

**M K LAND HOLDINGS BERHAD**

(INCORPORATED IN MALAYSIA) - 40970 H

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q1)		CUMULATIVE QUARTER (3 Mths)	
		CURRENT YEAR QUARTER 30/09/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2007 RM'000	CUMULATIVE CURRENT YEAR 30/09/2008 RM'000	CUMULATIVE PRECEDING YEAR 30/09/2007 RM'000
Revenue	9	76,853	33,822	76,853	33,822
Cost of sales		(41,543)	(20,057)	(41,543)	(20,057)
Gross profit		35,310	13,765	35,310	13,765
Other operating income		1,204	1,457	1,204	1,457
Administrative expenses		(10,125)	(11,274)	(10,125)	(11,274)
Selling and marketing expenses		(1,535)	(1,740)	(1,535)	(1,740)
Other operating expenses		(5,154)	(4,115)	(5,154)	(4,115)
Profit/(loss) from operations	9	19,700	(1,907)	19,700	(1,907)
Finance costs		(6,640)	(6,023)	(6,640)	(6,023)
Profit/(loss) before taxation		13,060	(7,930)	13,060	(7,930)
Taxation	19	(8,149)	(525)	(8,149)	(525)
Profit/(loss) for the period		4,911	(8,455)	4,911	(8,455)
Attributable to:					
Equity holders of the parent		4,911	(8,455)	4,911	(8,455)
Earnings/(loss) per share (sen)					
Basic	25	0.41	(0.70)	0.41	(0.70)

The unaudited condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 30/09/2008 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2008 RM'000 (Restated)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	125,473	127,482
Prepaid lease payments		32,273	32,372
Land held for property development		598,139	601,573
Investment properties	10	363,257	363,257
Other investments		4,000	4,000
Other receivables		249	249
Deferred tax assets		2,257	2,257
		1,125,648	1,131,190
<b>Current Assets</b>			
Property development costs		576,358	615,142
Inventories		137,361	112,773
Trade receivables		124,916	127,220
Other receivables		33,389	33,460
Tax recoverable		9,436	11,414
Deposits with licensed banks		8,932	50,012
Cash and bank balances		25,064	26,812
		915,456	976,833
<b>Total Assets</b>		2,041,104	2,108,023
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,207,262	1,206,962
Reserves		(224,419)	(229,387)
		982,843	977,575
<b>Non-Current Liabilities</b>			
Long term borrowings	22	270,060	265,925
Provisions for liabilities		412	541
Long term payables		87,913	87,913
Deferred tax liabilities		70,681	70,681
		429,066	425,060
<b>Current Liabilities</b>			
Short term borrowings	22	238,516	284,891
Trade payables		264,582	279,152
Other payables		74,601	92,679
Provisions for liabilities		47,636	43,626
Tax payable		3,860	5,040
		629,195	705,388
<b>Total Liabilities</b>		1,058,261	1,130,448
<b>Total Equity and Liabilities</b>		2,041,104	2,108,023
<b>Net assets per share attributable to equity holders of the parent (sen)</b>		81	81

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

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

(The figures have not been audited)

	← Non-distributable →				Distributable		Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Other Reserves RM'000	Merger Deficit RM'000	(Accumulated Losses)/ Retained Profits RM'000	
<b>At 1 July 2008</b>	1,206,962	(1,904)	8,977		(188,152)	(48,308)	977,575
Issued during the period	300		57				357
Profit for the period	-	-	-	-	-	4,911	4,911
<b>At 30 September 2008</b>	<u>1,207,262</u>	<u>(1,904)</u>	<u>9,034</u>	<u>-</u>	<u>(188,152)</u>	<u>(43,397)</u>	<u>982,843</u>
<b>At 1 July 2007</b>	1,206,962	(1,904)	8,977	21,482	(188,412)		1,047,105
Effect of tax rate reduction					260		260
Loss for the year						(60,878)	(60,878)
Transfer of warrant reserves				(21,482)		21,482	-
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>-</u>	<u>(188,152)</u>	<u>(48,308)</u>	<u>977,575</u>

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 2008 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 SEPTEMBER 2008**

(The figures have not been audited)

	<b>3 Months Ended 30/09/2008 RM'000</b>	<b>3 Months Ended 30/09/2007 RM'000</b>
Net cash generated from/(used in) operating activities	14,055	(54,868)
Net cash generated from investing activities	357	114
Net cash used in financing activities	<u>(57,240)</u>	<u>(15,610)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(42,828)</b>	<b>(70,364)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>(66,258)</b>	<b>2,882</b>
<b>Cash and cash equivalents at end of financial year</b>	<b><u>(109,086)</u></b>	<b><u>(67,482)</u></b>
 <b>Cash and cash equivalents at end of financial year comprise of the following:</b>		
Cash and bank balances	25,064	13,116
Deposits with licensed banks	8,932	54,747
Bank overdrafts (included within short term borrowings in Note 22)	<u>(143,082)</u>	<u>(135,345)</u>
	<b>(109,086)</b>	<b>(67,482)</b>

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the financial statements.

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

### 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 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 30 June 2008.

#### 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 2008.

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

The auditors' report on the financial statements for the financial year ended 30 June 2008 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.

#### 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 September 2008.

#### 8 Dividends

No dividend has been declared by the Board for the financial period ended 30 September 2008.

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

### PART A - EXPLANATORY NOTES

#### 9 Segmental Information

	3 months ended 30/09/2008 RM'000	3 months ended 30/09/2007 RM'000
<b>Segment Revenue</b>		
Leisure	8,815	11,727
Investment	6,574	6,544
Property development	65,143	20,740
Others	2,668	1,344
	<u>83,200</u>	<u>40,355</u>
Eliminations	(6,347)	(6,533)
Total revenue	<u>76,853</u>	<u>33,822</u>
<b>Segment Results</b>		
Leisure	(1,807)	360
Investment	4,347	3,627
Property development	16,050	(6,398)
Others	1,110	504
Profit/(loss) from operations	<u>19,700</u>	<u>(1,907)</u>

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.

#### 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 RM285,245,000 as at 30 September 2008.

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

### PART A - EXPLANATORY NOTES

#### 14 Changes in Contingent Liabilities and Contingent Assets (Contd)

##### 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.

On 22 April 2008, IRB rejected MPSB's appeal and demanded MPSB to pay the outstanding tax and additional penalties amounting to RM14,586,000.

The directors have decided that a provision will not be made for this amount as MPSB is disputing the assessment on technical grounds and has submitted the Notice of Appeal to the Special Commissioners of Income Tax on 7 August 2008.

### 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 profit after taxation of RM76.9 million and RM4.9 million respectively for the current quarter ended 30 September 2008.

The revenue and profit after tax is contributed mainly from the sale of properties in the Klang Valley.

#### 16 Variations of Results Against The Preceding Quarter

The Group recorded a revenue of RM76.9 million, a increase of 351.8% (or RM59.9 million), compared to revenue of RM17.0 million recorded in the immediate preceding quarter mainly due to higher sales of properties during the quarter. The higher revenue has contributed to a profit after taxation of RM4.9 million for the current quarter as compared to a loss of RM37.6 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 repayment schedule of the Tranche 1 Bonds and returning the Group to profitability. Going forward, the Board is cautiously optimistic that the Group is able to meet the challenges to achieve profitability and growth.

#### 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.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

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

#### 19 Taxation

	3 months ended 30/09/2008 RM'000	3 months ended 30/09/2007 RM'000
Income tax charge for the year	<u>8,149</u>	<u>525</u>

The effective tax rate for the Group is higher than the statutory tax rate at 25% 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 September 2008.

#### 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.

On 24 October 2008, the Company announced its intention to seek the approval of its shareholders at the forthcoming Annual General Meeting to be held on 4 December 2008 on the proposed renewal of the share buy-back mandate.

##### 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 April 2009 to implement the proposed private placement.



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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

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

#### 22 Borrowings and Debt Securities

	As at 30/09/2008 RM'000	As at 30/06/2008 RM'000
<b>Short Term Borrowings :</b>		
<b>Secured</b>		
Bank overdrafts	140,096	131,832
Hire purchase payables	84	139
Short term portion of long term loans	36,564	46,670
Short term portion of Bonds	58,786	60,000
	<u>235,530</u>	<u>238,641</u>
<b>Unsecured</b>		
Bank overdrafts	2,986	46,250
Total	<u>238,516</u>	<u>284,891</u>
<b>Long Term Borrowings :</b>		
<b>Secured</b>		
Tranche 1 & 2 Bonds	60,000	120,000
Less: Discount	(1,214)	(1,683)
	<u>58,786</u>	<u>118,317</u>
Less: Short term portion of Bonds	(58,786)	(60,000)
Hire purchase payables	34	52
Revolving credits	40,000	55,000
Term loans (long term portion)	190,026	112,556
	<u>230,060</u>	<u>225,925</u>
<b>Unsecured</b>		
Term loan	40,000	40,000
Total	<u>270,060</u>	<u>265,925</u>
<b>Total Borrowings</b>	<u>508,576</u>	<u>550,816</u>

Included in long term borrowings are RM60,000,000 3, 5 and 7-year 4.5% secured bonds 2002/2009 at a nominal value of RM1 each, with a carrying value of RM58.8 million. All the above borrowings are denominated in Ringgit Malaysia.

The Tranche 1 Bonds has been fully settled during the current quarter.

#### 23 Off Balance Sheet Financial Instruments

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

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

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

#### 24 Changes in Material Litigation

As at 24 November 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. Bankruptcy Notice was filed on 27 May 2008 but our solicitors were not able to serve the Notice on the Defendant personally. Our solicitors are in the process of serving the Notice by substituted service.

- b) Medan Prestasi Sdn Bhd ("MPSB"), a wholly owned subsidiary of MK Land had vide Kuala Lumpur High Court SI-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 BESB.

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. The Appeal proceeded on 10 September 2008 and is now fixed for decision on 26 November 2008.

The defendant's application to strike out Plaintiff's Writ and Statement of Claim which was fixed for hearing on 3 July 2008, was subsequently postponed to 1 August 2008 and now being fixed for further mention on 4 December 2008.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

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

#### 24 Changes in Material Litigation (Contd)

- 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 hearing date on 20 February 2009 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

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:

	3 months ended 30/09/2008	3 months ended 30/09/2007
Net profit/(loss) for the period (RM'000)	4,911	(8,455)
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,290
Earnings/(loss) per share (sen)	<u>0.41</u>	<u>(0.70)</u>

#### 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 27 November 2008.