quoted securities for this financial period.

**B8 Status of corporate proposals**

There were no changes in the status of corporate proposals of the Group at the date of this unaudited interim financial statements.

**B9 Borrowings and debt securities**

The Group borrowings as at 31<sup>st</sup> December 2009, all denominated in local currency are as follows :-

	<b>Total</b> RM'000
<b>Short Term Borrowings :</b>	
<b>Secured</b>	11,529
<b>Unsecured</b>	51,120
	<hr/> 62,649 <hr/>
	<b>Total</b> RM'000
<b>Long Term Borrowings :</b>	
<b>Secured</b>	154,033
<b>Unsecured</b>	-
	<hr/> 154,033 <hr/>
Total Borrowings	<b><u><u>216,682</u></u></b>

**B10 Off balance sheet financial instruments**

There were no off balance sheet risks as at the date of this report that might materially affect the position or business of the Group.

**B11 Material litigation**

Save as disclosed below, as at the date of this Circular, neither KHSB nor its subsidiary companies are involved in any material litigation, claim or arbitration either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings, pending or threatened against KHSB or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of KHSB or its subsidiary companies.

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Company No. 559747-W

(Incorporated in Malaysia)

---

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>ST</sup> DECEMBER 2009**

---

**A. Cases where KHSB and its group of companies is/are the Plaintiff(s)**

1. SAP Holdings Berhad ("SAP") filed an action against PAG Mampu Jaya Sdn Bhd ("PAG") vide Kuala Lumpur High Court Summons No. D2-22-1075-05 claiming the sum of RM15.93 million together with general damages for loss of profit, interest and cost for breach of a Joint Venture Agreement between SAP and PAG. Judgment was obtained in favour of SAP and SAP filed a winding up proceeding. Pursuant to the Winding Up Order, an OA was appointed as the liquidator. SAP filed proof of debt for a total amount of RM20,342,391.78 consisted of judgment sum of RM15,930,000 and interests of RM4,412,391.78.
2. Central Spectrum (M) Sdn Bhd ("CSSB") filed an appeal against Pentadbir Tanah Daerah Klang ("PTDK")'s decision in respect of quantum & measurement of land acquisition for Lots 74072, 74073, 74074 and 74075 [No. Hakmilik: PN 7941, 7940, 7939 and 7938] at vide Shah Alam High Court Summons No. MT3-15-686-2004 ("KTM 1").

Central Spectrum (M) Sdn Bhd (CSSB) filed another appeal against Pentadbir Tanah Daerah Klang (PTDK)'s decision in respect of quantum & measurement of land acquisition for Lots 74076, 74077, 74078, 74079 and 10490 [No. Hakmilik: PN 7937, 7936, 7935, 7934 and 12229] vide Shah Alam High Court Summons No. RT-MT1-15-88-2005 - ("**KTM 2**").

The Court has fixed the hearing date for both KTM1 and KTM2 on 18 March 2010.

CSSB's solicitors are of the opinion that the probable outcome of the case would be that the Court will either maintain or increase the Award of PTDK.

3. Central Spectrum (M) Sdn Bhd. (CSSB) filed an appeal against Pentadbir Tanah Daerah Klang (PTDK)'s decision in respect of land acquisition for Lot 24082. Pajakan Negeri 7942 (Marine) at Shah Alam High Court Summons No. RT1-Mt1-15-154-2006.

CSSB filed on appeal on the quantum and measurement awarded to CSSB. The action by CSSB against PTDK is vide The court has fixed the hearing date on 20 April 2010.

4. Central Spectrum (M) Sdn Bhd. (CSSB) filed an action against Pentadbir Tanah Daerah Klang (PTDK)'s decision in respect of land acquisition for South Klan Valley Express Way (SKVE) for lots 74082, 74088, 74087 and PT 79492 (No. Hak Milik : PN 7942, PN 7925, PN 7926 and HSD 67045) at Shah Alam High Court Summons No. MT4-15-110-2009.

The Court has fixed the hearing date on 20 April 2010.

**B. Cases wherein KHSB and its group of companies is/are the Defendant(s)**

1. Upright Dignity Sdn Bhd ("UDSB") instituted an action for specific performance and other consequential relief and in the alternative, refund of all monies paid by UDSB to DHSB totaling RM7,228,000.00 with interest at 8% per annum, as well as damages for breach of contract against Perbadanan Kemajuan Pertanian Selangor ("PKPS"), SAP Holdings Berhad ("SAP") and Desa Hilir Sdn Bhd ("DHSB") [collectively referred as the Defendants] at the Shah Alam High Court vide Civil Suit No. MT4-21-60-2000 purportedly in relation to a sale and purchase agreement dated 24 April 2000 ("Purported SPA") entered into between DHSB (as attorney for PKPS & SAP) and UDSB in respect of a piece of land held under H.S.(D) 1426 P.T. No. 4466 Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan, measuring approximately 556.482 acres ("Dengkil Land") of which PKPS was the registered proprietor.

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Company No. 559747-W  
(Incorporated in Malaysia)

---

### UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31<sup>st</sup> DECEMBER 2009

---

On 22 February 2010, the court has dismissed UDSB claim against SAP with costs.

2. Menara Setia Sdn Bhd ("MSSB") initiated an action against SAP Ulu Yam Sdn Bhd ("SUYY"), an indirect subsidiary of KHSB vide Kuala Lumpur High Court Suit No. D3-22-2111-2002 claiming for the sum of RM1,893,200.14 together with all cost and interest thereon at the rate of eight (8%) per cent per annum from 22 April 1998 to the date of settlement for the amount allegedly due for the earthworks undertaken by MSSB for Ulu Yam Heights Development.

The court had on 28 October 2009 found that MSSB had not proven its claim and accordingly dismissed the same with costs. MSSB has filed notice of appeal but no hearing date has been fixed yet.

3. Mazli Mohamed, a former employee of Central Holdings Management Services Sdn Bhd ("CHMS") (a subsidiary company of SAP) who had resigned from CHMS instituted proceedings against SAP Holdings Berhad ("SAP") vide Industrial Court Suit No. 7/4-480/98 seeking reinstatement to his former job as a General Manager in CHMS or in the alternative, compensation for purported wrongful dismissal alleging that the his resignation notice was an involuntary act.

CHMS solicitor is of a view that the Claimant's dismissal can be justified on grounds of criminal breach of trust. However, in the event that court awards judgment in favour of the Claimant, the quantum of damages is estimated at RM300,000 excluding interests and costs.

4. CGE Construction Sdn Bhd ("CGE") has filed an action against SAP Air Hitam Properties Sdn Bhd ("SAP") on 20.04.2006 vide Shah Alam Civil Suit No. MT4-22-434-2006 alleging that SAP owes CGE the sum of RM4,116,506.20 together with cost and interest at the rate of 8% per annum from 20.04.2006 to the date of realisation, purportedly being balance payment for work done at the project known as "Proposed site clearance, earthworks, drainage, main road works and final layer to internal roads and related works to the proposed residential commercial and recreational development at Lestari Perdana, Mukim Petaling, Daerah Petaling Selangor" (the "Project").

SAP filed an Stay Application at the Court pending arbitration as provided under the Conditions of Contact for the Project and same was allowed by the SAR and High Court. CGE has appealed to the Court of Appeal against the High Court decision.

5. Joginder Singh & Co. ("JSC") filed an Originating Summons on 10.07.2007 against Kumpulan Hartanah Selangor Berhad ("KHSB"), Brisdale Holdings Berhad ("BHB") and Brisdale Rasa Development Sdn Bhd ("BRD") (hereinafter collectively referred to as "the Defendants") vide Kuala Lumpur High Court Originating Summons No. S2-24-65-2007 for a declaration of liability to pay JSC the sum of RM2,262,500.00 purportedly being the outstanding legal fees and disbursements in respect of the case - Brisdale Rasa Development Sdn Bhd -v-Silver Concept Sdn Bhd.

On 14 September 2009, the court, in the main suit, has allowed JSC's claim with costs of RM30,000 in lieu of taxation. KHSB has appealed against the decision.

6. AmFinance Berhad [now known as AmBank (M) Berhad] ("AMF") has instituted foreclosure proceedings against SAP Holdings Berhad ("SAP") vide Shah Alam High Court Originating Summons No. MT1-24-1770-2002 in respect of a piece of land held under H.S.(D) 20034 PT No. 26549, Mukim Batu, Daerah Gombak ("Gombak Land").SAP, the registered proprietor of the Gombak Land, created a third party charge over the Gombak Land in favour of AMF as security for the loan facility of RM17.0 million granted by AMF to Cergas Tegas Sdn Bhd ("CTSB").ered into between SAP and CTSB.

CTSB's application to intervene in the foreclosure proceeding was dismissed on 19 October 2009.

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Company No. 559747-W  
(Incorporated in Malaysia)

---

### UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31<sup>st</sup> DECEMBER 2009

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7. Cergas Tegas Sdn Bhd ("CTSB") filed an action vide Kuala Lumpur High Court No. S2-22-185-2004 against SAP Holdings Berhad ("SAP") and Star Everest Sdn Bhd ("SESB") alleging unlawful termination by SAP of the joint venture agreement and the agreements ancillary thereto ("JVA") and seeking damages to be assessed and the purported loss of profits of approximately RM350.0 million.

SAP has filed its defence and made a counterclaim of RM399 million against CTSB and indemnity against all claims in the foreclosure proceedings.

The case is now fixed for hearing for Enclosure 4, 11 and 16 on 24 February 2010 and case management for Enclosure 2 on 1 March 2010.

8. Pembinaan Juta Mekar Sdn Bhd ("PJM") filed an action against SAP Holdings Berhad ("SAP") and Templer Park Golf Resort Berhad ("TPGR") on 18.04.2008 vide Shah Alam High Court Civil Suit No. MT3-22-617-2008 alleging that SAP and TPGR owe PJM the sum of RM10,270,351.28 purportedly being payment for the proposed construction and completion of townhouse for Phase 3A and proposed construction and completion of double storey terrace house for Phase 3B.

SAP's Solicitors are of the opinion that PJM does not have a strong case against SAP and TPGR as there was no contractual relationship between PJM, SAP Holdings and TPGR.

9. Muhammad Zailani and 124 others (the Claimants") instituted proceedings in the Labour Office against Central Holdings management Services Sdn Bhd ("CHMS"). CHMS is a wholly owned subsidiary of SAP Holdings Sdn Bhd which in turn is a wholly owned subsidiary of the Company.

Their claims are in respect of computation of wages which allegedly should include service charges. The labour office ordered CHMS to pay a sum of RM651, 607.51 to the Claimants as part of the termination benefits.

The High Court allowed CHMS appeal and the case was remitted back to the Labour Court for assessment of the quantum of termination benefits and the eligibility of the Claimants. The Claimants are appealing to the Court of Appeal. During the case management on 19 January 2010, the hearing date for the case is fixed on 12 May 2010.

10. Roslan Bin Mohad Jani and Others (collectively as "the Claimants") instituted a legal proceeding against SAP Ulu Yam Sdn Bhd ("SUY"), SLP Perunding Sdn Bhd, Yayasan Selangor, Majlis Daerah Hulu Selangor dan Kerajaan Negeri Selangor (collectively be referred to as "the Defendants") at the Shah Alam High Court Civil No : 21 – 212- 2009 alleging inter alia that the Defendants collectively or individually through their negligent action(s) or omission(s) had failed to ensure that the property sold to the Defendant and its surrounding area is safe for occupation.

The pleading period is now closed.

### **B12 Dividends**

No dividend has been recommended or declared for this financial period.



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---

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>st</sup> DECEMBER 2009**

---

**B13 Earning per share**

The basic earning per share of the Group for the current quarter of 7.05 sen is calculated based on consolidated profit attributable to equity holders of the Company of RM31.73 million and number of ordinary shares in the financial year of 450 million.

**BY ORDER OF THE BOARD**

**NORLIDA JAMALUDIN  
COMPANY SECRETARY**

Date: 25 February 2010

**KUMPULAN HARTANAH SELANGOR BERHAD**

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(Incorporated in Malaysia)

---

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER  
ENDED 31<sup>st</sup> DECEMBER 2009**

---

**Kelulusan Pengumuman :**

Keputusan Kewangan Bagi Suku Keempat Berakhir 31hb Disember 2009 ini diluluskan untuk pembentangan kepada Lembaga Pengarah dan Jawatankuasa Audit dan seterusnya pengumuman kepada Bursa Malaysia Securities Berhad.

**Ching Hong Seng**  
**Pengurus Besar - Kewangan**

Tarikh: 25 February 2010