

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2011 RM'000	CUMULATIVE CURRENT YEAR 31/12/2012 RM'000	CUMULATIVE PRECEDING YEAR 31/12/2011 RM'000
Revenue	9	112,253	98,290	204,196	181,427
Cost of sales		(74,269)	(61,991)	(133,461)	(112,842)
Gross profit		37,984	36,299	70,735	68,585
Other operating income	10	2,420	2,284	3,709	2,940
Administrative expenses		(16,585)	(15,083)	(31,610)	(29,275)
Selling and marketing expenses		(3,091)	(2,216)	(5,737)	(4,367)
Other operating expenses		(5,980)	(6,059)	(11,638)	(11,798)
Profit from operations	9	14,748	15,225	25,459	26,085
Finance costs		(3,052)	(4,903)	(5,912)	(9,450)
Profit before taxation	11	11,696	10,322	19,547	16,635
Taxation	21	(3,155)	(3,930)	(6,939)	(6,365)
Profit for the period		8,541	6,392	12,608	10,270
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		8,541	6,392	12,608	10,270
Profit for the period					
Attributable to:					
Equity holders of the parent		8,541	6,392	12,608	10,270
Total comprehensive income for the period					
Attributable to:					
Equity holders of the parent		8,541	6,392	12,608	10,270
Basic earnings per share (sen)	26	0.71	0.53	1.05	0.85

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2012.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2012 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2012 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		169,509	162,318
Land held for property development		603,609	601,941
Investment properties	12	195,165	195,165
Deferred tax assets		2,969	2,969
		971,252	962,393
Current Assets			
Property development costs		403,685	399,642
Inventories		119,430	119,899
Trade receivables		285,462	296,989
Other receivables		31,863	29,154
Tax recoverable		10,719	9,800
Cash and bank balances		105,615	158,368
		956,774	1,013,852
Total Assets		1,928,026	1,976,245
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,207,262
Reserves		(123,826)	(127,400)
		1,083,436	1,079,862
Non-Current Liabilities			
Long term borrowings	23	83,872	53,777
Other payables		55,931	54,040
Provision for liabilities		34,530	34,530
Deferred tax liabilities		34,931	34,965
		209,264	177,312
Current Liabilities			
Short term borrowings	23	66,520	140,369
Trade payables		238,822	236,884
Other payables		281,370	295,758
Provisions for liabilities		30,487	33,967
Tax payable		18,127	12,093
		635,326	719,071
Total Liabilities		844,590	896,383
Total Equity and Liabilities		1,928,026	1,976,245
Net assets per share attributable to equity holders of the parent (sen)		90	89

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2012.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

(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 24)	Distributable Retained Profits/ (Accumulated Losses) RM'000	
At 1 July 2012	1,207,262	(1,904)	9,034	(134,530)	-	1,079,862
Total comprehensive income for the period	-	-	-	-	12,608	12,608
Dividend	-	-	-	-	(9,034)	(9,034)
Transfer to merger deficit	-	-	-	3,574	(3,574)	-
At 31 December 2012	1,207,262	(1,904)	9,034	(130,956)	-	1,083,436
At 1 July 2011	1,207,262	(1,904)	9,034	(158,735)	-	1,055,657
Total comprehensive income for the period	-	-	-	-	24,205	24,205
Transfer to merger deficit	-	-	-	24,205	(24,205)	-
At 30 June 2012	1,207,262	(1,904)	9,034	(134,530)	-	1,079,862

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 2012.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

	6 Months Ended 31/12/2012 RM'000	6 Months Ended 31/12/2011 RM'000
Cash flows from operating activities		
Profit before tax	19,547	16,635
Adjustments for non-cash and non-operating items	8,938	10,361
Operating profit before working capital changes	28,485	26,996
(Increase)/decrease in land held for property development & property development cost	(5,711)	38
Decrease in inventories	469	1,767
Decrease/(increase) in receivables	8,818	(29,107)
(Decrease)/increase in payables	(24,964)	9,861
Cash generated from operations	7,097	9,555
Taxes paid	(1,858)	(1,075)
Net cash generated from operating activities	5,239	8,480
Cash flows from investing activities		
Purchase of property, plant & equipment	(10,217)	(3,318)
Investment in associate	-	(490)
Proceeds from disposal of investment property	-	530
Net cash used in investing activities	(10,217)	(3,278)
Cash flows from financing activities		
Net repayment/drawdown of borrowings	6,952	6,661
Interest paid	(5,912)	(7,341)
Net cash generated from/(used in) financing activities	1,040	(680)
Net (decrease)/increase in cash and cash equivalents	(3,938)	4,522
Cash and cash equivalents at beginning of financial period	109,299	56,384
Cash and cash equivalents at end of financial period	105,361	60,906
Cash and cash equivalents at end of financial period comprise the following:		
Deposits with licensed banks	5,386	6,648
Cash and bank balances	100,229	83,691
	105,615	90,339
Bank overdrafts (included within short term borrowings in Note 23)	(254)	(29,433)
	105,361	60,906

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2012.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(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 2012. 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 2012.

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 2012, except for the adoption of the following Financial Reporting Standards (FRS) and Amendments to FRSs which are mandatory for these financial statements.

FRS and Amendments to FRSs:

FRS 124	Related Party Disclosures
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

The adoption of the above FRS and Amendments to FRSs does not have any material impact on the financial position and results of the Group.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2012 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 2012.

8 Dividends

The Board declared an interim dividend of 1 sen less 25% tax for the financial period ended 31 December 2012 to be paid on 26 February 2013.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

PART A - EXPLANATORY NOTES

9 Segmental Information

	6 Months Ended 31/12/2012 RM'000	6 Months Ended 31/12/2011 RM'000
Segment Revenue		
Property development	179,367	154,471
Leisure	21,711	22,520
Investment	14,013	15,336
Education	3,118	4,436
	<u>218,209</u>	<u>196,763</u>
Adjustments on consolidation	(14,013)	(15,336)
Total revenue	<u>204,196</u>	<u>181,427</u>
Segment Results		
Property development	19,331	15,788
Leisure	(324)	2,301
Investment	6,643	8,197
Education	(723)	(49)
	<u>24,927</u>	<u>26,237</u>
Adjustments on consolidation	532	(152)
Profit from operations	<u>25,459</u>	<u>26,085</u>

Segment reporting by geographical segments has not been prepared as all activities of the Group are carried out in Malaysia only.

10 Other Operating Income

	3 Months Ended		6 Months Ended	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Included in the other operating income are:				
Gain on disposal of investment property	-	80	-	80
Interest income	581	892	1,318	1,304
Rental income	981	218	1,715	542
			<u>1,715</u>	<u>542</u>

11 Profit Before Taxation

	3 Months Ended		6 Months Ended	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
The following have been included in arriving at profit before taxation:				
Interest expense	3,052	4,903	5,912	9,450
Depreciation	1,440	1,709	3,026	3,044
			<u>3,026</u>	<u>3,044</u>

The other items required by Para 9.22 of the Bursa Malaysia Listing Requirements are not applicable to the Group.

12 Carrying Amount of Revalued Assets

The investment properties have been revalued at the end of the financial year ended 30 June 2012.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

PART A - EXPLANATORY NOTES

13 Changes in the Composition of the Group

There were no material changes in the composition of the Group during the current financial period.

14 Subsequent events

There were no material events subsequent to the end of the current financial period.

15 Commitments

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

16 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 RM104,107,000 as at 31 December 2012.

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 disagreed 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 RM14.6 million. 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 on 6 May 2011, SCIT dismissed the appeal and MPSB has filed an appeal to the High Court on 24 May 2011. Case management was held on 21 November 2011 and the hearing was held on 6 April 2012 and 23 May 2012. The High Court, on 14 September 2012, ordered for a new hearing to be fixed and determined before a new panel of SCIT. SCIT has subsequently directed the parties to file the necessary documents for the hearing fixed on 11 and 14 November 2013.

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. The Court had, on 16 March 2011, allowed IRB's appeal. On 15 April 2011, MPSB has filed a defense at the High Court against the civil suit. 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.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

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

17 Performance Analysis

	3 Months Ended		6 Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property development	97,677	82,478	179,367	154,471
Leisure	13,120	13,536	21,711	22,520
Investment	7,006	7,678	14,013	15,336
Education	1,456	2,276	3,118	4,436
	<u>119,259</u>	<u>105,968</u>	<u>218,209</u>	<u>196,763</u>
Adjustments on consolidation	(7,006)	(7,678)	(14,013)	(15,336)
Total revenue	<u>112,253</u>	<u>98,290</u>	<u>204,196</u>	<u>181,427</u>
Profit before taxation				
Property development	7,927	4,117	14,565	8,653
Leisure	1,471	2,912	(327)	2,274
Investment	2,647	3,334	6,166	5,892
Education	(282)	26	(723)	(50)
	<u>11,763</u>	<u>10,389</u>	<u>19,681</u>	<u>16,769</u>
Adjustments on consolidation	(67)	(67)	(134)	(134)
	<u>11,696</u>	<u>10,322</u>	<u>19,547</u>	<u>16,635</u>

The Group recorded revenue and profit before taxation of RM112.2 million and RM11.7 million respectively for the current quarter ended 31 December 2012.

Property development segment generated RM97.7 million, representing 87.0% of the total revenue for the three months period ended 31 December 2012. The revenue is mainly from the sales and construction progress of development properties in the Klang Valley and Ipoh. The lower profit before tax for the leisure was mainly due to the overheads incurred for the new hotel, Kuala Melaka Inn, which commenced operations recently in Langkawi.

18 Variations of Results Against The Preceding Quarter

	3 Months Ended	
	31/12/2012	30/09/2012
	RM'000	RM'000
Profit before taxation		
Property development	7,927	6,638
Leisure	1,471	(1,798)
Investment	2,647	3,519
Education	(282)	(441)
	<u>11,763</u>	<u>7,918</u>
Adjustments on consolidation	(67)	(67)
	<u>11,696</u>	<u>7,851</u>

The Group recorded profit before taxation of RM11.7 million for the current quarter as compared to a profit before taxation of RM7.9 million recorded in the preceding quarter, representing a 49.0% increase in profit before tax.

The material changes were recorded by the property development and leisure segments. The property development segment recorded a revenue of RM97.7 million compared to the preceeding quarter of RM81.7 million due to higher construction activities at the One Damansara condominium during the current quarter. The leisure segment's revenue has also increased to RM13.1 million in this quarter from RM8.6 million achieved in the preceding quarter. This was due to higher occupancy during the end of the year holidays which enabled the leisure segment to turn in a profit before tax of RM1.5 million for the quarter compared to a loss of RM1.8 million for the preceeding quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

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

19 Commentary on Prospects

The Group's strategically located projects, especially in the Klang Valley and Ipoh, together with a resilient property market assisted by the Government's policies are expected to be the key drivers for its growth.

Barring unforeseen circumstances, the Board of Directors anticipates better financial performance for the financial year ending 30 June 2013.

20 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.

21 Taxation

	6 Months Ended 31/12/2012 RM'000	6 Months Ended 31/12/2011 RM'000
Income tax expense :		
Charge for the period	6,973	6,399
Deferred tax	(34)	(34)
	<u>6,939</u>	<u>6,365</u>

The effective tax rate for the Group is higher than the statutory tax rate at 25% principally due to losses of certain subsidiaries which cannot be fully set off against taxable profits made by other subsidiaries.

22 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 30 November 2012. 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 Bursa Securities Malaysia Berhad ("Bursa Securities") requirements to maintain the 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 2012

(The figures have not been audited)

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

23 Borrowings and Debt Securities

Secured	At	At
	31/12/2012	30/06/2012
	RM'000	RM'000
Short Term Borrowings :		
Bank overdrafts	254	49,069
Revolving credits	46,006	55,705
Hire purchase payables	80	95
Short term portion of term loans	20,180	35,500
	<u>66,520</u>	<u>140,369</u>
Long Term Borrowings :		
Hire purchase payables	147	194
Term loans (long term portion)	83,725	53,583
	<u>83,872</u>	<u>53,777</u>
Total Borrowings	<u>150,392</u>	<u>194,146</u>

24 Realised and Unrealised Profits/Losses

	At	At
	31/12/2012	30/06/2012
	RM'000	RM'000
Unrealised	45,148	45,148
Realised	(176,104)	(179,678)
Total	<u>(130,956)</u>	<u>(134,530)</u>

25 Changes in Material Litigation

As at 20 February 2013, there were no changes in material litigation save as disclosed below since the last audited statement of financial position of 30 June 2012.

- a) 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. On 4 May 2011, the Court of Appeal dismissed the Plaintiffs' appeal. The Plaintiffs has filed an application to amend their writ of summons and statement of claim to add on the number of plaintiffs. The application for case management was heard on 31 October 2012 and was fixed for decision on 14 December 2012 is now deferred to 22 February 2013.

We have filed a notice of taxation and bill of cost on 23 April 2012 in relation to the Court's decision for MKLHB to be struck off as a party to the suit. The plaintiff's application to review the taxation which was fixed for hearing on 31 October 2012 has been deferred.

Nonetheless, our solicitors are of the opinion that SEGI has a good defense against the suit as the claims by the Plaintiffs are baseless and there is no breach of the terms in the SPA.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

(The figures have not been audited)

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

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 31/12/2012	6 Months Ended 31/12/2011
Net profit for the period (RM'000)	12,608	10,270
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	1.05	0.85

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 27 February 2013.