

M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2015 RM'000	CUMULATIVE CURRENT YEAR 31/12/2016 RM'000	CUMULATIVE PRECEDING YEAR 31/12/2015 RM'000
Revenue	9	51,446	82,243	114,817	155,560
Cost of sales		(19,885)	(49,157)	(53,489)	(93,082)
Gross profit		31,561	33,086	61,328	62,478
Other operating income		3,259	1,371	5,742	3,523
Administrative expenses		(14,481)	(15,299)	(29,652)	(30,233)
Selling and marketing expenses		(2,580)	(3,879)	(5,204)	(7,216)
Other operating expenses		(5,694)	(5,198)	(11,733)	(10,372)
Profit from operations	9	12,065	10,081	20,481	18,180
Finance costs		(1,518)	(2,270)	(3,137)	(4,644)
Profit before taxation	10	10,547	7,811	17,344	13,536
Taxation	20	(6,152)	(3,228)	(8,831)	(6,148)
Profit for the period		4,395	4,583	8,513	7,388
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,395	4,583	8,513	7,388
Profit for the period					
Attributable to:					
Equity holders of the parent		4,395	4,583	8,513	7,388
Total comprehensive income for the period					
Attributable to:					
Equity holders of the parent		4,395	4,583	8,513	7,388
Basic earnings per share (sen)	25	0.36	0.38	0.71	0.61

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 31 DECEMBER 2016

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2016 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		191,865	195,619
Land held for property development		681,375	702,474
Investment properties	11	145,110	145,090
Deferred tax assets		4,274	4,790
		1,022,624	1,047,973
Current Assets			
Property development costs		234,010	240,460
Inventories		132,983	137,914
Trade receivables		176,597	213,512
Other receivables		30,401	25,457
Tax recoverable		14,420	15,040
Other financial assets		7,167	30,154
Cash and bank balances		84,027	83,769
		679,605	746,306
Total Assets		1,702,229	1,794,279
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,207,262	1,207,262
Reserves		(41,931)	(50,444)
		1,165,331	1,156,818
Non-Current Liabilities			
Other payables		68,334	67,086
Long term borrowings	22	27,515	33,422
Deferred tax liabilities		18,061	18,149
		113,910	118,657
Current Liabilities			
Provisions for liabilities		221,517	302,491
Tax payable		5,898	2,053
Short term borrowings	22	6,439	10,960
Trade payables		114,342	102,564
Other payables		74,792	100,736
		422,988	518,804
Total Liabilities		536,898	637,461
Total Equity and Liabilities		1,702,229	1,794,279
Net assets per share attributable to equity holders of the parent (sen)		97	96

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.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

(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 23)	
At 1 July 2016	1,207,262	(1,904)	9,034	(69,620)	12,046	1,156,818	
Total comprehensive income for the period	-	-	-	-	8,513	8,513	
Dividend on ordinary shares	-	-	-	-	-	-	
At 31 December 2016	<u>1,207,262</u>	<u>(1,904)</u>	<u>9,034</u>	<u>(69,620)</u>	<u>20,559</u>	<u>1,165,331</u>	
At 1 July 2015	1,207,262	(1,904)	9,034	(73,902)	24,092	1,164,582	
Total comprehensive income for the period	-	-	-	-	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>(1,904)</u>	<u>9,034</u>	<u>(69,620)</u>	<u>12,046</u>	<u>1,156,818</u>	

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

(The figures have not been audited)

	6 Months Ended 31/12/2016 RM'000	6 Months Ended 31/12/2015 RM'000
Cash flows from operating activities		
Profit before tax	17,344	13,536
Adjustments for non-cash and non-operating items	4,903	7,635
Operating profit before working capital changes	22,247	21,171
Decrease in land held for property development & property development cost	27,549	9,307
Decrease in inventories	4,931	42
Decrease in receivables	33,263	28,678
Decrease in payables	(93,892)	(49,950)
Cash (used in)/generated from operations	(5,902)	9,248
Taxes paid	(3,938)	(1,731)
Net cash (used in)/generated from operating activities	(9,840)	7,517
Cash flows from investing activity		
Purchase of property, plant & equipment	(608)	(1,355)
Withdrawal/(Investment) in money market fund	22,987	(17,987)
Net cash generated from/(used in) investing activity	22,379	(19,342)
Cash flows from financing activities		
Net repayment of borrowings	(10,428)	(8,834)
Dividend paid	-	(24,092)
Interest paid	(1,853)	(2,946)
Net cash used in financing activities	(12,281)	(35,872)
Net increase/(decrease) in cash and cash equivalents	258	(47,697)
Cash and cash equivalents at beginning of financial period	83,769	112,987
Cash and cash equivalents at end of financial period	84,027	65,290
Cash and cash equivalents at end of financial period comprise the following:		
Deposits with licensed banks	5,987	4,583
Cash and bank balances	78,040	60,707
	84,027	65,290

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.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 has been no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual in 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 2016.

8 Dividends

No dividend has been paid or declared by the Group during the current quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2016

(The figures have not been audited)

PART A - EXPLANATORY NOTES

9 Segmental Information

	6 Months Ended 31/12/2016 RM'000	6 Months Ended 31/12/2015 RM'000
Segment Revenue		
Property development	101,071	138,709
Leisure	12,741	15,947
Investment	9,678	27,686
Education	999	904
	<hr/>	<hr/>
	124,489	183,246
Eliminations on consolidation	(9,672)	(27,686)
Total revenue	<hr/>	<hr/>
	114,817	155,560
Segment Results		
Property development	19,742	16,888
Leisure	(984)	241
Investment	1,572	21,633
Education	(391)	(581)
	<hr/>	<hr/>
	19,939	38,181
Eliminations on consolidation	542	(20,001)
Profit from operations	<hr/>	<hr/>
	20,481	18,180

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

10 Profit Before Taxation

	3 Months Ended		6 Months Ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
The followings have been (credited)/charged in arriving at profit before taxation:				
Gain on disposal of investment property	-	-	-	-
Net fair value adjustment on investment property	-	-	-	-
Interest income	(586)	(676)	(937)	(1,401)
Rental income	(860)	(686)	(1,569)	(1,783)
Interest expense	1,518	2,270	3,137	4,644
Depreciation	2,243	2,733	4,366	4,363
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 investment or property	-	-	-	-
Foreign exchange gain or loss	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional item	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 RM33,845,550 as at 31 December 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. SCIT has scheduled a case management on 24 February 2017.

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 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		6 Months Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property development	45,485	73,322	101,071	138,709
Leisure	5,412	8,460	12,741	15,947
Investment	4,836	22,843	9,678	27,686
Education	543	461	999	904
	<u>56,276</u>	<u>105,086</u>	<u>124,489</u>	<u>183,246</u>
Eliminations on consolidation	(4,830)	(22,843)	(9,672)	(27,686)
Total revenue	<u>51,446</u>	<u>82,243</u>	<u>114,817</u>	<u>155,560</u>
Profit before taxation				
Property development	11,855	7,003	17,554	12,968
Leisure	(1,353)	635	(986)	262
Investment	282	20,846	1,302	21,324
Education	(168)	(303)	(391)	(581)
	<u>10,616</u>	<u>28,181</u>	<u>17,479</u>	<u>33,973</u>
Elimination on consolidation	(69)	(20,370)	(135)	(20,437)
	<u>10,547</u>	<u>7,811</u>	<u>17,344</u>	<u>13,536</u>

The Group recorded revenue and profit before taxation of RM51.4 million and RM10.5 million respectively for the current quarter ended 31 December 2016.

Property development segment generated RM45.5 million, representing 88.4% 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	
	31/12/2016	30/09/2016
	RM'000	RM'000
Profit before taxation		
Property development	11,855	5,699
Leisure	(1,353)	367
Investment	282	1,020
Education	(168)	(223)
	<u>10,616</u>	<u>6,863</u>
Eliminations on consolidation	(69)	(66)
	<u>10,547</u>	<u>6,797</u>

The Group recorded profit before taxation of RM10.5 million for the current quarter as compared to the profit before taxation of RM6.8 million recorded in the preceding quarter.

The material changes are mainly from the property development and leisure segments. Profit before tax for the property development segment is higher than the preceding quarter mainly due to lower operating expenses incurred for the current quarter.

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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 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 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 2017.

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

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

	6 Months Ended 31/12/2016 RM'000	6 Months Ended 31/12/2015 RM'000
Income tax expense :		
Current tax		
- for the current period	7,171	6,182
- in respect of prior periods	1,234	-
Deferred tax		
- for the current period	(34)	(34)
- in respect of prior periods	460	-
	<u>8,831</u>	<u>6,148</u>

The effective tax rate of the Group is higher than the statutory tax rate of 24% mainly due 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 last Annual General Meeting on 29 November 2016. 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 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 31/12/2016 RM'000	At 30/06/2016 RM'000
Secured		
Short Term Borrowings :		
Hire purchase payables	15	15
Short term portion of term loans	6,424	10,945
	<u>6,439</u>	<u>10,960</u>
Long Term Borrowings :		
Hire purchase payables	93	102
Term loans (long term portion)	27,422	33,320
	<u>27,515</u>	<u>33,422</u>
Total Borrowings	<u>33,954</u>	<u>44,382</u>

23 Realised and Unrealised Profits/Losses

	At 31/12/2016 RM'000	At 30/06/2016 RM'000
Unrealised	1,009,923	1,001,816
Realised	153,077	152,670
	<u>1,163,000</u>	<u>1,154,486</u>
Elimination on consolidation	(1,142,441)	(1,142,440)
Total	<u>20,559</u>	<u>12,046</u>

24 Changes in Material Litigation

As at 13 February 2017, 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:

	6 Months Ended 31/12/2016	6 Months Ended 31/12/2015
Net profit for the period (RM'000)	8,513	7,388
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>0.61</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 16 February 2017.