

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q3)		CUMULATIVE QUARTER (9 Mths)	
		CURRENT YEAR QUARTER 31/03/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2016 RM'000	CUMULATIVE CURRENT YEAR 31/03/2017 RM'000	CUMULATIVE PRECEDING YEAR 31/03/2016 RM'000
Revenue	9	23,809	74,325	138,626	229,885
Cost of sales		(3,520)	(41,946)	(57,009)	(135,028)
Gross profit		20,289	32,379	81,617	94,857
Other operating income		10,458	2,162	16,200	5,685
Administrative expenses		(13,265)	(15,970)	(42,917)	(46,203)
Selling and marketing expenses		(2,825)	(2,197)	(8,029)	(9,413)
Other operating expenses		(5,996)	(5,361)	(17,729)	(15,733)
Profit from operations	9	8,661	11,013	29,142	29,193
Finance costs		(1,481)	(2,161)	(4,618)	(6,805)
Profit before taxation	10	7,180	8,852	24,524	22,388
Taxation	20	(3,167)	(4,086)	(11,998)	(10,234)
Profit for the period		4,013	4,766	12,526	12,154
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,013	4,766	12,526	12,154
<b>Profit for the period</b>					
Attributable to:					
Equity holders of the parent		4,013	4,766	12,526	12,154
<b>Total comprehensive income for the period</b>					
Attributable to:					
Equity holders of the parent		4,013	4,766	12,526	12,154
<b>Basic earnings per share (sen)</b>	25	0.33	0.40	1.04	1.01

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 MARCH 2017**

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 31/03/2017 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2016 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		189,700	195,619
Land held for property development		685,165	702,474
Investment properties	11	145,110	145,090
Deferred tax assets		4,884	4,790
		1,024,859	1,047,973
<b>Current Assets</b>			
Property development costs		220,955	240,460
Inventories		131,529	137,914
Trade receivables		149,315	213,512
Other receivables		31,059	25,457
Tax recoverable		11,278	15,040
Other financial assets		4,085	30,154
Cash and bank balances		79,390	83,769
		627,611	746,306
<b>Total Assets</b>		1,652,470	1,794,279
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,207,262	1,207,262
Reserves		(37,918)	(50,444)
		1,169,344	1,156,818
<b>Non-Current Liabilities</b>			
Other payables		68,978	67,086
Long term borrowings	22	7,435	33,422
Deferred tax liabilities		17,122	18,149
		93,535	118,657
<b>Current Liabilities</b>			
Provisions for liabilities		162,273	302,491
Tax payable		4,307	2,053
Short term borrowings	22	25,908	10,960
Trade payables		125,322	102,564
Other payables		71,781	100,736
		389,591	518,804
<b>Total Liabilities</b>		483,126	637,461
<b>Total Equity and Liabilities</b>		1,652,470	1,794,279
<b>Net assets per share attributable to equity holders of the parent (sen)</b>		97	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.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

(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	<-----Non-distributable-----> Distributable		
				Merger Deficit RM'000	Retained Profits RM'000 (Note 23)	
<b>At 1 July 2016</b>	1,207,262	(1,904)	9,034	(69,620)	12,046	1,156,818
Total comprehensive income for the period	-	-	-	-	12,526	12,526
<b>At 31 March 2017</b>	1,207,262	(1,904)	9,034	(69,620)	24,572	1,169,344
<b>At 1 July 2015</b>	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)	-
<b>At 30 June 2016</b>	1,207,262	(1,904)	9,034	(69,620)	12,046	1,156,818

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 31 MARCH 2017

(The figures have not been audited)

	9 Months Ended 31/03/2017 RM'000	9 Months Ended 31/03/2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	24,524	22,388
Adjustments for non-cash and non-operating items	11,398	14,047
Operating profit before working capital changes	35,922	36,435
Decrease in land held for property development & property development cost	36,814	23,711
Decrease in inventories	6,196	5,066
Decrease/(Increase) in receivables	58,595	(4,866)
Decrease in payables and provision for liabilities	(146,448)	(52,511)
Cash (used in)/generated from operations	(8,921)	7,835
Taxes paid	(7,103)	(26,046)
<b>Net cash used in operating activities</b>	<b>(16,024)</b>	<b>(18,211)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(692)	(1,945)
Withdrawal from money market fund	26,069	18,298
<b>Net cash generated from investing activities</b>	<b>25,377</b>	<b>16,353</b>
<b>Cash flows from financing activities</b>		
Net repayment of borrowings	(11,039)	(18,978)
Dividend paid	-	(24,092)
Interest paid	(2,693)	(4,629)
<b>Net cash used in financing activities</b>	<b>(13,732)</b>	<b>(47,699)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,379)</b>	<b>(49,557)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>83,769</b>	<b>112,987</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>79,390</b>	<b>63,430</b>
<b>Cash and cash equivalents at end of financial period comprise the following:</b>		
Deposits with licensed banks	6,046	4,585
Cash and bank balances	73,344	58,845
	79,390	63,430

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 31 MARCH 2017**

(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 dividend paid or declared since the end of the previous financial year ended 30 June 2016.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2017

(The figures have not been audited)

### PART A - EXPLANATORY NOTES

#### 9 Segmental Information

	9 Months Ended 31/03/2017 RM'000	9 Months Ended 31/03/2016 RM'000
<b>Segment Revenue</b>		
Property development	118,253	205,433
Leisure	18,843	23,007
Investment	14,516	32,553
Education	1,525	1,414
	<hr/>	<hr/>
	153,137	262,407
Eliminations on consolidation	(14,511)	(32,522)
Total revenue	<hr/>	<hr/>
	138,626	229,885
<b>Segment Results</b>		
Property development	29,907	27,519
Leisure	(2,938)	(315)
Investment	2,139	22,178
Education	(610)	(831)
	<hr/>	<hr/>
	28,498	48,551
Eliminations on consolidation	644	(19,358)
Profit from operations	<hr/>	<hr/>
	29,142	29,193

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		9 Months Ended	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
The following items have been (credited)/charged in arriving at profit before tax:				
Gain on disposal of investment property	-	-	-	-
Interest income	(196)	(1,116)	(1,133)	(2,517)
Rental income	(812)	(856)	(2,381)	(2,586)
Interest expense	1,481	2,161	4,618	6,805
Depreciation	2,245	2,523	6,611	6,886
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange gain or loss	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

#### 11 Carrying Amount of Revalued Assets

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

# **M K LAND HOLDINGS BERHAD**

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## **NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2017**

(The figures have not been audited)

### **PART A - EXPLANATORY NOTES**

#### **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 except as follows:

Saujana Triangle Sdn Bhd ("STSB") a wholly-owned subsidiary of M K Land Holdings Berhad ("M K Land"), has been served with Notices of Assessment 2009 - 2011 and 2013 respectively dated on 4 May 2017 for an additional income tax of RM55,702,224 and 45% penalty of RM25,066,001 totalling RM80,768,225.

The above mentioned income tax and penalty imposed by the Inland Revenue Board of Malaysia ("IRB") are in relation to:

- a) IRB has taken the view that the gains from the disposal of land held under investment properties in the year of assessment 2009 are to be treated as revenue in nature, instead of capital in nature;
- b) IRB has disregarded the 5 years' time barred period to raise the assessments in respect of the land disposal; and
- c) IRB has disallowed certain development costs on the basis that these are only provisions and the amounts have yet to be paid. Thus, IRB does not treat them to be incurred for the purpose Section 33 (1) of the Income Tax Act, 1967.

Based on the advise from both of its tax consultants and solicitors, STSB is of the view that:

- a) The land sales of the investment properties are capital transaction which are liable to real property gains tax ("RPGT") in the year of assessment 2009 (which was a RPGT exempt year);
- b) The notices of assessment raised by the IRB are statute barred and erroneous in Law; and
- c) The accrual of development costs have been allowed according to accounting standards and IRB's public ruling on property development.

STSB disagreed with the assessment raised by the IRB and will appeal accordingly.

#### **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 banking facilities granted to the subsidiaries amounted to RM33,236,322 as at 31 March 2017.

# **M K LAND HOLDINGS BERHAD**

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## **NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2017**

(The figures have not been audited)

### **15 Changes in Contingent Liabilities and Contingent Assets (Continued)**

#### **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 consultant, disagreed with the IRB's 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 11 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.

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 7 June 2017. 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 MARCH 2017

(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		9 Months Ended	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Property development	17,182	66,724	118,253	205,433
Leisure	6,102	7,060	18,843	23,007
Investment	4,838	4,867	14,516	32,553
Education	526	510	1,525	1,414
	<u>28,648</u>	<u>79,161</u>	<u>153,137</u>	<u>262,407</u>
Eliminations on consolidation	(4,839)	(4,836)	(14,511)	(32,522)
Total revenue	<u>23,809</u>	<u>74,325</u>	<u>138,626</u>	<u>229,885</u>
<b>Profit before taxation</b>				
Property development	8,983	9,355	26,537	22,323
Leisure	(1,955)	(580)	(2,941)	(318)
Investment	437	396	1,739	21,720
Education	(219)	(250)	(610)	(831)
	<u>7,246</u>	<u>8,921</u>	<u>24,725</u>	<u>42,894</u>
Elimination on consolidation	(66)	(69)	(201)	(20,506)
	<u>7,180</u>	<u>8,852</u>	<u>24,524</u>	<u>22,388</u>

The Group recorded revenue and profit before taxation of RM23.8 million and RM7.2 million respectively for the current quarter ended 31 March 2017.

Property development segment generated RM17.2 million, representing 72.2% of the total revenue for the current quarter. Revenue from the property development segment is mainly generated from construction progress for property development in Klebang Putra and Meru Perdana, State of Perak and Damansara Damai, State of Selangor.

#### 17 Variations of Results Against The Preceding Quarter

	3 Months Ended	
	31/03/2017	31/12/2016
	RM'000	RM'000
<b>Profit before taxation</b>		
Property development	8,983	11,855
Leisure	(1,955)	(1,353)
Investment	437	282
Education	(219)	(168)
	<u>7,246</u>	<u>10,616</u>
Eliminations on consolidation	(66)	(69)
	<u>7,180</u>	<u>10,547</u>

The Group recorded profit before taxation of RM7.2 million for the current quarter as compared to a profit before taxation of RM10.5 million recorded in the preceding quarter.

Material changes are mainly from the property development and leisure segments. Profit before tax for the property development segment for the current quarter is lower compared to the preceding quarter mainly due to lower sales and construction progress in the current quarter.

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(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2017

(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 property market sentiment is expected to remain soft until the end of the financial year ending 30 June 2017.

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

	9 Months Ended 31/03/2017 RM'000	9 Months Ended 31/03/2016 RM'000
Income tax expense :		
Current tax		
- for the current period	11,807	10,284
- in respect of prior periods	117	-
Deferred tax		
- for the current period	327	(50)
- in respect of prior periods	(253)	-
	<u>11,998</u>	<u>10,234</u>

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

#### 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 MARCH 2017

(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

Secured	At	At
	31/03/2017	30/06/2016
	RM'000	RM'000
<b>Short Term Borrowings :</b>		
Hire purchase payables	15	15
Short term portion of term loans	25,893	10,945
	<u>25,908</u>	<u>10,960</u>
<b>Long Term Borrowings :</b>		
Hire purchase payables	91	102
Term loans (long term portion)	7,344	33,320
	<u>7,435</u>	<u>33,422</u>
<b>Total Borrowings</b>	<u>33,343</u>	<u>44,382</u>

#### 23 Realised and Unrealised Profits/Losses

	At	At
	31/03/2017	30/06/2016
	RM'000	RM'000
Realised	1,013,203	1,001,816
Unrealised	153,810	152,670
	<u>1,167,013</u>	<u>1,154,486</u>
Elimination on consolidation	(1,142,440)	(1,142,440)
Total	<u>24,573</u>	<u>12,046</u>

#### 24 Changes in Material Litigation

As at 26 May 2017, there were no changes in material litigation since the last audited statement of financial position of 30 June 2016.

#### 25 Earnings per share

##### a) Basic

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:

	9 Months Ended	9 Months Ended
	31/03/2017	31/03/2016
Net profit for the period (RM'000)	12,526	12,154
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<u>1.04</u>	<u>1.01</u>

##### b) Diluted

The diluted earnings per share is the same as the basic earnings per share, as there are no potential dilutive shares outstanding at reporting date.

#### 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 30 May 2017.