

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2014 RM'000	CUMULATIVE CURRENT YEAR 31/12/2015 RM'000	CUMULATIVE PRECEDING YEAR 31/12/2014 RM'000
Revenue	9	82,243	115,353	155,560	222,332
Cost of sales		(49,157)	(70,120)	(93,082)	(136,905)
Gross profit		33,086	45,233	62,478	85,427
Other operating income	10	1,371	2,178	3,523	4,429
Administrative expenses		(15,299)	(16,957)	(30,233)	(33,578)
Selling and marketing expenses		(3,879)	(4,432)	(7,216)	(7,971)
Other operating expenses		(5,198)	(4,581)	(10,372)	(10,829)
Profit from operations	9	10,081	21,441	18,180	37,478
Finance costs		(2,270)	(2,546)	(4,644)	(5,120)
Profit before taxation	11	7,811	18,895	13,536	32,358
Taxation	21	(3,228)	(5,677)	(6,148)	(11,538)
Profit for the period		4,583	13,218	7,388	20,820
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,583	13,218	7,388	20,820
Profit for the period					
Attributable to:					
Equity holders of the parent		4,583	13,218	7,388	20,820
Total comprehensive income for the period					
Attributable to:					
Equity holders of the parent		4,583	13,218	7,388	20,820
Basic earnings per share (sen)	26	0.38	1.10	0.61	1.73

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2015.

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2015 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		188,150	191,484
Land held for property development		709,047	709,115
Investment properties	12	146,053	146,053
Deferred tax assets		3,405	3,405
		1,046,655	1,050,057
Current Assets			
Property development costs		171,689	180,928
Inventories		158,513	158,555
Trade receivables		326,419	356,865
Other receivables		27,125	25,357
Tax recoverable		10,109	10,329
Other financial assets		56,866	38,879
Cash and bank balances		65,290	112,987
		816,011	883,900
Total Assets		1,862,666	1,933,957
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,207,262
Reserves		(59,384)	(42,680)
		1,147,878	1,164,582
Non-Current Liabilities			
Long term borrowings	23	28,550	19,673
Other payables		65,599	64,901
Deferred tax liabilities		18,670	19,082
		112,819	103,656
Current Liabilities			
Short term borrowings	23	39,159	56,870
Trade payables		286,645	309,065
Other payables		141,472	167,781
Provisions for liabilities		124,211	126,130
Tax payable		10,482	5,873
		601,969	665,719
Total Liabilities		714,788	769,375
Total Equity and Liabilities		1,862,666	1,933,957
Net assets per share attributable to equity holders of the parent (sen)		95	96

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures have not been audited)

	<----- Attributable to the equity holders of the parent ----->						
	Share Capital RM'000	Treasury Shares RM'000	<-----Non-distributable----->			Distributable	Total RM'000
			Share Premium RM'000	Merger Deficit RM'000	Retained Profits RM'000	(Note 24)	
At 1 July 2015	1,207,262	(1,904)	9,034	(73,902)	24,092	1,164,582	
Total comprehensive income for the period	-	-	-	-	7,388	7,388	
Dividend on ordinary shares	-	-	-	-	(24,092)	(24,092)	
At 31 December 2015	<u>1,207,262</u>	<u>(1,904)</u>	<u>9,034</u>	<u>(73,902)</u>	<u>7,388</u>	<u>1,147,878</u>	
At 1 July 2014	1,207,262	(1,904)	9,034	(91,727)	24,092	1,146,757	
Total comprehensive income for the period	-	-	-	-	53,963	53,963	
Dividend on ordinary shares	-	-	-	-	(36,138)	(36,138)	
Transfer to merger deficit	-	-	-	17,825	(17,825)	-	
At 30 June 2015	<u>1,207,262</u>	<u>(1,904)</u>	<u>9,034</u>	<u>(73,902)</u>	<u>24,092</u>	<u>1,164,582</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 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures have not been audited)

	6 Months Ended 31/12/2015 RM'000	6 Months Ended 31/12/2014 RM'000
Cash flows from operating activities		
Profit before tax	13,536	32,358
Adjustments for non-cash and non-operating items	7,635	8,911
Operating profit before working capital changes	21,171	41,269
Decrease/(Increase) in land held for property development & property development cost	9,307	(117)
Decrease in inventories	42	1,586
Decrease in receivables	28,678	28,861
Decrease in payables	(49,950)	(42,691)
Cash generated from operations	9,248	28,908
Taxes paid	(1,731)	(7,509)
Net cash generated from operations	7,517	21,399
Cash flows from investing activity		
Purchase of property, plant & equipment	(1,355)	(4,141)
Investment in money market fund	(17,987)	(41,788)
Net cash used in investing activity	(19,342)	(45,929)
Cash flows from financing activities		
Net repayment of borrowings	(8,834)	(10,419)
Dividend paid	(24,092)	(36,138)
Interest paid	(2,946)	(3,111)
Net cash used in financing activities	(35,872)	(49,668)
Net decrease in cash and cash equivalents	(47,697)	(74,198)
Cash and cash equivalents at beginning of financial period	112,987	179,427
Cash and cash equivalents at end of financial period	65,290	105,229
Cash and cash equivalents at end of financial period comprise the following:		
Deposits with licensed banks	4,583	4,583
Cash and bank balances	60,707	100,646
	65,290	105,229

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2015.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2015

(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 2015. 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 2015.

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 2015, 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:

Amendments to FRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to FRSs 2010 - 2012 Cycle
Annual Improvements to FRSs 2011 - 2013 Cycle

The adoption of the above Amendments to FRSs and Improvements 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 2015 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 2015.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures have not been audited)

PART A - EXPLANATORY NOTES

8 Dividends

A final dividend (single tier) of 2 sen for the financial year ended 30 June 2015 was approved by the shareholders at the Annual General Meeting held on 26 November 2015 and paid on 31 December 2015.

9 Segmental Information

	6 Months Ended 31/12/2015 RM'000	6 Months Ended 31/12/2014 RM'000
Segment Revenue		
Property development	138,709	201,027
Leisure	15,947	20,660
Investment	27,686	17,118
Education	904	645
	<hr/>	<hr/>
	183,246	239,450
Eliminations on consolidation	(27,686)	(17,118)
Total revenue	<hr/>	<hr/>
	155,560	222,332
Segment Results		
Property development	16,888	32,069
Leisure	241	(2,125)
Investment	21,633	8,810
Education	(581)	(1,175)
	<hr/>	<hr/>
	38,181	37,579
Eliminations on consolidation	(20,001)	(101)
Profit from operations	<hr/>	<hr/>
	18,180	37,478

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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Included in the other operating income are:				
Interest income	676	1,244	1,401	2,225
Rental income	686	648	1,783	1,408
	<hr/>	<hr/>	<hr/>	<hr/>

11 Profit Before Taxation

	3 Months Ended		6 Months Ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
The following have been included in arriving at profit before taxation:				
Interest expense	2,270	2,546	4,644	5,120
Depreciation	2,733	1,978	4,363	3,791
	<hr/>	<hr/>	<hr/>	<hr/>

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

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures have not been audited)

PART A - EXPLANATORY NOTES

12 Carrying Amount of Revalued Assets

The investment properties have been revalued at the end of the financial year ended 30 June 2015.

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 RM64,782,000 as at 31 December 2015.

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 ("RPGT"). 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.

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.

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. The hearing which was set on 20 until 22 October 2014, was adjourned to 12 January 2015.

On 12 January 2015, the hearing continued with the witnesses giving their evidences in respect of the appeal. On 16 February 2015, MPSB filed a written submission with the SCIT and subsequently filed a submission in reply to IRB's written submission on 6 July 2015. As at to date, a decision from SCIT is still pending.

The directors have decided that a provision will not be made for this amount as MPSB is disputing the basis of the assessment that the gain on disposal of these investment properties should be subject to RPGT.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2015

(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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property development	73,322	103,607	138,709	201,027
Leisure	8,460	11,349	15,947	20,660
Investment	22,843	8,544	27,686	17,118
Education	461	397	904	645
	<u>105,086</u>	<u>123,897</u>	<u>183,246</u>	<u>239,450</u>
Eliminations on consolidation	(22,843)	(8,544)	(27,686)	(17,118)
Total revenue	<u>82,243</u>	<u>115,353</u>	<u>155,560</u>	<u>222,332</u>
Profit before taxation				
Property development	7,003	15,778	12,968	27,327
Leisure	635	(417)	262	(2,105)
Investment	20,846	4,177	21,324	8,445
Education	(303)	(576)	(581)	(1,175)
	<u>28,181</u>	<u>18,962</u>	<u>33,973</u>	<u>32,492</u>
Elimination on consolidation	(20,370)	(67)	(20,437)	(134)
	<u>7,811</u>	<u>18,895</u>	<u>13,536</u>	<u>32,358</u>

The Group recorded revenue and profit before taxation of RM82.2 million and RM7.8 million respectively for the current quarter ended 31 December 2015.

Property development segment generated RM73.3 million, representing 89.2% of the total revenue for the current quarter. Revenue is mainly generated from construction progress for property development in Damansara Perdana and Meru projects. In addition, the better results for the investment segment was mainly due to dividend received from a subsidiary.

18 Variations of Results Against The Preceding Quarter

	3 Months Ended	
	31/12/2015	30/09/2015
	RM'000	RM'000
Profit before taxation		
Property development	7,003	5,965
Leisure	635	(373)
Investment	20,846	478
Education	(303)	(278)
	<u>28,181</u>	<u>5,792</u>
Eliminations on consolidation	(20,370)	(67)
	<u>7,811</u>	<u>5,725</u>

The Group recorded profit before taxation of RM7.8 million for the current quarter as compared to a profit before taxation of RM5.7 million recorded in the preceding quarter.

The material changes are mainly from the property development and investment segments. The profit before tax for the property development segment is higher than the preceding quarter mainly due to higher sales and construction progress achieved during the current quarter. The better results of the investment segment for the current quarter is mainly due to dividend received from a subsidiary.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2015

(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 current sentiment of the real estate market has continued to impact the property development industry.

The Group will remain cautious in the current operating environment and will continue with its strategies in the core property development segment for the financial year ending 30 June 2016.

The Group's strategically located projects in the Klang Valley and Perak are expected to be the key drivers for the Group.

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 31/12/2015 RM'000	6 Months Ended 31/12/2014 RM'000
Income tax expense :		
Charge for the period	6,182	11,572
Deferred tax	(34)	(34)
	<u>6,148</u>	<u>11,538</u>

The effective tax rate for the Group is higher than the statutory tax rate at 24% 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 26 November 2015. 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 2015

(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

	At 31/12/2015 RM'000	At 30/06/2015 RM'000
Secured		
Short Term Borrowings :		
Hire purchase payables	14	15
Short term portion of term loans	39,145	56,855
	<u>39,159</u>	<u>56,870</u>
Long Term Borrowings :		
Hire purchase payables	112	119
Term loans (long term portion)	28,438	19,554
	<u>28,550</u>	<u>19,673</u>
Total Borrowings	<u>67,709</u>	<u>76,543</u>

24 Realised and Unrealised Profits/Losses

	At 31/12/2015 RM'000	At 30/06/2015 RM'000
Unrealised	1,009,613	1,009,579
Realised	139,213	155,951
	<u>1,148,826</u>	<u>1,165,530</u>
Elimination on consolidation	(1,141,438)	(1,141,438)
Total	<u>7,388</u>	<u>24,092</u>

25 Changes in Material Litigation

As at 22 February 2016, there were no changes in material litigation since the last audited statement of financial position of 30 June 2015.

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 31/12/2015	6 Months Ended 31/12/2014
Net profit for the period (RM'000)	7,388	20,820
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<u>0.61</u>	<u>1.73</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 26 February 2016.