

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q4)		CUMULATIVE QUARTER (12 Mths)	
		CURRENT YEAR QUARTER 30/06/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2009 RM'000	CUMULATIVE CURRENT YEAR 30/06/2010 RM'000	CUMULATIVE PRECEDING YEAR 30/06/2009 RM'000
Revenue	9	99,493	22,078	323,487	246,590
Cost of sales		(65,018)	(15,603)	(206,747)	(158,297)
Gross profit		34,475	6,475	116,740	88,293
Other operating income		1,674	(118)	5,048	12,899
Administrative expenses		(12,919)	(13,214)	(47,255)	(47,638)
Selling and marketing expenses		(1,801)	(2,666)	(12,184)	(6,791)
Other operating expenses		(10,176)	(23,797)	(25,076)	(36,477)
Profit/(loss) from operations	9	11,253	(33,320)	37,273	10,286
Finance costs		(6,565)	(9,868)	(25,019)	(35,915)
Profit/(loss) before taxation		4,688	(43,188)	12,254	(25,629)
Taxation	19	(558)	48,222	(1,055)	43,642
Profit for the period		4,130	5,034	11,199	18,013
Attributable to: Equity holders of the parent		4,130	5,034	11,199	18,013
Earnings per share (sen) Basic	25	0.34	0.42	0.93	1.50

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

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 30/06/2010 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2009 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		117,509	122,495
Prepaid lease payments		30,612	31,838
Land held for property development		603,066	597,461
Investment properties	10	178,477	179,342
Associated company		319	-
Other investments		4,000	4,000
Deferred tax assets		4,296	803
		938,279	935,939
<b>Current Assets</b>			
Property development costs		526,008	529,039
Inventories		126,678	143,405
Trade receivables		189,760	164,913
Other receivables		30,802	62,750
Tax recoverable		14,104	16,611
Deposits with licensed banks		3,803	72,948
Cash and bank balances		21,324	15,665
		912,479	1,005,331
<b>Total Assets</b>		1,850,758	1,941,270
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,207,262	1,207,262
Reserves		(200,118)	(211,317)
		1,007,144	995,945
<b>Non-Current Liabilities</b>			
Long term borrowings	22	128,090	119,089
Provisions for liabilities		3,818	20,924
Other payables		89,620	89,620
Deferred tax liabilities		26,832	22,299
		248,360	251,932
<b>Current Liabilities</b>			
Short term borrowings	22	268,437	377,138
Trade payables		174,156	217,343
Other payables		115,587	79,084
Provisions for liabilities		37,074	16,999
Tax payable		-	2,829
		595,254	693,393
<b>Total Liabilities</b>		843,614	945,325
<b>Total Equity and Liabilities</b>		1,850,758	1,941,270
<b>Net assets per share attributable to equity holders of the parent (sen)</b>		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.

# M K LAND HOLDINGS BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010

(The figures have not been audited)

	Share Capital RM'000	Treasury Shares RM'000	<-----Non-distributable----->		Distributable	Total RM'000
			Share Premium RM'000	Merger Deficit RM'000	Accumulated Losses RM'000	
At 1 July 2009	1,207,262	(1,904)	9,034	(188,152)	(30,295)	995,945
Profit for the year	-	-	-	-	11,199	11,199
At 30 June 2010	1,207,262	(1,904)	9,034	(188,152)	(19,096)	1,007,144
At 1 July 2008	1,206,962	(1,904)	8,977	(188,152)	(48,308)	977,575
Issued during the year	300	-	57	-	-	357
Profit for the year	-	-	-	-	18,013	18,013
At 30 June 2009	1,207,262	(1,904)	9,034	(188,152)	(30,295)	995,945

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 30 JUNE 2010

(The figures have not been audited)

	12 Months Ended 30/06/2010 RM'000	12 Months Ended 30/06/2009 RM'000
Net cash used in operating activities	(34,442)	(55,445)
Net cash (used in) / generated from investing activities	(1,772)	122,776
Net cash used in financing activities	<u>(21,441)</u>	<u>(47,332)</u>
Net (decrease) / increase in cash and cash equivalents	(57,655)	19,999
Cash and cash equivalents at beginning of financial year	<u>(46,194)</u>	<u>(66,193)</u>
Cash and cash equivalents at end of financial year	<u>(103,849)</u>	<u>(46,194)</u>
<b>Cash and cash equivalents at end of financial year comprise of the following:</b>		
Cash and bank balances	21,324	15,665
Deposits with licensed banks	3,803	72,948
Bank overdrafts (included within short term borrowings in Note 22)	<u>(128,976)</u>	<u>(134,807)</u>
	<u>(103,849)</u>	<u>(46,194)</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.

# **M K LAND HOLDINGS BERHAD**

(INCORPORATED IN MALAYSIA) - 40970 H

## **NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010**

(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 30 June 2010.

#### **8 Dividends**

No interim dividend has been declared by the Board for the financial period ended 30 June 2010.

**M K LAND HOLDINGS BERHAD**  
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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2010**

(The figures have not been audited)

**PART A - EXPLANATORY NOTES**

**9 Segmental Information**

	12 months ended 30/06/2010 RM'000	12 months ended 30/06/2009 RM'000
<b>Segment Revenue</b>		
Property development	262,209	192,261
Leisure	43,631	41,676
Investment	35,834	37,717
Education	12,658	11,504
	354,332	283,158
Eliminations	(30,845)	(36,568)
Total revenue	323,487	246,590
<b>Segment Results</b>		
Property development	22,002	(3,491)
Leisure	1,565	1,505
Investment	16,925	24,567
Education	3,365	2,723
	43,857	25,304
Eliminations	(6,584)	(15,018)
Profit from operations	37,273	10,286

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 2010.

**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 year.

**13 Commitments**

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

**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 RM274,796,000 as at 30 June 2010.

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010

(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 3 and 4 March 2011.

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. On 11th February 2010, the Shah Alam High Court has granted a stay of proceedings until the final disposal of the appeal before the SCIT. Subsequently, the IRB has on 5 March 2010 filed a notice of appeal to the High Court on the decision to grant the stay of proceedings. No hearing date has been fixed.

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 RM99.5 million and RM4.1 million respectively for the current quarter ended 30 June 2010.

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 Group recorded profit after taxation of RM4.1 million for the current quarter as compared to a profit after taxation of RM2.0 million recorded in the preceding quarter.

The improvement in results is attributable mainly to stronger performance of the property segment during the period.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010

(The figures have not been audited)

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

#### 17 Commentary on Prospects

The Group's strategically located projects, especially the Rafflesia Semi-detached bungalows, the duplex Armanee Terrace condominium and the Metropolitan SQ (retail, office and residential units) in Damansara Perdana, together with the increase interest in the local property sector and an improving economy are expected to be the key drivers for its sales growth.

Barring unforeseen circumstances, the Board of Directors expects the Group to perform better for financial year ending 30 June 2011.

#### 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 30/06/2010 RM'000	12 months ended 30/06/2009 RM'000
Income tax expense		
Charge for the period	3,313	4,295
Overprovision in prior years	(2,862)	(1,009)
Deferred tax	604	(46,928)
	<u>1,055</u>	<u>(43,642)</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 Investment Properties

There were no sales of unquoted investment and/or investment properties during the financial period ended 30 June 2010.

#### 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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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010

(The figures have not been audited)

### 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.

On 10 June 2010, an announcement was made on the Bursa that the Company has decided not to pursue the proposed rights issue of equity linked instruments.

#### 22 Borrowings and Debt Securities

	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
<b>Short Term Borrowings :</b>		
<b>Secured</b>		
Bank overdrafts	128,976	131,807
Revolving Credits	78,646	90,000
Hire purchase payables	24	48
Short term portion of long term loans	60,791	92,655
Short term portion of Bonds	-	59,628
	<u>268,437</u>	<u>374,138</u>
<b>Unsecured</b>		
Bank overdrafts	-	3,000
Total	<u>268,437</u>	<u>377,138</u>
<b>Long Term Borrowings :</b>		
<b>Secured</b>		
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	491	5
Term loans (long term portion)	87,599	79,084
	<u>88,090</u>	<u>79,089</u>
<b>Unsecured</b>		
Term loan	40,000	40,000
Total	<u>128,090</u>	<u>119,089</u>
<b>Total Borrowings</b>	<u>396,527</u>	<u>496,227</u>

#### 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

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010

(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 20 August 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.

- 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 22 September 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. On 13 April 2010, the High Court dismissed the Felcra's Originating summons with costs on the basis that the Felcra has no locus standi to bring the action. Felcra has filed an appeal on 12 May 2010 and no hearing date has been fixed.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2010

(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 (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. No hearing date has been fixed. 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.

#### 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 year:

	12 months ended 30/06/2010	12 months ended 30/06/2009
Net profit for the year (RM'000)	11,199	18,013
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Earnings per share (sen)	<u>0.93</u>	<u>1.50</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 25 August 2010.