

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CUMULATIVE CURRENT YEAR 31/12/2010 RM'000	CUMULATIVE PRECEDING YEAR 31/12/2009 RM'000
Revenue	9	66,067	48,448	127,845	129,257
Cost of sales		(39,690)	(22,368)	(75,991)	(78,807)
Gross profit		26,377	26,080	51,854	50,450
Other operating income		4,365	1,266	6,841	2,338
Administrative expenses		(12,424)	(11,428)	(24,287)	(22,537)
Selling and marketing expenses		(2,016)	(3,143)	(3,934)	(4,465)
Other operating expenses		(4,272)	(3,987)	(9,528)	(9,541)
Profit from operations	9	12,030	8,788	20,946	16,245
Finance costs		(6,011)	(5,334)	(9,315)	(11,454)
Profit before taxation		6,019	3,454	11,631	4,791
Taxation	19	(871)	385	(3,079)	252
Profit for the period		5,148	3,839	8,552	5,043
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		5,148	3,839	8,552	5,043
Profit for the period					
Attributable to:					
Equity holders of the parent		5,148	3,839	8,552	5,043
Total comprehensive income for the period					
Attributable to:					
Equity holders of the parent		5,148	3,839	8,552	5,043
Earnings per share (sen)					
Basic	26	0.43	0.32	0.71	0.42

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2010.

M K LAND HOLDINGS BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2010 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2010 (Restated) RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	2(c)	147,899	148,121
Land held for property development		637,897	639,788
Investment properties	10	178,477	178,477
Associated company		115	115
Other investments		4,000	4,000
Deferred tax assets		4,288	4,288
		972,676	974,789
Current Assets			
Property development costs		436,214	439,686
Inventories		125,050	126,678
Trade receivables		145,379	206,329
Other receivables		28,829	33,733
Tax recoverable		12,617	15,482
Deposits with licensed banks		2,090	3,708
Cash and bank balances		40,937	19,936
		791,116	845,552
Total Assets		1,763,792	1,820,341
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,207,262
Reserves		(162,013)	(200,305)
		1,045,249	1,006,957
Non-Current Liabilities			
Long term borrowings	22	69,774	130,722
Provisions for liabilities		-	1,724
Other payables		48,853	76,940
Deferred tax liabilities		27,354	27,388
		145,981	236,774
Current Liabilities			
Short term borrowings	22	264,762	267,298
Trade payables		159,944	156,596
Other payables		109,939	117,102
Provisions for liabilities		34,573	34,627
Tax payable		3,344	987
		572,562	576,610
Total Liabilities		718,543	813,384
Total Equity and Liabilities		1,763,792	1,820,341
Net assets per share attributable to equity holders of the parent (sen)		87	83

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2010.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

	<----- Attributable to the equity holders of the parent ----->					Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Deficit RM'000 (Note 23)	Distributable Retained Profits/ Losses) RM'000	
At 1 July 2010	1,207,262	(1,904)	9,034	(188,152)	(19,283)	1,006,957
Effects of applying FRS 139					29,740	29,740
At 1 July 2010, restated	1,207,262	(1,904)	9,034	(188,152)	10,457	1,036,697
Total comprehensive income for the period	-	-	-	-	8,552	8,552
Transfer to merger deficit				19,009	(19,009)	-
At 31 December 2010	1,207,262	(1,904)	9,034	(169,143)	-	1,045,249
At 1 July 2009	1,207,262	(1,904)	9,034	(188,152)	(30,295)	995,945
Total comprehensive income for the period					11,012	11,012
At 30 June 2010	1,207,262	(1,904)	9,034	(188,152)	(19,283)	1,006,957

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 2010.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

	6 Months Ended 31/12/2010 RM'000	6 Months Ended 31/12/2009 RM'000
Net cash generated from operating activities	84,567	17,898
Net cash (used in) / generated from investing activities	(2,920)	1,707
Net cash used in financing activities	(55,828)	(80,947)
Net increase / (decrease) in cash and cash equivalents	25,819	(61,342)
Cash and cash equivalents at beginning of financial period	(105,332)	(46,576)
Cash and cash equivalents at end of financial period	(79,513)	(107,918)
 Cash and cash equivalents at end of financial period comprise of the following:		
Deposits with licensed banks	2,090	3,588
Cash and bank balances	40,937	18,680
Bank overdrafts (included within short term borrowings in Note 22)	(122,540)	(130,186)
	(79,513)	(107,918)

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2010.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2010. 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 2010.

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 audited financial statements for the financial year ended 30 June 2010, except for the adoption of the following new and revised FRSS, Amendments to FRSS and Interpretations which are applicable to its financial statements and relevant to the Group's operations.

FRS, Amendments to FRSS and Interpretations :

FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment : Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments : Presentation
Amendment to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments : Recognition and Measurement, Disclosures and Reassessment of Embedded Derivative
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments : Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Cash Flow Statements
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interest in Joint Ventures
Amendment to FRS 132	Financial Instruments : Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Asset
Amendment to FRS 138	Intangible Assets
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

PART A - EXPLANATORY NOTES

2 Accounting Policies (Cont'd)

FRS, Amendments to FRSs and Interpretations :

IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to FRS 132	Classification of Rights Issue
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combination (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

These FRSs, Amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group upon their initial application except for the following :-

(a) FRS 101: Presentation of Financial Statements (Revised)

The FRS 101 separates owner and non-owner changes in equity. Hence, the current consolidated statement of changes only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. This revised standard entails change in the presentation of financial statements and does not have any impact on the financial position and results of the Group.

(b) FRS 139 : Financial Instruments - Recognition and Measurement

The FRS 139 establishes the principles for recognising and measuring financial assets and financial liabilities. At initial recognition, all financial assets and financial liabilities are measured at their fair values and subsequent to the initial recognition, the financial assets and financial liabilities are measured as follows:-

Category	Measurement basis
1. Financial instruments at fair value through profit and loss ('FVTPL')	Fair value through profit and loss
2. Held-to-maturity investments ('HTM')	At amortised cost using effective interest rate
3. Loans and receivables ('LAR')	At amortised cost using effective interest rate
4. Available-for-sale ('AFS')	At fair value through other comprehensive income
5. Loans and other financial liabilities	At amortised cost using effective interest rate

In accordance with the transactional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as at 1 July 2010:-

	As Stated Previously RM'000	Effects of FRS 139 RM'000	As Restated RM'000
Long term - other payables	76,940	(29,740)	47,200
Retained profits / (accumulated losses)	(19,283)	29,740	10,457

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

PART A - EXPLANATORY NOTES

2 Accounting Policies (Cont'd)

(c) Amendment to FRS 117 Leases

The amendment to FRS 117 Leases clarifies the classification of leases of land and buildings. With the adoption of this Amendment, the effect is the reclassification of prepaid leases on land back to the property, plant and equipment rather than being separately classified under the prepaid lease payments on the consolidated statement of financial position. This change has no effect on the profit and loss. The effect of the reclassification on the Condensed Consolidated Statement of Financial Position as at 30 June 2010, is as follows :-

	As Stated Previously RM'000	As Restated RM'000
Property, plant and equipment	118,246	148,121
Prepaid lease payments	29,875	-

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2010 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 period ended 31 December 2010.

8 Dividends

No interim dividend has been declared by the Board for the financial period ended 31 December 2010.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

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PART A - EXPLANATORY NOTES

9 Segmental Information

	6 Months Ended 31/12/2010 RM'000	6 Months Ended 31/12/2009 RM'000
Segment Revenue		
Property development	97,491	99,072
Leisure	24,080	23,420
Investment	12,982	12,817
Education	6,274	6,298
	<u>140,827</u>	<u>141,607</u>
Eliminations	<u>(12,982)</u>	<u>(12,350)</u>
Total revenue	<u>127,845</u>	<u>129,257</u>
Segment Results		
Property development	13,138	8,511
Leisure	2,065	1,810
Investment	4,629	3,587
Education	1,114	2,337
Profit from operations	<u>20,946</u>	<u>16,245</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 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 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 amounted to RM 219,996,000 as at 31 December 2010.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

(The figures have not been audited)

PART A - EXPLANATORY NOTES

14 Changes in Contingent Liabilities and Contingent Assets (Cont'd)

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 RM 66.1 million and RM 5.1 million respectively for the current quarter ended 31 December 2010.

Property development segment generated RM 97.5 million, representing 76.3% of the total revenue for the six months period ended 31 December 2010. The revenue is mainly from the sales and construction progress of development properties in the Klang Valley, particularly from its Damansara Perdana projects.

Profit after tax for the six months improved from RM 5.0 million to RM 8.6 million due to improved profit margin and lower finance cost. There was a significant reduction in the finance cost flowing from the planned reduction in bank borrowings.

16 Variations of Results Against The Preceding Quarter

The Group recorded profit after taxation of RM 5.1 million for the current quarter as compared to a profit after taxation of RM 3.4 million recorded in the preceding quarter, representing a 50% increase in profit after tax.

The profit before tax improved in this quarter was mainly due to stronger performance of the leisure segment which recorded a RM 3.7 million profit from operations compared to a RM 1.7 million loss in the preceding quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 in Damansara Perdana, together with an improving economy climate and a resilient property market are expected to be the key drivers for its sales growth.

Barring unforeseen circumstances, the Board of Directors anticipates better financial performance for the 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

	6 Months Ended 31/12/2010 RM'000	6 Months Ended 31/12/2009 RM'000
Income tax expense :		
Charge for the period	3,112	(219)
Deferred tax	(33)	(33)
	<u>3,079</u>	<u>(252)</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 fully 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 31 December 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 8 December 2010. 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 31 DECEMBER 2010

(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

	At 31/12/2010 RM'000	At 30/06/2010 RM'000
Short Term Borrowings :		
Secured		
Bank overdrafts	122,540	125,895
Revolving credits	76,700	78,989
Hire purchase payables	134	134
Short term portion of long term loans	65,388	59,199
	<u>264,762</u>	<u>264,217</u>
Unsecured		
Bank overdrafts	-	3,081
	<u>264,762</u>	<u>267,298</u>
Long Term Borrowings :		
Secured		
Hire purchase payables	312	373
Term loans (long term portion)	29,462	90,349
	<u>29,774</u>	<u>90,722</u>
Unsecured		
Term loan	40,000	40,000
	<u>69,774</u>	<u>130,722</u>
Total Borrowings	<u>334,536</u>	<u>398,020</u>

23 Merger Deficit

	At 31/12/2010 RM'000	At 30/09/2010 RM'000
Unrealised	48,353	48,336
Realised	(217,496)	(222,627)
Total merger deficit	<u>(169,143)</u>	<u>(174,291)</u>

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 2010

(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 17 February 2011, there were no changes in material litigation save as disclosed below since the last audited balance sheet date of 30 June 2010.

- 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. The Seal Order has been served on the Defendant with proof of debt filed on 23 August 2010.

- 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 which was fixed for case management on 22 November 2010 and the Court has fixed for Trial on 28 to 30 March 2011.

- 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 31 DECEMBER 2010

(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. 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.

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:

	6 Months Ended 31/12/2010	6 Months Ended 31/12/2009
Net profit for the period (RM'000)	8,552	5,043
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<u>0.71</u>	<u>0.42</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 24 February 2011.