

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

(The figures have not been audited)

|  | Note  | INDIVIDUAL QUARTER (Q4)                         |  | CUMULATIVE QUARTER (12 Mths)                                  |   |
|--|-------|---|--|---|---|
|  |       | CURRENT YEAR<br>QUARTER<br>30/06/2008<br>RM'000 | PRECEDING YEAR<br>CORRESPONDING<br>QUARTER<br>30/06/2007<br>RM'000 | CUMULATIVE<br>CURRENT YEAR TO<br>DATE<br>30/06/2008<br>RM'000 | CUMULATIVE<br>PRECEDING YEAR<br>TO DATE<br>30/06/2007<br>RM'000 |
| Revenue  | 9     | 17,029  | (21,394)   | 135,806   | 241,537   |
| Cost of sales                                      |       | (23,003)  | (43,847)   | (84,717)  | (205,481)   |
| Gross (loss)/profit                                |       | (5,974)   | (65,241)   | 51,089  | 36,056  |
| Fair value adjustments of investment<br>properties |       | 15,118  | 82,694   | 15,118  | 82,694  |
| Other operating income                             |       | 5,875   | 8,276  | 9,092   | 11,191  |
| Administrative expenses                            |       | (12,219)  | (7,931)  | (45,288)  | (46,411)  |
| Selling and marketing expenses                     |       | (3,909)   | (3,615)  | (8,746)   | (16,396)  |
| Other operating expenses                           |       | (43,794)  | (9,763)  | (62,443)  | (31,868)  |
| (Loss)/profit from operations                      | 9     | (44,903)  | 4,420  | (41,178)  | 35,266  |
| Finance costs                                      |       | (6,410)   | (2,301)  | (21,856)  | (17,886)  |
| (Loss)/profit before taxation                      |       | (51,313)  | 2,119  | (63,034)  | 17,380  |
| Taxation   | 19    | 13,662  | 2,675  | 7,333   | (6,576)   |
| (Loss)/profit for the period                       |       | (37,651)  | 4,794  | (55,701)  | 10,804  |
| Attributable to:<br>Equity holders of the parent   |       | (37,651)  | 4,794  | (55,701)  | 10,804  |
| (Loss)/earnings per share (sen)                    |       |   |  |   |   |
| Basic  | 25(a) | (3.12)  | 0.39   | (4.61)  | 0.90  |
| Diluted  | 25(b) | (3.12)  | 0.39   | (4.61)  | 0.90  |

The unaudited condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

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## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

(The figures have not been audited)

|  | Note | UNAUDITED AS<br>AT END OF<br>CURRENT<br>QUARTER<br>30/06/2008<br>RM'000 | AUDITED AS AT<br>PRECEDING<br>FINANCIAL YEAR<br>END<br>30/06/2007<br>RM'000<br>(Restated) |
|--|------|---|---|
| <b>ASSETS</b>  |      |   |   |
| <b>Non-Current Assets</b>  |      |   |   |
| Property, plant and equipment  | 10   | 127,493   | 133,875   |
| Prepaid lease payments   |      | 32,235  | 33,423  |
| Land held for property development   |      | 678,978   | 687,820   |
| Investment properties  | 10   | 376,972   | 348,139   |
| Other investments  |      | 4,000   | 4,000   |
| Other receivables  |      | 1,104   | 1,201   |
| Deferred tax assets  |      | 2,588   | 1,223   |
|  |      | <u>1,223,370</u>  | <u>1,209,681</u>  |
| <b>Current Assets</b>  |      |   |   |
| Property development costs   |      | 535,001   | 483,559   |
| Inventories  |      | 95,660  | 90,322  |
| Trade receivables  |      | 124,269   | 149,526   |
| Other receivables  |      | 46,447  | 56,865  |
| Tax recoverable  |      | 8,791   | 11,491  |
| Deposits with licensed banks   |      | 49,620  | 101,709   |
| Cash and bank balances   |      | 26,907  | 34,343  |
|  |      | <u>886,695</u>  | <u>927,815</u>  |
| <b>Total Assets</b>  |      | <u>2,110,065</u>  | <u>2,137,496</u>  |
| <b>EQUITY AND LIABILITIES</b>  |      |   |   |
| <b>Equity attributable to equity holders of the parent</b>                     |      |   |   |
| Share capital  |      | 1,206,962   | 1,206,962   |
| Share premium  |      | 8,977   | 8,977   |
| Treasury shares  |      | (1,904)   | (1,904)   |
| Warrant reserves   |      | 21,482  | 21,482  |
| Merger deficit   |      | (188,412)   | (188,412)   |
| Accumulated losses   |      | (64,613)  | -   |
| <b>Shareholders' equity</b>  |      | <u>982,492</u>  | <u>1,047,105</u>  |
| <b>Non-Current Liabilities</b>   |      |   |   |
| Long term borrowings   | 22   | 275,076   | 319,626   |
| Provisions for liabilities   |      | 1,297   | 499   |
| Long term payables   |      | 125,856   | 89,017  |
| Deferred tax liabilities   |      | 67,249  | 72,487  |
|  |      | <u>469,478</u>  | <u>481,629</u>  |
| <b>Current Liabilities</b>   |      |   |   |
| Short term borrowings  | 22   | 247,976   | 242,224   |
| Trade payables   |      | 278,333   | 246,093   |
| Other payables   |      | 95,251  | 76,326  |
| Provisions for liabilities   |      | 34,297  | 34,621  |
| Tax payable  |      | 2,238   | 9,498   |
|  |      | <u>658,095</u>  | <u>608,762</u>  |
| <b>Total Liabilities</b>   |      | <u>1,127,573</u>  | <u>1,090,391</u>  |
| <b>Total Equity and Liabilities</b>  |      | <u>2,110,065</u>  | <u>2,137,496</u>  |
| <b>Net assets per share attributable to equity holders of the parent (sen)</b> |      | <u>81</u>   | <u>87</u>   |

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008

(The figures have not been audited)

|  | ← Non-distributable →      |                              |                            |                               | → Distributable             |   | Total<br>RM'000  |
|--|----------------------------|------------------------------|----------------------------|-------------------------------|-----------------------------|---|------------------|
|  | Share<br>Capital<br>RM'000 | Treasury<br>Shares<br>RM'000 | Share<br>Premium<br>RM'000 | ^ Other<br>Reserves<br>RM'000 | Merger<br>Deficit<br>RM'000 | (Accumulated<br>Losses)/<br>Retained<br>profits<br>RM'000 |                  |
| <b>At 1 July 2007</b>  | 1,206,962                  | (1,904)                      | 8,977                      | 21,482                        | (188,412)                   | -   | 1,047,105        |
| Loss for the year  | -                          | -                            | -                          | -                             | -                           | (55,701)  | (55,701)         |
| Dividends  | -                          | -                            | -                          | -                             | -                           | (8,912)   | (8,912)          |
| <b>At 30 June 2008</b>   | <u>1,206,962</u>           | <u>(1,904)</u>               | <u>8,977</u>               | <u>21,482</u>                 | <u>(188,412)</u>            | <u>(64,613)</u>   | <u>982,492</u>   |
| <b>At 1 July 2006</b>  |                            |                              |                            |                               |                             |   |                  |
| <b>As previously stated</b>  | 1,206,962                  | (1,904)                      | 8,977                      | 21,482                        | (158,786)                   | -   | 1,076,731        |
| Changes in accounting policy:  |                            |                              |                            |                               |                             |   |                  |
| Transfer of revaluation<br>surplus of investment<br>properties to retained profits | -                          | -                            | -                          | -                             | (311,260)                   | 279,621   | (31,639)         |
| Transfer to merger deficit account   | -                          | -                            | -                          | -                             | (470,046)                   | 279,621   | 1,045,092        |
| <b>As restated</b>   | <u>1,206,962</u>           | <u>(1,904)</u>               | <u>8,977</u>               | <u>21,482</u>                 | <u>(470,046)</u>            | <u>279,621</u>  | <u>1,045,092</u> |
| Profit for the period  | -                          | -                            | -                          | -                             | -                           | 10,804  | 10,804           |
| Dividends  | -                          | -                            | -                          | -                             | -                           | (8,791)   | (8,791)          |
| Transfer to merger deficit account   | -                          | -                            | -                          | -                             | 281,634                     | (281,634)   | -                |
| <b>At 30 June 2007</b>   | <u>1,206,962</u>           | <u>(1,904)</u>               | <u>8,977</u>               | <u>21,482</u>                 | <u>(188,412)</u>            | <u>-</u>  | <u>1,047,105</u> |

^ Included in other reserves is warrant reserves of RM21,482,000. Warrant reserves represent the fair value of warrants issued after 1 July 2002 and are recognised when the rights to these warrant reserves are established.

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

(The figures have not been audited)

|   | 12 Months Ended<br>30/06/2008<br>RM'000 | 12 Months Ended<br>30/06/2007<br>RM'000 |
|---|---|---|
| Net cash used in operating activities   | (21,661)                                | (13,048)                                |
| Net cash used in investing activities   | (1,189)                                 | (88,723)                                |
| Net cash (used in)/generated from financing activities                        | (46,797)                                | 38,873                                  |
| <b>Net decrease in cash and cash equivalents</b>                              | <b>(69,647)</b>                         | <b>(62,898)</b>                         |
| <b>Cash and cash equivalents at beginning of financial year</b>               | <b>3,093</b>                            | <b>65,780</b>                           |
| <b>Cash and cash equivalents at end of financial year</b>                     | <b>(66,554)</b>                         | <b>2,882</b>                            |
| Cash and cash equivalents at end of financial year comprise of the following: |   |   |
| Cash and bank balances  | 26,907                                  | 34,343                                  |
| Deposits with licensed banks  | 49,620                                  | 101,709                                 |
| Bank overdrafts (included within short term borrowings in Note 22)            | (143,081)                               | (133,170)                               |
|   | <b>(66,554)</b>                         | <b>2,882</b>                            |

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the financial statements.

**MK LAND HOLDINGS BERHAD**  
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**PART A - EXPLANATORY NOTES**

**1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2007. 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 30 June 2007.

**2 Accounting Policies**

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2007 except for the adoption of the following new/revised FRSs:

**Effective for financial period beginning on or after 1 October 2006**

|         |                           |
|---------|---------------------------|
| FRS 117 | Leases                    |
| FRS 124 | Related Party Disclosures |

**Effective for financial period beginning on or after 1 January 2007**

|       |   |
|-------|---|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
|-------|---|

**Effective for financial period beginning on or after 1 July 2007**

|         |   |
|---------|---|
| FRS 107 | Cash Flow Statements  |
| FRS 111 | Construction Contracts  |
| FRS 118 | Revenue   |
| FRS 119 | Employee Benefits   |
| FRS 120 | Accounting for Government Grants and Disclosure<br>of Government Assistance |
| FRS 126 | Accounting and Reporting by Retirement Benefits Plans                       |
| FRS 129 | Financial Reporting in Hyperinflationary Economies                          |
| FRS 134 | Interim Financial Reporting   |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets                    |

FRS 6, 120, 126 and 129 are not relevant to the Group's operations.

The adoption of other FRSs does not have any significant financial impact on the Group except for the followings:

**FRS 117 "Leases"**

The adoption of the revised FRS 117 has affected the presentation of leasehold land currently classified under property, plant and equipment, which is now required to be presented as prepaid lease payments as a separate line item under non-current assets and is to be amortised on a straight-line basis over the lease terms.

With the adoption of FRS 117, the reclassification of leasehold land has been accounted for retrospectively and the amount of RM33,422,649 has been reclassified to prepaid lease payments as at 30 June 2007.

**3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 30 June 2007 was not qualified.

**4 Comments About Seasonal or Cyclical Factors**

The business operations of the Group is generally affected by the nation's state of economy.

**5 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 during the current quarter.

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**PART A - EXPLANATORY NOTES**

**6 Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

**7 Debt and Equity Securities**

On 29 June 2008, there was an exercise to convert 300,000 warrants into new ordinary shares. The new 300,000 ordinary shares were issued on 2 July 2008. The remaining outstanding warrants not converted expired on 30 June 2008 and were removed from the official list of Bursa Securities with effect from 1 July 2008.

Other than the above, there were no issuance of debt and equity securities, share buy backs, share cancellations, shares held as treasury share and resale of treasury shares during the financial quarter ended 30 June 2008.

**8 Dividends**

A final dividend in respect of the financial year ended 30 June 2007, of 1% less 26% taxation on 1,204,289,984 ordinary shares, amounting to RM8,911,746 (0.7sen net per ordinary share) was paid on 12 March 2008. No interim dividend has been declared by the Board for the financial period ended 30 June 2008.

**9 Segmental Information**

|                               | <b>12 months ended</b> | <b>12 months ended</b> |
|-------------------------------|------------------------|------------------------|
|                               | <b>30.06.2008</b>      | <b>30.06.2007</b>      |
|                               | <b>RM'000</b>          | <b>RM'000</b>          |
| <b>Segment Revenue</b>        |                        |                        |
| Leisure                       | 46,273                 | 42,320                 |
| Investment                    | 47,276                 | 48,451                 |
| Property development          | 80,612                 | 196,729                |
| Others                        | 8,033                  | 3,021                  |
|                               | 182,194                | 290,521                |
| Eliminations                  | (46,388)               | (48,984)               |
| Total revenue                 | 135,806                | 241,537                |
| <b>Segment Results</b>        |                        |                        |
| Leisure                       | 1,062                  | (1,838)                |
| Investment                    | 8,158                  | 5,380                  |
| Property development          | (53,142)               | 31,530                 |
| Others                        | 2,744                  | 194                    |
| (Loss)/profit from operations | (41,178)               | 35,266                 |

Segment reporting by geographical segments has not been prepared as all activities of the Group are carried out in Malaysia only.

**10 Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment and investment properties have been revalued at the end of the financial year ended 30 June 2008.

**11 Changes in the Composition of the Group**

There were no material changes in the composition of the Group during the current financial period.

**12 Subsequent events**

There were no material events subsequent to the end of the current financial period.

**13 Commitments**

There were no commitments at the end of the current financial period.

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**PART A - EXPLANATORY NOTES**

**14 Changes in Contingent Liabilities and Contingent Assets**

**a) Corporate guarantees**

Contingent liabilities in respect of corporate guarantees issued by the holding company to licensed banks for credit facilities granted to subsidiaries amounts to RM288,040,000 as at 30 June 2008.

**b) Gain on sale of investment properties**

Between financial years 2002 and 2004, a wholly owned subsidiary, Medan Prestasi Sdn Bhd ("MPSB") disposed off certain investment properties and filed the necessary forms as required by the Real Property Gains Tax Act, 1976. The Inland Revenue Board ("IRB") contended that the gain from the sale should be subject to income tax instead of the Real Property Gains Tax and has raised an assessment of about RM12.6 million (inclusive of a penalty of RM3.9 million). MPSB after due consideration and in consultation with its tax agent disagrees with the IRB position and had appealed against the assessment. The directors have decided that a provision will not be made in the accounts for this amount as MPSB is disputing the assessment on technical grounds and has made an appeal for a stand over from payment of the tax till the matter is resolved.

IRB has on 12 November 2007 issued a letter to inform that they are maintaining their stand that the sale of land is subject to income tax and there will be no waiver of penalty and stand over on the tax payable.

The management has vide its letters dated 28 November 2007 appealed to the Director General of IRB as the said properties have always been classified as investment properties in the records/accounts of MPSB.

The IRB has on 2 January 2008 imposed additional late payment penalties of about RM2 million on the above outstanding tax payable.

The management has responded and requested IRB to consider our appeals.

The IRB has on 16 June 2008 issued a letter to reject our appeals. In response, the management has submitted the notice of Appeal to the Special Commissions of Income Tax (Form Q) to the IRB on 7 August 2008.

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

### 15 Performance Review

The Group recorded revenue and loss after taxation of RM17.0 million and RM37.6 million respectively for the current quarter ended 30 June 2008.

The losses incurred for the financial year ended 2008 are largely due to additional cost incurred to complete projects as a result of errant contractors being terminated and provisions made for Liquidated Ascertained Damages (LAD) payable to purchasers.

During the current year under review, there was also lower quantum of gain recognised on revaluation of investment properties.

### 16 Variations of Results Against The Preceding Quarter

The Group recorded a revenue of RM17.0 million, a decrease of 66.3% (or RM33.4 million), compared to revenue of RM50.4 million recorded in the immediate preceding quarter mainly due to lower sales and lower construction progress achieved during the quarter. The lower revenue as well as provisions made for incremental costs of development have contributed to a loss after taxation of RM37.6 million for the current quarter as compared to a net profit of RM0.2 million in the immediate preceding quarter.

### 17 Commentary on Prospects

Since July 2008, a 'Repositioning Exercise' is being carried out by the Group with the objectives, inter-alia, of :

- i) Raising substantial cash for the Group via sale of land(s) and increase in sales of existing products;
- ii) Re-evaluating the strategic direction of the Group;
- iii) Enhancing the quality of management in the Group; and
- iv) Increasing the profitability of the Group in the near future.

To-date the Repositioning Exercise has successfully met its immediate tasks of meeting the Tranche 1 Bonds payments of RM30.0 million due in August 2008. Going forward, the Board is of the view that with the Repositioning Exercise, the Group should be in a better strategic and financial position to meet its challenges for the financial year ending 2009.

### 18 Profit Forecast and Profit Guarantee

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

### 19 Taxation

|   | 12 months ended<br>30.06.2008<br>RM'000 | 12 months ended<br>30.06.2007<br>RM'000 |
|---|---|---|
| Income tax  |   |   |
| Charge for the year                                   | 5,296                                   | 2,299                                   |
| Overprovided in prior years                           | (4,323)                                 | (1,458)                                 |
| Deferred tax  |   |   |
| Due to origination and reversal of timing differences | (8,306)                                 | 5,735                                   |
|   | <u>(7,333)</u>                          | <u>6,576</u>                            |

The effective tax rate for the Group is higher than the statutory tax rate at 26% principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

### 20 Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties during the financial period ended 30 June 2008 except for disposals of shops classified as investment properties with a net carrying amount of RM433,000.



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

### 21 Status of Corporate Proposals

#### a) Employee Shares Option Scheme

The Employee Share Option Scheme ("ESOS") was terminated on 29 November 2002 at an Extraordinary General Meeting. At the same time, the Company also announced its intention to establish a new ESOS for eligible employees and directors of the Group. The proposed new ESOS will give them the right to subscribe for 120,440,878 new ordinary shares in the Company of RM1.00 each for a price that would be determined at a later date. The approval from the Securities Commission on the proposed new ESOS was obtained on 9 January 2003 but has not been implemented to date.

#### b) Share Buy-Back Scheme

A renewal of the Share Buy-Back Scheme mandate was tabled and approved by the shareholders at the AGM on 13 December 2007. The actual number of shares which may be purchased and the timing of the purchase(s) will depend on, inter-alia, market conditions, the availability of retained earnings/share premium and financial resources of the Company as well as the Bursa Securities Malaysia Berhad ("Bursa Securities") requirement to maintain necessary shareholding spread and minimum issued and paid-up share capital. The Share Buy-Back will be financed through internally generated funds and/or borrowings. There were no shares repurchased during the current quarter.

#### c) Proposed Private Placement

On 12 September 2007, the Company announced a proposal to issue new ordinary shares of RM1.00 each in M K Land Holdings Berhad, not exceeding ten percent (10%) of its issued and paid-up share capital, through a private placement exercise.

The proposed private placement was approved by the Securities Commission on 24 October 2007 and subsequently by Bursa Malaysia on 5 November 2007 but has not been implemented to date.

The Securities Commission has approved the extension of time till 23 October 2008 to implement the proposed private placement.

### 22 Borrowings and Debt Securities

|                                       | As at<br>30.06.2008<br>RM'000 | As at<br>31.03.2008<br>RM'000 |
|---------------------------------------|-------------------------------|-------------------------------|
| <b>Short Term Borrowings :</b>        |                               |                               |
| <b>Secured</b>                        |                               |                               |
| Bank overdrafts                       | 143,081                       | 136,293                       |
| Hire purchase payables                | 93                            | 184                           |
| Short term portion of long term loans | 44,802                        | 67,724                        |
| Short term portion of Bonds           | 60,000                        | 60,000                        |
| Total                                 | <u>247,976</u>                | <u>264,201</u>                |
| <b>Long Term Borrowings :</b>         |                               |                               |
| <b>Secured</b>                        |                               |                               |
| Tranche 1 & 2 Bonds                   | 120,000                       | 120,000                       |
| Less: Discount                        | (1,683)                       | (2,152)                       |
|                                       | <u>118,317</u>                | <u>117,848</u>                |
| Less: Short term portion of Bonds     | (60,000)                      | (60,000)                      |
| Hire purchase payables                | 54                            | 98                            |
| Term loans (long term portion)        | 176,705                       | 190,665                       |
|                                       | <u>235,076</u>                | <u>248,611</u>                |
| <b>Unsecured</b>                      |                               |                               |
| Term loan                             | 40,000                        | 40,000                        |
| Total                                 | <u>275,076</u>                | <u>288,611</u>                |
| <b>Total Borrowings</b>               | <u>523,052</u>                | <u>552,812</u>                |

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

**22 Borrowings and Debt Securities (Contd)**

Included in long term borrowings are RM120,000,000 3, 5 and 7-year 4.5% secured bonds 2002/2009 at a nominal value of RM1 each, with a carrying value of RM118.3 million. All the above borrowings are denominated in Ringgit Malaysia.

On 7 July 2008, the Bondholders have granted indulgence for:-

- i) the placement of RM30 million (being the second and final installment) of Tranche 1 Bonds to 25 August 2008; and
- ii) the placement of RM30 million (being the first installment) of Tranche 2 Bonds to 13 June 2009.

The placement of RM30 million Tranche 1 Bonds has been effected into the Sinking Fund Account accordingly.

**23 Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

**24 Changes in Material Litigation**

As at 25 August 2008, there were no changes in material litigation save as disclosed below since the last audited balance sheet date of 30 June 2007.

- a) Saujana Triangle Sdn Bhd ("STSB") had vide Kuala Lumpur High Court Suit No. S2-22-854-2006 brought a claim against the guarantor who had executed a letter of guarantee dated 16 August 2003 ("Letter of Guarantee") in respect of the sum of RM10.5 million being the advance/interim payment STSB released to Kenwin Engineering Sdn Bhd ("KESB"). Pursuant to a Letter of Acceptance dated 5/7/2002, ("the Building Contract") STSB had appointed KESB as the Main Contractors to construct and complete a Project known as "Cadangan Pembangunan 6 Blok Rumah Pangsa yang mengandungi 2 Blok Rumah Pangsa Kos Rendah, 1 Blok Rumah Pangsa Kos Sederhana Rendah, 3 Blok Rumah Pangsa Kos Sederhana dan Apartment, Kemudahan-Kemudahan Awam serta Tempat Letak Kereta di atas sebahagian Lot PT 31429 dan Lot PT 31430, Mukim Sungai Buloh, Daerah Petaling Jaya, Selangor Darul Ehsan. The guarantor was at all material times the director of KESB.

STSB has filed a Writ and Statement of Claim against the Defendant on 24 August 2006 for recovery of the balance of RM6.5 million together with interest. Personal service on the Defendant has been unsuccessful. Our application for substituted service was granted on 16 February 2007 and the Writ has been served by substituted service. No appearance was filed by the Defendant. Judgement in Default dated 19 February 2008 has been extracted and served on 28 April 2008.

- b) Medan Prestasi Sdn Bhd ("MPSB"), a wholly owned subsidiary of MK Land had vide Kuala Lumpur High Court S1-22-13-2006 brought a claim of RM34,513,194 (inclusive of RM13.5 million being advances/interim payments made by MPSB to Bennes Engineering Sdn Bhd ("BESB")) against the guarantors ("the Defendants") under the 1st Letter of Guarantee dated 30 May 2002 and the 2nd Letter of Guarantee dated 26 February 2003, together with interests and costs. The claim arose from a Letter of Acceptance dated 26 March 2002 and a Supplementary Agreement dated 26 February 2003 ("the Building Contract") made between MPSB, as developer, and BESB, as Main Contractors for the construction and completion of the project known as "Cadangan Pembangunan 2 Blok Apartment dan Podium Letak Kereta Bagi Fasa 1A Di Atas Lot PT 36234, Mukim Sungai Buloh, Daerah Petaling, Selangor, ("the Project") and the Letters of Guarantees entered by the Defendants to guarantee the performance of BESB in the Project. BESB had defaulted and breached the terms and conditions of the Building Contract. The Defendants/Guarantors were at all material times the directors of B

MPSB's application for Summary Judgement was dismissed by the court on 25 January 2008 but the solicitor of MPSB has on 4 February 2008 filed an appeal with the Judge in Chambers.

Appeal and case management on the Summary Judgement was fixed for hearing on 9 September 2008.

# MK LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

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

### 24 Changes in Material Litigation (Cont'd)

- c) Felcra Berhad ("Felcra") had vide Ipoh High Court Originating Summons No. M4-24-73-2006 brought a claim against M.K. Development Sdn Bhd ("MKDSB"), a wholly owned subsidiary of MK Land, for the sum of RM20,243,090.

Pursuant to the Privatisation Agreement dated 27 March 1996 entered into between the State Government of Perak and MKDSB for the development of State Land, (which includes a portion of land being cultivated and managed by Felcra) a compensation amount of RM20,243,090 is to be provided and payable to Felcra in accordance with the progress of development to be undertaken by MKDSB.

The land concerned has already been alienated to MKDSB by the State Government of Perak on 9 January 1997. However, MKDSB has yet to commence development on the land being cultivated by Felcra and hence the claim for compensation by Felcra is premature and invalid at this juncture. The solicitors for MKDSB are of the view that MKDSB will succeed in its defence against Felcra's claim in this legal suit as Felcra was not a party to the Privatisation Agreement and hence has no right to bring the action against MKDSB.

Ipoh High Court has fixed the next mention date on 26 September 2008 to hear MKDSB's application to determine a preliminary issues/questions of law pursuant to Order 14A of the Rules of High Court 1980.

### 25 Earnings per share

#### a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period:

|   | 12 months ended<br>30.06.2008 | 12 months ended<br>30.06.2007 |
|---|-------------------------------|-------------------------------|
| Net (loss)/profit for the period (RM'000)               | (55,701)                      | 10,804                        |
| Weighted average no. of ordinary shares in issue ('000) | 1,206,962                     | 1,206,962                     |
| Basic (loss)/earnings per share (sen)                   | <u>(4.61)</u>                 | <u>0.90</u>                   |

#### b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the period and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of potential ordinary shares.

The dilutive potential ordinary shares of the Group comprises outstanding warrants.

|   | 12 months ended<br>30.06.2008 | 12 months ended<br>30.06.2007 |
|---|-------------------------------|-------------------------------|
| Net (loss)/profit for the period (RM'000)   | <u>(55,701)</u>               | <u>10,804</u>                 |
| Weighted average no. of ordinary shares issued ('000)   | 1,206,962                     | 1,206,962.00                  |
| Adjustment for shares assumed to be issued from the exercise of warrants at no consideration ('000) | <u>-</u>                      | <u>-</u>                      |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000)                    | <u>1,206,962</u>              | <u>1,206,962.00</u>           |
| Diluted (loss)/earnings per share (sen)   | <u>(4.61)</u>                 | <u>0.90</u>                   |

The Group's diluted earnings per share equal to basic earnings per share because the assumed exercise of warrants does not have any dilutive effect.

### 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 26 August 2008.