

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2009

(The figures have not been audited)

| | Note | INDIVIDUAL QUARTER (Q2) | | CUMULATIVE QUARTER (6 Mths) | |
|--------------------------------|------|---|--|--|--|
| | | CURRENT YEAR QUARTER 31/12/2009 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/12/2008 RM'000 | CUMULATIVE CURRENT YEAR 31/12/2009 RM'000 | CUMULATIVE PRECEDING YEAR 31/12/2008 RM'000 |
| Revenue | 9 | 48,448 | 47,770 | 129,257 | 124,624 |
| Cost of sales | | (22,368) | (24,538) | (78,807) | (66,083) |
| Gross profit | | 26,080 | 23,232 | 50,450 | 58,541 |
| Other operating income | | 1,266 | 7,739 | 2,338 | 8,943 |
| Administrative expenses | | (11,428) | (10,467) | (22,537) | (20,592) |
| Selling and marketing expenses | | (3,143) | (1,318) | (4,465) | (2,853) |
| Other operating expenses | | (3,987) | (6,572) | (9,541) | (11,726) |
| Profit from operations | 9 | 8,788 | 12,614 | 16,245 | 32,313 |
| Finance costs | | (5,334) | (7,449) | (11,454) | (14,089) |
| Profit before taxation | | 3,454 | 5,165 | 4,791 | 18,224 |
| Taxation | 19 | 385 | 38 | 252 | (8,111) |
| Profit for the period | | 3,839 | 5,203 | 5,043 | 10,113 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 3,839 | 5,203 | 5,043 | 10,113 |
| Earnings per share (sen) | | | | | |
| Basic | 26 | 0.32 | 0.43 | 0.42 | 0.84 |

The unaudited condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 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 31 DECEMBER 2009

(The figures have not been audited)

| | Note | UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2009 RM'000 | AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2009 RM'000 |
|--|------|---|---|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 120,361 | 122,495 |
| Prepaid lease payments | | 30,131 | 31,838 |
| Land held for property development | | 597,461 | 597,461 |
| Investment properties | 10 | 179,342 | 179,342 |
| Other investments | | 4,000 | 4,000 |
| Deferred tax assets | | 803 | 803 |
| | | 932,098 | 935,939 |
| Current Assets | | | |
| Property development costs | | 529,916 | 529,039 |
| Inventories | | 128,308 | 143,405 |
| Trade receivables | | 146,891 | 164,913 |
| Other receivables | | 58,777 | 62,750 |
| Tax recoverable | | 13,529 | 16,611 |
| Deposits with licensed banks | | 3,588 | 72,948 |
| Cash and bank balances | | 18,680 | 15,665 |
| | | 899,689 | 1,005,331 |
| Total Assets | | 1,831,787 | 1,941,270 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 1,207,262 | 1,207,262 |
| Reserves | | (206,274) | (211,317) |
| | | 1,000,988 | 995,945 |
| Non-Current Liabilities | | | |
| Long term borrowings | 22 | 141,515 | 169,089 |
| Provisions for liabilities | | 20,924 | 20,924 |
| Deferred tax liabilities | | 22,017 | 22,299 |
| | | 184,456 | 212,312 |
| Current Liabilities | | | |
| Short term borrowings | 22 | 268,762 | 327,138 |
| Trade payables | | 169,948 | 217,343 |
| Other payables | | 194,972 | 168,704 |
| Provisions for liabilities | | 12,394 | 16,999 |
| Tax payable | | 267 | 2,829 |
| | | 646,343 | 733,013 |
| Total Liabilities | | 830,799 | 945,325 |
| Total Equity and Liabilities | | 1,831,787 | 1,941,270 |
| Net assets per share attributable to equity holders of the parent (sen) | | 83 | 82 |

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 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 2009**

(The figures have not been audited)

| | <-----Non-distributable-----> | | | | Distributable | |
|----------------------------|-------------------------------|----------------|--------------|------------------|-----------------|------------------|
| | Share Capital | Treasury | Share | Merger | Accumulated | Total |
| | RM'000 | Shares | Premium | Deficit | Losses | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 July 2009 | 1,207,262 | (1,904) | 9,034 | (188,152) | (30,295) | 995,945 |
| Profit for the period | - | - | - | - | 5,043 | 5,043 |
| At 31 December 2009 | <u>1,207,262</u> | <u>(1,904)</u> | <u>9,034</u> | <u>(188,152)</u> | <u>(25,252)</u> | <u>1,000,988</u> |
| 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 | - | - | - | - | 18,013 | 18,013 |
| At 30 June 2009 | <u>1,207,262</u> | <u>(1,904)</u> | <u>9,034</u> | <u>(188,152)</u> | <u>(30,295)</u> | <u>995,945</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 2009 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 31 DECEMBER 2009

(The figures have not been audited)

| | 6 Months Ended 31/12/2009 RM'000 | 6 Months Ended 31/12/2008 RM'000 |
|--|--|--|
| Net cash generated from/ (used in) operating activities | 17,898 | (2,333) |
| Net cash generated from investing activities | 1,707 | 357 |
| Net cash used in financing activities | <u>(80,947)</u> | <u>(39,342)</u> |
| Net decrease in cash and cash equivalents | (61,342) | (41,318) |
| Cash and cash equivalents at beginning of financial year | (46,576) | (67,482) |
| Cash and cash equivalents at end of financial year | <u>(107,918)</u> | <u>(108,800)</u> |
| Cash and cash equivalents at end of financial year comprise of the following: | | |
| Cash and bank balances | 3,588 | 20,496 |
| Deposits with licensed banks | 18,680 | 8,575 |
| Bank overdrafts (included within short term borrowings in Note 22) | <u>(130,186)</u> | <u>(137,871)</u> |
| | <u>(107,918)</u> | <u>(108,800)</u> |

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the financial statements.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2009

(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 2009. 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 2009.

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 2009.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2009 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 2009.

8 Dividends

No interim dividend has been declared by the Board for the financial period ended 31 December 2009.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2009

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PART A - EXPLANATORY NOTES

9 Segmental Information

| | 3 months ended 31/12/2009 RM'000 | 3 months ended 31/12/2008 RM'000 |
|------------------------|--|--|
| Segment Revenue | | |
| Property development | 30,623 | 31,734 |
| Leisure | 14,238 | 13,166 |
| Investment | 6,402 | 3,172 |
| Others | 3,360 | 2,635 |
| | <u>54,623</u> | <u>50,707</u> |
| Eliminations | (6,175) | (2,937) |
| Total revenue | <u>48,448</u> | <u>47,770</u> |
| Segment Results | | |
| Property development | 2,676 | 8,689 |
| Leisure | 3,282 | 2,591 |
| Investment | 1,746 | 394 |
| Others | 1,084 | 940 |
| Profit from operations | <u>8,788</u> | <u>12,614</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 investment properties have been revalued at the end of the financial year ended 30 June 2009.

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 RM278,369,000 as at 31 December 2009.

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(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. The IRB rejected MPSB's appeal and demanded MPSB to pay the outstanding tax and additional penalties amounting to RM14,586,000. MPSB has since submitted a Notice of Appeal to the Special Commissioners of Income Tax.

On 2 June 2009, the IRB has forwarded MPSB's appeal to the Special Commissioners of Income Tax ("SCIT") and the SCIT has fixed trial on 22 and 23 April 2010.

Subsequent to the initial appeal to the IRB, 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. In response, MPSB has filed an application for stay of proceedings and extension of time to file defence. The Court has given direction to both parties to file written submissions and fixed 11 February 2010 for oral submission. An undertaking has also been obtained by MPSB from the IRB that no proceedings will be taken against MPSB pending disposal of stay.

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 RM48.4 million and RM3.8 million respectively for the current quarter ended 31 December 2009.

The revenue and profit after taxation are contributed mainly from the sales and construction progress of development properties in the Klang Valley, as well as from its leisure division operations in the country.

16 Variations of Results Against The Preceding Quarter

The profit after taxation of RM3.8 million for the current quarter was higher by RM2.6 million as compared to RM1.2 million recorded in the preceding quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2009

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

17 Commentary on Prospects

The Group is cautiously optimistic on its prospects moving forward given the increased interests from purchasers in the Group's property development projects in the Klang Valley. In addition, the improvement in the global economy together with the various stimulus packages being rolled out by the government will augur well for the economy and the Group.

The Group has implemented a "three-pronged approach" which entailed sales of properties, cost-control measures and a corporate exercise to strengthen its position.

Barring any unforeseen circumstances, the Board anticipates better financial performance for the current financial year ending 30 June 2010.

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 31/12/2009 RM'000 | 3 months ended 31/12/2008 RM'000 |
|---|--|--|
| Reversal of deferred tax no longer required | 252 | - |
| Income tax reversal | 133 | 38 |
| | <u>385</u> | <u>38</u> |

During the period, the effective tax rate of the Group is lower than the statutory rate at 25% mainly due to availability of Group Tax Relief in accordance with S44A of the Income Tax Act, 1967.

20 Sale of Unquoted Investments and/or Investment Properties

There were no sales of unquoted investment and/or investment properties during the financial period ended 31 December 2009.

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 9 December 2009. 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.

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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 (Cont'd)

c) Proposed Rights Issue

On 14 January 2010, an announcement was made on Bursa that the Company will undertake a rights issue of equity link instruments to raise gross proceeds of not less than RM150 million. The proceeds of this proposed right issue are earmarked to partly repay bank borrowings and/or raise working capital.

The details of this proposed rights issue shall be made available at a later date after the terms of the proposed rights issue are finalised.

22 Borrowings and Debt Securities

| | As at 31/12/2009 RM'000 | As at 30/06/2009 RM'000 |
|---------------------------------------|-------------------------------|-------------------------------|
| Short Term Borrowings : | | |
| Secured | | |
| Bank overdrafts | 130,154 | 131,807 |
| Revolving Credits | 70,146 | 40,000 |
| Hire purchase payables | 119 | 48 |
| Short term portion of long term loans | 68,311 | 92,655 |
| Short term portion of Bonds | - | 59,628 |
| | <u>268,730</u> | <u>324,138</u> |
| Unsecured | | |
| Bank overdrafts | 32 | 3,000 |
| Total | <u>268,762</u> | <u>327,138</u> |
| Long Term Borrowings : | | |
| Secured | | |
| Tranche 2 Bonds | - | 60,000 |
| Less: Discount | - | (372) |
| | <u>-</u> | <u>59,628</u> |
| Less: Short term portion of Bonds | - | (59,628) |
| | <u>-</u> | <u>-</u> |
| Hire purchase payables | 414 | 5 |
| Revolving credits | 20,000 | 50,000 |
| Term loans (long term portion) | 81,101 | 79,084 |
| | <u>101,515</u> | <u>129,089</u> |
| Unsecured | | |
| Term loan | 40,000 | 40,000 |
| Total | <u>141,515</u> | <u>169,089</u> |
| Total Borrowings | <u>410,277</u> | <u>496,227</u> |

23 Acquisition of Subsidiary Company

On 14 January 2010, the Company acquired a company incorporated in Malaysia, Duta Realiti Sdn Bhd, which is dormant and has a paid-up capital of RM2.

24 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 2009

(The figures have not been audited)

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

25 Changes in Material Litigation

As at 25 January 2010, there were no changes in material litigation save as disclosed below since the last audited balance sheet date of 30 June 2009.

- 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 have served the Creditors Petition by substituted service. In the hearing on 7 December 2009, an Adjudication Order and Receiving Order were obtained but are pending extraction of sealed order.

- 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 18 March 2010.

- 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. On 30 October 2009, Ipoh High Court has dismissed MKDSB's application pursuant to Order 14A of the Rules of High Court 1980. However, MKDSB has filed an appeal to the Court of Appeal on the High Court's judgement to dismiss MKDSB's Order 14A application. The hearing for Originating Summon was fixed for mention on 15 March 2010. 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.

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(The figures have not been audited)

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

25 Changes in Material Litigation (Cont'd)

- d) On 6 April 2009, 171 purchasers ("Plaintiffs") of Lake Town Serviced Apartments ("LTSA"), Bukit Merah, have by way of class action commenced a civil suit in High Court to seek declaration for rescission of the Sales and Purchase Agreements ("SPA") signed from 2001 till 2005 between the Plaintiffs and Segi Objektif (M) Sdn Bhd ("SEGI"), a subsidiary of MK Land Holdings Berhad ("MKLHB"). The Plaintiffs have alleged that SEGI and MKLHB of Misrepresentation in the Recitals of the SPA and Breach of Terms of the SPA.

On 26 October 2009, the Court has allowed MKLHB's application to be struck off as a party to the suit. The Plaintiffs have made an appeal to the Court of Appeal on the striking off of MKLHB as a party to the suit. Nonetheless, our solicitors are of the opinion that SEGI have a good defence against the suit as the claims by the Plaintiffs are baseless and there is no breach of the terms in the SPA.

26 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 31/12/2009 | 3 months ended 31/12/2008 |
|---|------------------------------|------------------------------|
| Net profit for the period (RM'000) | 3,839 | 5,203 |
| Weighted average no. of ordinary shares in issue ('000) | 1,204,590 | 1,204,590 |
| Earnings per share (sen) | <u>0.32</u> | <u>0.43</u> |

27 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 29 January 2010.