

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2007 RM'000	CUMULATIVE CURRENT YEAR 31/12/2008 RM'000	CUMULATIVE PRECEDING YEAR 31/12/2007 RM'000
Revenue	9	47,770	34,547	124,624	68,369
Cost of sales		(24,538)	(19,585)	(66,083)	(39,643)
Gross profit		23,232	14,962	58,541	28,726
Other operating income		7,739	875	8,943	2,332
Administrative expenses		(10,467)	(10,964)	(20,592)	(22,238)
Selling and marketing expenses		(1,318)	(1,578)	(2,853)	(3,318)
Other operating expenses		(6,572)	(6,318)	(11,726)	(10,432)
Profit/(loss) from operations	9	12,614	(3,023)	32,313	(4,930)
Finance costs		(7,449)	(5,839)	(14,089)	(11,862)
Profit/(loss) before taxation		5,165	(8,862)	18,224	(16,792)
Taxation	19	38	(970)	(8,111)	(1,495)
Profit/(loss) for the period		5,203	(9,832)	10,113	(18,287)
Attributable to:					
Equity holders of the parent		5,203	(9,832)	10,113	(18,287)
Earnings/(loss) per share (sen)					
Basic	25	0.43	(0.82)	0.84	(1.52)

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 31 DECEMBER 2008

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2008 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2008 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	124,117	127,482
Prepaid lease payments		32,174	32,372
Land held for property development		599,570	601,573
Investment properties	10	331,957	363,257
Other investments		4,000	4,000
Other receivables		622	249
Deferred tax assets		2,257	2,257
		1,094,697	1,131,190
Current Assets			
Property development costs		574,354	615,142
Inventories		125,363	112,773
Trade receivables		129,742	127,220
Other receivables		39,804	33,460
Tax recoverable		9,643	11,414
Deposits with licensed banks		8,575	50,012
Cash and bank balances		20,496	26,812
		907,977	976,833
Total Assets		2,002,674	2,108,023
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,206,962
Reserves		(219,217)	(229,387)
		988,045	977,575
Non-Current Liabilities			
Long term borrowings	22	204,872	265,925
Provisions for liabilities		412	541
Long term payables		89,624	87,913
Deferred tax liabilities		70,681	70,681
		365,589	425,060
Current Liabilities			
Short term borrowings	22	300,166	284,891
Trade payables		197,541	279,152
Other payables		97,461	92,679
Provisions for liabilities		47,391	43,626
Tax payable		6,481	5,040
		649,040	705,388
Total Liabilities		1,014,629	1,130,448
Total Equity and Liabilities		2,002,674	2,108,023
Net assets per share attributable to equity holders of the parent (sen)		82	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.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

	← Non-distributable →					Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	^Other Reserves RM'000	Merger Deficit RM'000	Accumulated Losses RM'000	Total RM'000
At 1 July 2008	1,206,962	(1,904)	8,977		(188,152)	(48,308)	977,575
Issued during the period	300	-	57	-	-		357
Profit for the period	-	-	-	-	-	10,113	10,113
At 31 December 2008	1,207,262	(1,904)	9,034	-	(188,152)	(38,195)	988,045
At 1 July 2007	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)
At 30 June 2008	1,206,962	(1,904)	8,977	-	(188,152)	(48,308)	977,575

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.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

	6 Months Ended 31/12/2008 RM'000	6 Months Ended 31/12/2007 RM'000
Net cash used in operating activities	(2,333)	(50,127)
Net cash generated from investing activities	357	200
Net cash used in financing activities	(39,342)	(10,843)
Net decrease in cash and cash equivalents	(41,318)	(60,770)
Cash and cash equivalents at beginning of financial year	(67,482)	2,882
Cash and cash equivalents at end of financial year	(108,800)	(57,888)
Cash and cash equivalents at end of financial year comprise of the following:		
Cash and bank balances	20,496	21,659
Deposits with licensed banks	8,575	54,226
Bank overdrafts (included within short term borrowings in Note 22)	(137,871)	(133,773)
	(108,800)	(57,888)

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.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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

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 31 December 2008.

8 Dividends

No dividend has been declared by the Board for the financial period ended 31 December 2008.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

PART A - EXPLANATORY NOTES

9 Segmental Information

	3 months ended 31/12/2008 RM'000	3 months ended 31/12/2007 RM'000
Segment Revenue		
Leisure	13,166	14,482
Investment	3,172	6,546
Property development	31,734	18,569
Others	2,635	1,483
	<u>50,707</u>	<u>41,080</u>
Eliminations	(2,937)	(6,533)
Total revenue	<u>47,770</u>	<u>34,547</u>
Segment Results		
Leisure	2,591	2,629
Investment	394	3,564
Property development	8,689	(9,892)
Others	940	676
Profit/ (Loss) from operations	<u>12,614</u>	<u>(3,023)</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 RM306,349,000 as at 31 December 2008.

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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. MPSB has submitted a Notice of Appeal to the Special Commissioners of Income Tax on 7 August 2008.

Subsequent to the Appeal, the IRB has initiated a civil suit against MPSB and has served a writ of summon and statement of claim for RM13.5 million to MPSB on 8 January 2009. In response, on 22 January 2009, MPSB has filed an application for stay of proceedings and extension of time to file defence. The matter has been fixed for hearing on 25 February 2009.

The directors have decided that a provision will not be made for this amount as MPSB is disputing the assessment on technical grounds.

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 RM47.8 million and RM5.2 million respectively for the current quarter ended 31 December 2008.

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

16 Variations of Results Against The Preceding Quarter

The Group recorded a revenue of RM47.8 million, a decrease of 37.8% (or RM29.0 million), compared to revenue of RM76.8 million recorded in the immediate preceding quarter mainly due to higher sales during the preceding quarter. The profit after taxation of RM5.2 million for the current quarter increased by RM0.3 million as compared to RM4.9 million recorded in the immediate preceding quarter mainly due to an increase in the other operating income.

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.

The Repositioning Exercise has successfully met its immediate tasks of meeting the repayment schedule of the Tranche 1 Bonds and has return the Group to profitability due to improvements in sales and development activities. Barring any unforeseen circumstances, the Board anticipates better financial performance for the remaining periods of the financial year.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

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

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

	3 months ended 31/12/2008 RM'000	3 months ended 31/12/2007 RM'000
Income tax (Reversal)/ Charge for the period	<u>(38)</u>	<u>970</u>

During the period, there was no provision made for taxation. The reversal in taxation for the period was mainly due to losses in certain companies within the Group. The effective tax rate for the Group for the 6 months period 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

An investment property with a carrying value of RM31.3 million was disposed off during the financial period ended 31 December 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 4 December 2008. 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 April 2009 to implement the proposed private placement.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 31/12/2008 RM'000	As at 30/06/2008 RM'000
Short Term Borrowings :		
Secured		
Bank overdrafts	134,867	131,832
Revolving Credits	25,000	-
Hire purchase payables	87	139
Short term portion of long term loans	77,954	46,670
Short term portion of Bonds	59,254	60,000
	<u>297,162</u>	<u>238,641</u>
Unsecured		
Bank overdrafts	3,004	46,250
Total	<u>300,166</u>	<u>284,891</u>
Long Term Borrowings :		
Secured		
Tranche 1 & 2 Bonds	60,000	120,000
Less: Discount	(746)	(1,683)
	<u>59,254</u>	<u>118,317</u>
Less: Short term portion of Bonds	(59,254)	(60,000)
	<u>-</u>	<u>58,317</u>
Hire purchase payables	19	52
Revolving credits	64,954	55,000
Term loans (long term portion)	99,899	112,556
	<u>164,872</u>	<u>225,925</u>
Unsecured		
Term loan	40,000	40,000
Total	<u>204,872</u>	<u>265,925</u>
Total Borrowings	<u>505,038</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 RM59.2 million. All the above borrowings are denominated in Ringgit Malaysia.

The Tranche 1 Bonds has been fully settled during the period.

23 Off Balance Sheet Financial Instruments

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

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 19 February 2009, there were no changes in material litigation save as disclosed below since the last audited balance sheet date of 30 June 2008.

- 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. Judgement in Default dated 19 February 2008 has been extracted and served on 28 April 2008. Bankruptcy Notice was filed on 27 May 2008 and STSB's solicitors are in the midst of preparing the Creditors Petition.

- 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 BESB.

The Defendant's application to strike out MPSB's Writ and Statement of Claim was dismissed on 5 February 2009 with cost. The matter is now fixed for case management on 2 April 2009.

- 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 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.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2008

(The figures have not been audited)

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

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 31/12/2008	3 months ended 31/12/2007
Net profit/(loss) for the period (RM'000)	5,203	(9,832)
Weighted average no. of ordinary shares in issue ('000)	1,204,890	1,204,290
Earnings/(loss) per share (sen)	<u>0.43</u>	<u>(0.82)</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 19 February 2009.