

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(The figures have not been audited)

|  | Note | INDIVIDUAL QUARTER (Q4)                         |   | CUMULATIVE QUARTER (12 Mths)                       |   |
|--|------|---|---|--|---|
|  |      | CURRENT YEAR<br>QUARTER<br>30/06/2017<br>RM'000 | PRECEDING<br>YEAR<br>CORRESPONDING<br>QUARTER<br>30/06/2016<br>RM'000 | CUMULATIVE<br>CURRENT YEAR<br>30/06/2017<br>RM'000 | CUMULATIVE<br>PRECEDING<br>YEAR<br>30/06/2016<br>RM'000 |
| Revenue  | 9    | 53,734  | 65,178  | 192,360  | 295,063   |
| Cost of sales                                    |      | (20,598)  | (16,653)  | (77,607)   | (151,681)   |
| Gross profit                                     |      | 33,136  | 48,525  | 114,753  | 143,382   |
| Other operating income                           |      | 14,045  | 4,948   | 30,245   | 10,633  |
| Administrative expenses                          |      | (12,992)  | (2,518)   | (55,909)   | (48,721)  |
| Selling and marketing expenses                   |      | (3,264)   | (404)   | (11,293)   | (9,817)   |
| Other operating expenses                         |      | (15,547)  | (38,100)  | (33,276)   | (53,833)  |
| Profit from operations                           | 9    | 15,378  | 12,451  | 44,520   | 41,644  |
| Finance costs                                    |      | (1,865)   | (2,675)   | (6,483)  | (9,480)   |
| Profit before taxation                           | 10   | 13,513  | 9,776   | 38,037   | 32,164  |
| Taxation   | 20   | (7,906)   | (5,602)   | (19,904)   | (15,836)  |
| Profit for the period                            |      | 5,607   | 4,174   | 18,133   | 16,328  |
| Other comprehensive income, net of tax           |      | -   | -   | -  | -   |
| Total comprehensive income for the period        |      | 5,607   | 4,174   | 18,133   | 16,328  |
| <b>Profit for the period</b>                     |      |   |   |  |   |
| Attributable to:                                 |      |   |   |  |   |
| Equity holders of the parent                     |      | 5,607   | 4,174   | 18,133   | 16,328  |
| <b>Total comprehensive income for the period</b> |      |   |   |  |   |
| Attributable to:                                 |      |   |   |  |   |
| Equity holders of the parent                     |      | 5,607   | 4,174   | 18,133   | 16,328  |
| <b>Basic earnings per share (sen)</b>            | 25   | 0.47  | 0.35  | 1.51   | 1.36  |

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 FINANCIAL POSITION

**AS AT 30 JUNE 2017**

(The figures have not been audited)

|  | Note | UNAUDITED AS<br>AT END OF<br>CURRENT<br>QUARTER<br>30/06/2017<br>RM'000 | AUDITED AS AT<br>PRECEDING<br>FINANCIAL YEAR<br>END<br>30/06/2016<br>RM'000 |
|--|------|---|---|
| <b>ASSETS</b>  |      |   |   |
| <b>Non-Current Assets</b>  |      |   |   |
| Property, plant and equipment  |      | 188,298   | 195,619   |
| Land held for property development   |      | 719,182   | 702,474   |
| Investment properties  | 11   | 149,020   | 145,090   |
| Deferred tax assets  |      | 4,830   | 4,790   |
|  |      | 1,061,330   | 1,047,973   |
| <b>Current Assets</b>  |      |   |   |
| Property development costs   |      | 185,058   | 240,460   |
| Inventories  |      | 118,326   | 137,914   |
| Trade receivables  |      | 173,579   | 213,512   |
| Other receivables  |      | 13,394  | 25,457  |
| Tax recoverable  |      | 11,115  | 15,040  |
| Other financial assets   |      | 10,683  | 30,154  |
| Cash and bank balances   |      | 67,241  | 83,769  |
|  |      | 579,396   | 746,306   |
| <b>Total Assets</b>  |      | 1,640,726   | 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   |      | (32,311)  | (50,444)  |
|  |      | 1,174,951   | 1,156,818   |
| <b>Non-Current Liabilities</b>   |      |   |   |
| Other payables   |      | 69,617  | 67,086  |
| Long term borrowings   | 22   | 41,255  | 33,422  |
| Deferred tax liabilities   |      | 15,459  | 18,149  |
|  |      | 126,331   | 118,657   |
| <b>Current Liabilities</b>   |      |   |   |
| Provisions for liabilities   |      | 148,037   | 302,491   |
| Tax payable  |      | 8,579   | 2,053   |
| Short term borrowings  | 22   | 4,492   | 10,960  |
| Trade payables   |      | 59,909  | 102,564   |
| Other payables   |      | 118,427   | 100,736   |
|  |      | 339,444   | 518,804   |
| <b>Total Liabilities</b>   |      | 465,775   | 637,461   |
| <b>Total Equity and Liabilities</b>  |      | 1,640,726   | 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

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

(The figures have not been audited)

|   | <----- Attributable to the equity holders of the parent -----> |                  |                   |                     |            |               |
|---|--|------------------|-------------------|---------------------|------------|---------------|
|   | <-----Non-distributable----->                                  |                  |                   | Distributable       |            |               |
| Share Capital                             | Treasury<br>Shares   | Share<br>Premium | Merger<br>Deficit | Retained<br>Profits | Total      |               |
| RM'000                                    | RM'000   | RM'000           | RM'000            | RM'000              | RM'000     | 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 | -  | -                | -                 | -                   | 18,133     | 18,133        |
| Transfer to merger deficit                | -  | -                | -                 | 12,046              | (12,046)   | -             |
| Transfer to share capital                 | 9,034  | -                | (9,034)           | -                   | -          | -             |
| <b>At 30 June 2017</b>                    | 1,216,296  | (1,904)          | -                 | (57,574)            | 18,133     | 1,174,951     |
| <br><b>At 1 July 2015</b>                 | <br>1,207,262  | <br>(1,904)      | <br>9,034         | <br>(73,902)        | <br>24,092 | <br>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

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

(The figures have not been audited)

|   | 12 Months Ended<br>30/06/2017<br>RM'000 | 12 Months Ended<br>30/06/2016<br>RM'000 |
|---|---|---|
| <b>Cash flows from operating activities</b>   |   |   |
| Profit before tax   | 38,037                                  | 32,164                                  |
| Adjustments for non-cash and non-operating items  | (679)                                   | 12,750                                  |
| Operating profit before working capital changes   | 37,358                                  | 44,914                                  |
| Decrease/(Increase) in land held for property development<br>& property development costs | 38,694                                  | (64,062)                                |
| Decrease in inventories   | 11,164                                  | 9,244                                   |
| Decrease in receivables   | 51,464                                  | 142,685                                 |
| Decrease in payables and provision for liabilities  | (158,709)                               | (77,922)                                |
| Cash (used in)/generated from operations  | (20,029)                                | 54,859                                  |
| Taxes paid  | (12,183)                                | (27,371)                                |
| <b>Net cash (used in)/from operating activities</b>                                       | <b>(32,212)</b>                         | <b>27,488</b>                           |
| <b>Cash flows from investing activities</b>   |   |   |
| Purchase of property, plant & equipment   | (1,236)                                 | (2,571)                                 |
| Withdrawal from money market fund   | 19,471                                  | 8,725                                   |
| <b>Net cash generated from investing activities</b>                                       | <b>18,235</b>                           | <b>6,154</b>                            |
| <b>Cash flows from financing activities</b>   |   |   |
| Net increase/(decrease) of borrowings   | 1,365                                   | (32,161)                                |
| Dividend paid   | -                                       | (24,092)                                |
| Interest paid   | (3,916)                                 | (6,607)                                 |
| <b>Net cash used in financing activities</b>  | <b>(2,551)</b>                          | <b>(62,860)</b>                         |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(16,528)</b>                         | <b>(29,218)</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>67,241</b>                           | <b>83,769</b>                           |
| <b>Cash and cash equivalents at end of financial period comprise the following:</b>       |   |   |
| Deposits with licensed banks  | 6,046                                   | 6,082                                   |
| Cash and bank balances  | 61,195                                  | 77,687                                  |
|   | 67,241                                  | 83,769                                  |

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.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 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.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

(The figures have not been audited)

### PART A - EXPLANATORY NOTES

#### 9 Segmental Information

|                               | 12 Months Ended<br>30/06/2017<br>RM'000 | 12 Months Ended<br>30/06/2016<br>RM'000 |
|-------------------------------|---|---|
| <b>Segment Revenue</b>        |   |   |
| Property development          | 166,577                                 | 266,093                                 |
| Leisure                       | 23,858                                  | 27,386                                  |
| Investment                    | 19,356                                  | 37,388                                  |
| Education                     | 1,914                                   | 1,798                                   |
|                               | <u>211,705</u>                          | <u>332,665</u>                          |
| Eliminations on consolidation | (19,345)                                | (37,602)                                |
| Total revenue                 | <u>192,360</u>                          | <u>295,063</u>                          |
| <b>Segment Results</b>        |   |   |
| Property development          | 45,985                                  | 44,777                                  |
| Leisure                       | (4,995)                                 | (5,376)                                 |
| Investment                    | 4,597                                   | 10,579                                  |
| Education                     | (946)                                   | (1,194)                                 |
|                               | <u>44,641</u>                           | <u>48,786</u>                           |
| Eliminations on consolidation | (121)                                   | (7,142)                                 |
| Profit from operations        | <u>44,520</u>                           | <u>41,644</u>                           |

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       |                      | 12 Months Ended      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30/06/2017<br>RM'000 | 30/06/2016<br>RM'000 | 30/06/2017<br>RM'000 | 30/06/2016<br>RM'000 |
| The following items have been (credited)/charged<br>in arriving at profit before tax: |                      |                      |                      |                      |
| Gain on disposal of investment property   | -                    | -                    | -                    | -                    |
| Interest income   | (1,051)              | (926)                | (2,184)              | (3,443)              |
| Rental income   | (704)                | (680)                | (3,085)              | (2,966)              |
| Interest expense  | 1,865                | 2,675                | 6,483                | 9,480                |
| Depreciation  | 1,947                | 2,636                | 8,557                | 9,522                |
| Provision for and write off of receivables  | 2,740                | 1,075                | 2,740                | 1,075                |
| Provision for and write off of inventories  | 4,928                | 11,397               | 4,928                | 11,397               |
| Gain or loss on disposal of<br>quoted or unquoted investments or properties           | -                    | -                    | -                    | -                    |
| Impairment of assets  | -                    | 1,079                | -                    | 1,079                |
| Foreign exchange gain or loss   | -                    | -                    | -                    | -                    |
| Gain or loss on derivatives   | -                    | -                    | -                    | -                    |
| Exceptional items   | -                    | -                    | -                    | -                    |

#### 11 Carrying Amount of Revalued Assets

The investment properties have been revalued at the end of the financial year ended 30 June 2017.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 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.

#### 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 RM45.7 million as at 30 June 2017.

##### b) Gain on sale of investment properties - Medan Prestasi Sdn Bhd

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. On 7 June 2017, MPSB filed the notes of proceeding with the SCIT and in this regard, the SCIT has scheduled an oral submission for both parties on 24 November 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 30 JUNE 2017

(The figures have not been audited)

### PART A - EXPLANATORY NOTES

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

##### c) Gain on sale of investment properties and development costs - Saujana Triangle Sdn Bhd

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 dated on 4 May 2017 for the years of assessment of 2009, 2010, 2011 and 2013 respectively 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:

- i) 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;
- ii) IRB has disregarded the 5 years' time barred period to raise the assessments in respect of the land disposal; and
- iii) 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 advice from both its tax consultants and solicitors, STSB is of the view that:

- i) 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);
- ii) The Notices of Assessment raised by the IRB are statute barred and erroneous in Law; and
- iii) 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 has on 1 June 2017 filed a Notice of Appeal to the Special Commissioners of Income Tax (SCIT) pursuant to Section 99(1) of the Income Tax Act 1967 (Form Q) with the Director General of Inland Revenue to appeal against the Notices of Assessment. SCIT has yet to fix a hearing date.

Meanwhile, STSB has also made an Application to the High Court of Kuala Lumpur for a Judicial Review and Stay which was dismissed on 9 August 2017. On the advice of its solicitors, STSB has on 10 August 2017 filed an appeal to the Court of Appeal against the High Court's decision and filed a Notice of Motion to Stay on the effect and enforcement of the said Notices of Assessment pending the appeal before the Court of Appeal. On 29 August 2017, the Court of Appeal has granted an interim stay on the IRB's Notices of Assessment. The case has been fixed for Case Management before the Court of Appeal on 14 September 2017.

Upon consulting its solicitors, the Board is of the view that there are grounds to disagree with the Notices of Assessment raised including the imposition of penalties as explained above.

On a prudent and without prejudice basis, a provision of tax and penalty amounting RM4,579,771 and RM4,534,737 respectively have been made solely for reporting purposes. STSB is still of the view that the basis of the assessment that the gain on disposal of this investment properties should be subjected to RPGT and the development costs accrued being allowed according to accounting standards and IRB's public ruling on property development.



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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 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 |                | 12 Months Ended |                |
|-------------------------------|----------------|----------------|-----------------|----------------|
|                               | 30/06/2017     | 30/06/2016     | 30/06/2017      | 30/06/2016     |
|                               | RM'000         | RM'000         | RM'000          | RM'000         |
| <b>Revenue</b>                |                |                |                 |                |
| Property development          | 48,324         | 60,660         | 166,577         | 266,093        |
| Leisure                       | 5,015          | 4,379          | 23,858          | 27,386         |
| Investment                    | 4,840          | 4,835          | 19,356          | 37,388         |
| Education                     | 389            | 384            | 1,914           | 1,798          |
|                               | <u>58,568</u>  | <u>70,258</u>  | <u>211,705</u>  | <u>332,665</u> |
| Eliminations on consolidation | (4,834)        | (5,080)        | (19,345)        | (37,602)       |
| Total revenue                 | <u>53,734</u>  | <u>65,178</u>  | <u>192,360</u>  | <u>295,063</u> |
| <b>Profit before taxation</b> |                |                |                 |                |
| Property development          | 14,939         | 13,570         | 41,476          | 35,893         |
| Leisure                       | (2,061)        | (5,062)        | (5,002)         | (5,380)        |
| Investment                    | 2,229          | (12,548)       | 3,968           | 9,172          |
| Education                     | (336)          | (363)          | (946)           | (1,194)        |
|                               | <u>14,771</u>  | <u>(4,403)</u> | <u>39,496</u>   | <u>38,491</u>  |
| Elimination on consolidation  | (1,258)        | 14,179         | (1,459)         | (6,327)        |
|                               | <u>13,513</u>  | <u>9,776</u>   | <u>38,037</u>   | <u>32,164</u>  |

On the current quarter basis, the Group recorded revenue and profit before taxation of RM53.7 million and RM13.5 million respectively. For the financial year ended 30 June 2017, the Group has recorded revenue and profit before tax of RM192.4 million and RM38.0 million respectively.

Revenue is mainly contributed from the property development segment, comprising 89.9% of the total revenue of the Group for the current quarter. Revenue is mainly generated from projects in Damansara Perdana and Damansara Damai in Selangor, Klebang Putra and Meru Perdana in Perak.

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

|                               | 3 Months Ended |              |
|-------------------------------|----------------|--------------|
|                               | 30/06/2017     | 31/03/2017   |
|                               | RM'000         | RM'000       |
| <b>Profit before taxation</b> |                |              |
| Property development          | 14,939         | 8,983        |
| Leisure                       | (2,061)        | (1,955)      |
| Investment                    | 2,229          | 437          |
| Education                     | (336)          | (219)        |
|                               | <u>14,771</u>  | <u>7,246</u> |
| Eliminations on consolidation | (1,258)        | (66)         |
|                               | <u>13,513</u>  | <u>7,180</u> |

The Group recorded profit before taxation of RM13.5 million for the current quarter as compared to the profit before taxation of RM7.2 million recorded in the preceding quarter.

Profit before tax for the property development segment for the current quarter is higher compared to the preceding quarter is due mainly to higher sales and other operating income in the current quarter.

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 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 current property market is expected to remain soft in the new financial year. The prospect is depending on the nation's state of economy as all activities of the Group are carried out in Malaysia only.

Whilst the Group's strategically located projects in the Klang Valley and Perak are expected to be the key drivers, 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 2018.

#### 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

|                               | 12 Months Ended<br>30/06/2017<br>RM'000 | 12 Months Ended<br>30/06/2016<br>RM'000 |
|-------------------------------|---|---|
| Income tax expense :          |   |   |
| Current tax                   |   |   |
| - for the current period      | 16,039                                  | 18,308                                  |
| - in respect of prior periods | 4,995                                   | (154)                                   |
| Deferred tax                  |   |   |
| - for the current period      | (1,911)                                 | (4,225)                                 |
| - in respect of prior periods | 781                                     | 1,907                                   |
|                               | <u>19,904</u>                           | <u>15,836</u>                           |

The effective tax rate for the Group is higher than the statutory tax rate at 24% is due mainly 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.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 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

|                                  | At<br>30/06/2017<br>RM'000 | At<br>30/06/2016<br>RM'000 |
|----------------------------------|----------------------------|----------------------------|
| <b>Secured</b>                   |                            |                            |
| <b>Short Term Borrowings :</b>   |                            |                            |
| Hire purchase payables           | 15                         | 15                         |
| Short term portion of term loans | 4,477                      | 10,945                     |
|                                  | <u>4,492</u>               | <u>10,960</u>              |
| <b>Long Term Borrowings :</b>    |                            |                            |
| Hire purchase payables           | 87                         | 102                        |
| Term loans (long term portion)   | 41,168                     | 33,320                     |
|                                  | <u>41,255</u>              | <u>33,422</u>              |
| <b>Total Borrowings</b>          | <u>45,747</u>              | <u>44,382</u>              |

#### 23 Realised and Unrealised Profits/Losses

|                              | At<br>30/06/2017<br>RM'000 | At<br>30/06/2016<br>RM'000 |
|------------------------------|----------------------------|----------------------------|
| Realised                     | 1,006,338                  | 1,001,816                  |
| Unrealised                   | 154,235                    | 152,670                    |
|                              | <u>1,160,573</u>           | <u>1,154,486</u>           |
| Elimination on consolidation | (1,142,440)                | (1,142,440)                |
| Total                        | <u>18,133</u>              | <u>12,046</u>              |

#### 24 Changes in Material Litigation

As at 25 August 2017, there was no change in material litigation since the end of the last financial year.

#### 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:

|   | 12 Months Ended<br>30/06/2017 | 12 Months Ended<br>30/06/2016 |
|---|-------------------------------|-------------------------------|
| Net profit for the period (RM'000)                      | 18,133                        | 16,328                        |
| Weighted average no. of ordinary shares in issue ('000) | 1,204,590                     | 1,204,590                     |
| Basic earnings per share (sen)                          | <u>1.51</u>                   | <u>1.36</u>                   |

As the group has no potential dilutive shares outstanding at reporting date, the diluted earnings per share is the same as the basic earnings per share.

#### 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 29 August 2017.