

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q1)		CUMULATIVE QUARTER (3 Mths)	
		CURRENT YEAR QUARTER 30/09/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2015 RM'000	CUMULATIVE CURRENT YEAR 30/09/2016 RM'000	CUMULATIVE PRECEDING YEAR 30/09/2015 RM'000
Revenue	9	63,371	73,317	63,371	73,317
Cost of sales		(33,604)	(43,925)	(33,604)	(43,925)
Gross profit		29,767	29,392	29,767	29,392
Other operating income		2,483	2,152	2,483	2,152
Administrative expenses		(15,171)	(14,934)	(15,171)	(14,934)
Selling and marketing expenses		(2,624)	(3,337)	(2,624)	(3,337)
Other operating expenses		(6,039)	(5,174)	(6,039)	(5,174)
Profit from operations	9	8,416	8,099	8,416	8,099
Finance costs		(1,619)	(2,374)	(1,619)	(2,374)
Profit before taxation	10	6,797	5,725	6,797	5,725
Taxation	20	(2,679)	(2,920)	(2,679)	(2,920)
Profit for the period		4,118	2,805	4,118	2,805
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,118	2,805	4,118	2,805
Profit for the period					
Attributable to:					
Equity holders of the parent		4,118	2,805	4,118	2,805
Total comprehensive income for the period					
Attributable to:					
Equity holders of the parent		4,118	2,805	4,118	2,805
Basic earnings per share (sen)	25	0.34	0.23	0.34	0.23

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2016.

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 30/09/2016 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		193,895	195,619
Land held for property development		689,376	702,474
Investment properties	11	145,110	145,090
Deferred tax assets		4,276	4,790
		1,032,657	1,047,973
Current Assets			
Property development costs		266,999	240,460
Inventories		134,937	137,914
Trade receivables		169,945	213,512
Other receivables		28,555	25,457
Tax recoverable		14,345	15,040
Other financial assets		21,681	30,154
Cash and bank balances		73,759	83,769
		710,221	746,306
Total Assets		1,742,878	1,794,279
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,207,262
Reserves		(46,326)	(50,444)
		1,160,936	1,156,818
Non-Current Liabilities			
Deferred tax liabilities		18,116	18,149
Long term borrowings	22	28,110	33,422
Other payables		67,693	67,086
		113,919	118,657
Current Liabilities			
Provisions for liabilities		263,411	302,491
Tax payable		1,595	2,053
Short term borrowings	22	7,121	10,960
Trade payables		113,567	102,564
Other payables		82,329	100,736
		468,023	518,804
Total Liabilities		581,942	637,461
Total Equity and Liabilities		1,742,878	1,794,279
Net assets per share attributable to equity holders of the parent (sen)		96	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 2016.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

	<----- Attributable to the equity holders of the parent ----->					Total RM'000
	Share Capital RM'000	<-----Non-distributable----->			Distributable	
		Share Premium RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Retained Profits RM'000 (Note 23)	
At 1 July 2016	1,207,262	9,034	(1,904)	(69,620)	12,046	1,156,818
Total comprehensive income for the period	-	-	-	-	4,118	4,118
At 30 September 2016	<u>1,207,262</u>	<u>9,034</u>	<u>(1,904)</u>	<u>(69,620)</u>	<u>16,164</u>	<u>1,160,936</u>
At 1 July 2015	1,207,262	9,034	(1,904)	(73,902)	24,092	1,164,582
Total comprehensive income for the year	-	-	-	-	16,328	16,328
Dividend on ordinary shares	-	-	-	-	(24,092)	(24,092)
Transfer to merger deficit	-	-	-	4,282	(4,282)	-
At 30 June 2016	<u>1,207,262</u>	<u>9,034</u>	<u>(1,904)</u>	<u>(69,620)</u>	<u>12,046</u>	<u>1,156,818</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 2016.

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

(The figures have not been audited)

	3 Months Ended 30/09/2016 RM'000	3 Months Ended 30/09/2015 RM'000
Cash flows from operating activities		
Profit before tax	6,797	5,725
Adjustments for non-cash and non-operating items	3,346	4,295
Operating profit before working capital changes	<u>10,143</u>	<u>10,020</u>
(Increase)/Decrease in land held for property development & property development cost	(13,441)	14,231
Decrease/(Increase) in inventories	2,977	(99)
Decrease in receivables	40,469	28,690
Decrease in payables	(45,852)	(20,153)
Cash (used in)/generated from operations	<u>(5,704)</u>	<u>32,689</u>
Taxes paid	(1,961)	(5,959)
Net cash (used in)/generated from operations	<u>(7,665)</u>	<u>26,730</u>
Cash flows from investing activity		
Purchase of property, plant & equipment	(399)	(197)
Investment in money market fund	-	(5,987)
Withdrawal from money market fund	8,473	-
Net cash generated from/(used in) investing activity	<u>8,074</u>	<u>(6,184)</u>
Cash flows from financing activities		
Net repayment of borrowings	(9,151)	(515)
Net interest paid	(1,268)	(1,648)
Net cash used in financing activities	<u>(10,419)</u>	<u>(2,163)</u>
Net (decrease)/increase in cash and cash equivalents	(10,010)	18,383
Cash and cash equivalents at beginning of financial period	<u>83,769</u>	<u>112,987</u>
Cash and cash equivalents at end of financial period	<u>73,759</u>	<u>131,370</u>
Cash and cash equivalents at end of financial period comprise the following:		
Deposits with licensed banks	5,990	4,583
Cash and bank balances	67,769	126,787
	<u>73,759</u>	<u>131,370</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2016.

M K LAND HOLDINGS BERHAD

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(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 2016. 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 2016.

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 2016.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2016 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 current quarter.

8 Dividends

There was no payment of dividend during the current quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

PART A - EXPLANATORY NOTES

9 Segmental Information

	3 Months Ended 30/09/2016 RM'000	3 Months Ended 30/09/2015 RM'000
Segment Revenue		
Property development	55,586	65,387
Leisure	7,329	7,487
Investment	4,842	4,843
Education	456	443
	<hr/>	<hr/>
	68,213	78,160
Eliminations on consolidation	(4,842)	(4,843)
Total revenue	<hr/>	<hr/>
	63,371	73,317
Segment Results		
Property development	6,838	7,757
Leisure	368	(372)
Investment	1,157	633
Education	(223)	(278)
	<hr/>	<hr/>
	8,140	7,740
Eliminations on consolidation	276	359
Profit from operations	<hr/>	<hr/>
	8,416	8,099

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

10 Profit Before Tax

	3 Months Ended		3 Months Ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
The following have been (credited)/charged in arriving profit before tax:				
Gain on disposal of investment property	-	-	-	-
Net fair value adjustments on investment properties	-	-	-	-
Interest income	(351)	(725)	(351)	(725)
Rental income	(709)	(1,044)	(709)	(1,044)
Interest expense	1,619	2,374	1,619	2,374
Depreciation	2,123	1,630	2,123	1,630
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Foreign exchange gain or loss	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

PART A - EXPLANATORY NOTES

11 Carrying Amount of Revalued Assets

The investment properties have been revalued at the end of the financial year ended 30 June 2016.

12 Changes in the Composition of the Group

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

13 Subsequent events

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

14 Commitments

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

15 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 RM35.12 million as at 30 September 2016.

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 30 SEPTEMBER 2016

(The figures have not been audited)

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

16 Performance Analysis

	3 Months Ended		3 Months Ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property development	55,586	65,387	55,586	65,387
Leisure	7,329	7,487	7,329	7,487
Investment	4,842	4,843	4,842	4,843
Education	456	443	456	443
	<u>68,213</u>	<u>78,160</u>	<u>68,213</u>	<u>78,160</u>
Eliminations on consolidation	(4,842)	(4,843)	(4,842)	(4,843)
Total revenue	<u>63,371</u>	<u>73,317</u>	<u>63,371</u>	<u>73,317</u>
Profit before taxation				
Property development	5,699	5,965	5,699	5,965
Leisure	367	(373)	367	(373)
Investment	1,020	478	1,020	478
Education	(223)	(278)	(223)	(278)
	<u>6,863</u>	<u>5,792</u>	<u>6,863</u>	<u>5,792</u>
Elimination on consolidation	(66)	(67)	(66)	(67)
	<u>6,797</u>	<u>5,725</u>	<u>6,797</u>	<u>5,725</u>

The Group recorded revenue and profit before taxation of RM63.4 million and RM6.8 million respectively for the current quarter ended 30 September 2016.

Property development segment generated RM55.6 million, representing 87.7% of the total revenue for the current quarter. Revenue is mainly generated from construction progress and sale of completed properties for property development in Damansara Perdana and Meru projects.

17 Variations of Results Against The Preceding Quarter

	3 Months Ended	
	30/09/2016	30/06/2016
	RM'000	RM'000
Profit before taxation		
Property development	5,699	26,859
Leisure	367	(18,363)
Investment	1,020	(14,841)
Education	(223)	(363)
	<u>6,863</u>	<u>(6,708)</u>
Eliminations on consolidation	(66)	16,484
	<u>6,797</u>	<u>9,776</u>

The Group recorded profit before taxation of RM6.8 million for the current quarter as compared to RM9.8 million recorded in the preceding quarter.

The material changes are mainly from the property development, leisure and investment segments. Profit before tax for the property development segment is lower than the preceding quarter mainly due to lower construction progress achieved during the current quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

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

18 Commentary on Prospects

The Group's strategically located projects, especially in the Klang Valley, Selangor and Meru, Perak, are expected to be the key drivers for the Group despite challenges arising from a softer market. The Group will continue with its strategies in the core property development segment to further its growth.

Barring unforeseen circumstances, the Board of Directors expects to achieve satisfactory financial performance for the financial year ending 30 June 2017.

19 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.

20 Taxation

	3 Months Ended 30/09/2016 RM'000	3 Months Ended 30/09/2015 RM'000
Income tax expense :		
Charge for the period	2,115	2,937
Deferred tax	564	(17)
	<u>2,679</u>	<u>2,920</u>

The effective tax rate of the Group is higher than the statutory tax rate of 24% due mainly to certain expenses are not deductible for tax purpose and losses of certain subsidiaries cannot be fully off-set against taxable profits made by profitable subsidiaries.

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 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.

On 7 November 2016, the Company announced its intention to seek the approval of its shareholders at the forthcoming Annual General Meeting to be held on 29 November 2016 on the proposed renewal of the share buy-back mandate.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(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 30/09/2016 RM'000	At 30/09/2015 RM'000
Secured		
Short Term Borrowings :		
Hire purchase payables	16	14
Short term portion of term loans	7,105	45,391
	<u>7,121</u>	<u>45,405</u>
Long Term Borrowings :		
Hire purchase payables	97	112
Term loans (long term portion)	28,013	30,511
	<u>28,110</u>	<u>30,623</u>
Total Borrowings	<u>35,231</u>	<u>76,028</u>

23 Realised and Unrealised Profits/Losses

	At 30/09/2016 RM'000	At 30/09/2015 RM'000
Realised	1,006,498	1,009,596
Unrealised	152,106	158,739
	<u>1,158,604</u>	<u>1,168,335</u>
Elimination on consolidation	(1,142,440)	(1,141,438)
Total	<u>16,164</u>	<u>26,897</u>

24 Changes in Material Litigation

As at 18 November 2016, there were no changes in material litigation since the last audited statement of financial position of 30 June 2016.

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 period:

	3 Months Ended 30/09/2016	3 Months Ended 30/09/2015
Net profit for the period (RM'000)	4,118	2,805
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<u>0.34</u>	<u>0.23</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 24 November 2016.