

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 Mths)	
		CURRENT YEAR QUARTER 31/12/2018 RM'000	PRECEEDING YEAR CORRESPONDING QUARTER 31/12/2017 RM'000 (Restated)	CUMULATIVE CURRENT YEAR 31/12/2018 RM'000	CUMULATIVE PRECEEDING YEAR 31/12/2017 RM'000 (Restated)
Revenue	9	45,810	62,016	95,357	103,346
Cost of sales		(18,910)	(34,463)	(38,451)	(49,212)
Gross profit		26,900	27,553	56,906	54,134
Other operating income		1,854	1,408	3,268	6,297
Administrative expenses		(15,529)	(14,076)	(30,146)	(29,014)
Selling and marketing expenses		(873)	(1,138)	(3,312)	(3,477)
Other operating expenses		(5,277)	(5,849)	(11,998)	(11,602)
Profit from operations	9	7,075	7,898	14,718	16,338
Finance costs		(1,127)	(1,419)	(2,410)	(2,774)
Profit before taxation	10	5,948	6,479	12,308	13,564
Taxation	20	(3,779)	(2,715)	(7,717)	(5,440)
Profit for the period		2,169	3,764	4,591	8,124
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,169	3,764	4,591	8,124
<b>Profit attributable to:</b>					
Owners of the parent		2,169	3,764	4,591	8,124
Non-controlling interests		-	-	-	-
		2,169	3,764	4,591	8,124
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		2,169	3,764	4,591	8,124
Non-controlling interests		-	-	-	-
		2,169	3,764	4,591	8,124
<b>Basic earnings per share (sen)</b>	24	0.18	0.31	0.38	0.67

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2018.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(The figures have not been audited)

		UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2018 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/06/2018 RM'000 (Restated)	AS AT PRECEDING FINANCIAL YEAR END 01/07/2017 RM'000 (Restated)
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
		177,423	177,560	188,298
		745,970	757,595	721,244
	11	149,460	149,460	149,020
		2,024	2,011	4,830
		1,074,877	1,086,626	1,063,392
<b>Current Assets</b>				
		90,772	75,022	184,637
		163,818	190,731	118,544
		92,107	76,951	168,001
		16,339	27,025	11,995
		6,465	6,566	11,116
		36,034	37,474	10,683
		57,562	59,370	76,349
		463,097	473,139	581,326
		1,537,974	1,559,765	1,644,718
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
		1,216,296	1,216,296	1,216,296
		(15,129)	(19,720)	(44,216)
		1,201,167	1,196,576	1,172,080
		45	-	-
		1,201,212	1,196,576	1,172,080
<b>Non-Current Liabilities</b>				
		13,739	14,046	14,070
	23	17,516	18,386	27,606
		72,738	71,826	69,617
		103,993	104,258	111,293
<b>Current Liabilities</b>				
		30,934	42,518	146,716
		10,876	5,461	8,579
	23	37,343	44,169	27,250
		82,919	96,609	97,381
		70,697	70,174	81,418
		232,769	258,931	361,344
		336,762	363,189	472,637
		1,537,974	1,559,765	1,644,718
<b>Net assets per share attributable to owners of the parent (sen)</b>				
		100	99	97

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2018.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

	<----- Attributable to the owners of the parent ----->						Non- controlling Interest RM'000	Total RM'000
	<-----Non-distributable----->			Distributable		Total RM'000		
	Share Capital RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Retained Profits RM'000	Total RM'000			
<b>At 1 July 2018</b>	1,216,296	(1,904)	(39,441)	24,499	1,199,450	-	1,199,450	
Effect of adopting MFRS 1 *	-	-	-	(2,874)	(2,874)	-	(2,874)	
At 1 July 2018	1,216,296	(1,904)	(39,441)	21,625	1,196,576	-	1,196,576	
Total comprehensive income for period	-	-	-	4,591	4,591	-	4,591	
<b>Transactions with owners</b>								
Subscription of interest in a subsidiary by a non-controlling interest	-	-	-	-	-	45	45	
<b>At 31 December 2018</b>	1,216,296	(1,904)	(39,441)	26,216	1,201,167	45	1,201,212	
<b>At 1 July 2017</b>	1,216,296	(1,904)	(57,574)	18,133	1,174,951	-	1,174,951	
Effect of adopting MFRS 1 *	-	-	-	(2,871)	(2,871)	-	(2,871)	
As at 1 July 2017	1,216,296	(1,904)	(57,574)	15,262	1,172,080	-	1,172,080	
Total comprehensive income for period (restated)	-	-	-	8,124	8,124	-	8,124	
<b>At 31 December 2017</b>	1,216,296	(1,904)	(57,574)	23,386	1,180,204	-	1,180,204	

\* Effects of adopting MFRS 1 includes the effects of adopting MFRS 9 and MFRS 15

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 2018.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

	6 Months Ended 31/12/2018 RM'000	6 Months Ended 31/12/2017 RM'000 (Restated)
<b>Cash flows from operating activities</b>		
Profit before tax	12,308	13,564
Adjustments for non-cash and non-operating items	4,442	1,324
Operating profit before working capital changes	16,750	14,888
Increase in land held for property development and property development costs	(4,125)	(13,609)
Decrease in inventories	26,913	2,404
(Increase)/Decrease in receivables	(4,470)	10,119
Increase/(Decrease) in payables and provision for liabilities	(24,751)	(38,271)
Net cash used in operations	10,317	(24,469)
Net interest paid	(529)	(469)
Taxes paid	(2,521)	(4,798)
<b>Net cash used in operating activities</b>	7,267	(29,736)
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(2,864)	(946)
Proceed from disposal of property, plant & equipment	-	3,548
(Increase)/Decrease in placement of fixed deposits	106	178
Withdrawal/(Placement) from money market fund	1,440	10,008
<b>Net cash generated from investing activities</b>	(1,318)	12,788
<b>Cash flows from financing activities</b>		
Ordinary shares subscribed by non-controlling interests of a subsidiary	45	-
Drawdown from borrowings	-	10,764
Net repayment of borrowings	(7,332)	(3,062)
<b>Net cash generated from financing activities</b>	(7,287)	7,702
<b>Net decrease in cash and cash equivalents</b>	(1,338)	(9,246)
<b>Cash and cash equivalents at beginning of financial period</b>	44,780	64,719
<b>Cash and cash equivalents at end of financial period</b>	43,442	55,473
<b>Cash and cash equivalents at end of financial period comprise the following:</b>		
Cash and bank balances	57,562	67,016
Less: Deposits with licensed banks for more than 3 months	(4,660)	(2,344)
Less: Bank overdraft	(9,460)	(9,199)
	43,442	55,473

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2018.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(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 Malaysian Financial Reporting Standard ("MFRS") 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 2018. 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 2018.

#### 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 2018 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective for financial statements effective beginning on or after 1 January 2018, as disclose below:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 140	Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

#### 2.1 First-time Adoption of MFRS

##### (i) Transition from Financial Reporting Standards (FRSs) to MFRS

The Company, in its consolidated financial statements, measured the assets and liabilities of subsidiaries at the same carry amounts as in the financial statements of these subsidiaries that have adopted the MFRS framework or International Financial Reporting Standards (IFRS) earlier than the Company, after adjusting for consolidation adjustments.

The effect of first-time adoption of MFRS are primarily from the following:

##### MFRS 15 Revenue from Contracts with Customers

The effects of MFRS 15 arise mainly due to the changes to the timing of revenue recognition for the property development activities of the Group. The financial effects are presented in Note 2.1(ii), (iii) and (iv) below.

##### MFRS 9 Financial Instruments

MFRS 9 introduces the expected credit losses ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 2.1 First-time Adoption of MFRS (Cont'd)

- (i) Transition from Financial Reporting Standards (FRSs) to MFRS (Cont'd)

##### MFRS 9 Financial Instruments (Cont'd)

As a result, the total ECL allowances computed under MFRS 9 is higher than the total allowance for impairment under MFRS 139 as a more forward looking approach is adopted. The financial effects are presented in Note 2.1(ii), (iii) and (iv) below.

- (ii) Reconciliation of profit or loss and comprehensive income

	Individual quarter ended 31/12/2017			Cumulative quarter ended 31/12/2017		
	Previously stated under FRS RM'000	Effects of transition to MFRS RM'000	Restated under MFRS RM'000	Previously stated under FRS RM'000	Effects of transition to MFRS RM'000	Restated under MFRS RM'000
Revenue	63,964	(1,948)	62,016	106,637	(3,291)	103,346
Cost of sales	(34,645)	182	(34,463)	(50,073)	861	(49,212)
Gross profit	29,319		27,553	56,564		54,134
Other operating income	1,408		1,408	6,297		6,297
Administrative expenses	(14,076)		(14,076)	(29,014)		(29,014)
Selling and marketing expenses	(2,537)	1,399	(1,138)	(5,334)	1,857	(3,477)
Other operating expenses	(5,467)	(382)	(5,849)	(11,517)	(85)	(11,602)
Profit from operations	8,647		7,898	16,996		16,338
Finance costs	(1,419)		(1,419)	(2,774)		(2,774)
Profit before taxation	7,228		6,479	14,222		13,564
Taxation	(2,888)	173	(2,715)	(5,598)	158	(5,440)
Profit for the period	4,340		3,764	8,624		8,124
Other comprehensive income, net of tax	-		-	-		-
Total comprehensive income for the period	4,340		3,764	8,624		8,124
Profit for the period						
Attributable to:						
Owners of the parent	4,340		3,764	8,624		8,124
Total comprehensive income the period						
Attributable to:						
Owners of the parent	4,340		3,764	8,624		8,124
Basic earnings per share (sen)	0.36		0.31	0.72		0.67

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 2.1 First-time Adoption of MFRS (Cont'd)

(iii) Reconciliation of financial position and equity

	As at 01/07/2017			As at 30/06/2018		
	Previously stated under FRS RM'000	Effects of transition to MFRS RM'000	Restated under MFRS RM'000	Previously stated under FRS RM'000	Effects of transition to MFRS RM'000	Restated under MFRS RM'000
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	188,298		188,298	177,560		177,560
Land held for property development	721,244		721,244	757,595		757,595
Investment properties	149,020		149,020	149,460		149,460
Deferred tax assets	4,830		4,830	2,011		2,011
	<u>1,063,392</u>		<u>1,063,392</u>	<u>1,086,626</u>		<u>1,086,626</u>
<b>Current Assets</b>						
Property development costs	182,995	1,642	184,637	69,875	5,147	75,022
Inventories	118,326	218	118,544	190,731		190,731
Trade receivables	173,447	(5,446)	168,001	86,112	(9,161)	76,951
Other receivables	12,669	(674)	11,995	27,230	(205)	27,025
Tax recoverable	11,116		11,116	6,566		6,566
Other financial assets	10,683		10,683	37,474		37,474
Cash and bank balances	76,349		76,349	59,370		59,370
	<u>585,585</u>		<u>581,326</u>	<u>477,358</u>		<u>473,139</u>
<b>Total Assets</b>	<b><u>1,648,977</u></b>		<b><u>1,644,718</u></b>	<b><u>1,563,984</u></b>		<b><u>1,559,765</u></b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to owners of the parent</b>						
Share capital	1,216,296		1,216,296	1,216,296		1,216,296
Reserves	(41,345)	(2,871)	(44,216)	(16,846)	(2,874)	(19,720)
	<u>1,174,951</u>		<u>1,172,080</u>	<u>1,199,450</u>		<u>1,196,576</u>
<b>Non-Current Liabilities</b>						
Deferred tax liabilities	15,459	(1,389)	14,070	15,391	(1,345)	14,046
Long term borrowings	27,606		27,606	18,386		18,386
Other payables	69,617		69,617	71,826		71,826
	<u>112,682</u>		<u>111,293</u>	<u>105,603</u>		<u>104,258</u>

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 2.1 First-time Adoption of MFRS (Cont'd)

(iii) Reconciliation of financial position and equity (Cont'd)

	As at 01/07/2017			As at 30/06/2018		
	Previously stated under	Effects of transition to	Restated under	Previously stated under	Effects of transition to	Restated under
	FRS RM'000	MFRS RM'000	MFRS RM'000	FRS RM'000	MFRS RM'000	MFRS RM'000
<b>Current Liabilities</b>						
Provisions for liabilities	146,716		146,716	42,518		42,518
Current tax liabilities	8,579		8,579	5,461		5,461
Short term borrowings	27,250		27,250	44,169		44,169
Trade payables	97,381		97,381	96,609		96,609
Other payables	81,418		81,418	70,174		70,174
	<u>361,344</u>		<u>361,344</u>	<u>258,931</u>		<u>258,931</u>
<b>Total Liabilities</b>	474,026		472,637	364,534		363,189
<b>Total Equity and Liabilities</b>	<u>1,648,977</u>		<u>1,644,718</u>	<u>1,563,984</u>		<u>1,559,765</u>
<b>Net assets per share attributable to owners of the parent (sen)</b>	<u>98</u>		<u>97</u>	<u>100</u>		<u>99</u>



# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 2.1 First-time Adoption of MFRS (Cont'd)

##### (iv) Reconciliation of cash flows

	6 months ended 31/12/2017		
	Previously stated under FRS RM'000	Effects of transition to MFRS RM'000	Restated under MFRS RM'000
		RM'000	RM'000
<b>Cash flows from operating activities</b>			
Profit before tax	14,222	(658)	13,564
Adjustments for non-cash and non-operating items	3,096	(1,772)	1,324
Operating profit before working capital changes	<u>17,318</u>		<u>14,888</u>
Decrease in land held for property development and property development costs	(12,748)	(861)	(13,609)
(Increase)/Decrease in inventories	2,404		2,404
Decrease in receivables	6,828	3,291	10,119
Decrease in payables and provision for liabilities	<u>(38,271)</u>		<u>(38,271)</u>
Net cash used in operations	<u>(24,469)</u>		<u>(24,469)</u>
Net interest paid	(469)		(469)
Taxes paid	<u>(4,798)</u>		<u>(4,798)</u>
<b>Net cash used in operating activities</b>	<b><u>(29,736)</u></b>		<b><u>(29,736)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(946)		(946)
Proceed from disposal of property, plant & equipment	3,548		3,548
(Increase)/Decrease in placement of fixed deposits	178		178
(Placement)/Withdrawal from money market fund	<u>10,008</u>		<u>10,008</u>
<b>Net cash generated from investing activities</b>	<b><u>12,788</u></b>		<b><u>12,788</u></b>
<b>Cash flows from financing activities</b>			
Drawdown from borrowings	10,764		10,764
Net repayment of borrowings	<u>(3,062)</u>		<u>(3,062)</u>
<b>Net cash generated from financing activities</b>	<b><u>7,702</u></b>		<b><u>7,702</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,246)</b>		<b>(9,246)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b><u>64,719</u></b>		<b><u>64,719</u></b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u>55,473</u></b>		<b><u>55,473</u></b>
<b>Cash and cash equivalents at end of financial period comprise the following:</b>			
Cash and bank balances	67,016		67,016
Less: Deposits with licensed banks for more than 3 months	(2,344)		(2,344)
Less: Bank overdraft	<u>(9,199)</u>		<u>(9,199)</u>
	<b><u>55,473</u></b>		<b><u>55,473</u></b>

# **M K LAND HOLDINGS BERHAD**

(INCORPORATED IN MALAYSIA) - 40970 H

## **NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018**

(The figures have not been audited)

### **PART A - EXPLANATORY NOTES (CONT'D)**

#### **3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 30 June 2018 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.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 9 Segmental Information

	6 Months Ended		Changes (%)
	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)	
<b>Segment Revenue</b>			
Property development	82,194	89,776	(8)
Leisure	12,509	12,761	(2)
Education	643	798	(19)
Investment	10,266	9,971	3
	105,612	113,306	(7)
Eliminations on consolidation	(10,255)	(9,960)	3
Total revenue	95,357	103,346	(8)
<b>Segment Results</b>			
Property development	19,182	18,015	6
Leisure	(4,076)	(1,666)	145
Education	(1,118)	(755)	583
Investment	850	600	42
	14,838	16,194	(8)
Eliminations on consolidation	(120)	144	(183)
Profit from operations	14,718	16,338	(10)

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	
	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)
The following have been (credited)/charged in arriving profit before tax:				
Gain on disposal of property, plant and equipment	-	-	-	(2,028)
Rental income	(655)	(548)	(1,472)	(1,483)
Interest income	(471)	(623)	(969)	(1,200)
Interest expense	1,127	1,420	2,410	2,774
Depreciation	1,248	1,766	3,001	3,887
Provision for/(Reversal of) impairment of receivables	881	382	1,149	85

As stated above, the other items as required to be disclosed by Chapter 9 (Appendix 9B, no. 16) are not applicable.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

#### 11 Carrying Amount of Revalued Assets

The fair value of investment properties is assessed annually and were revalued at the end of the financial year ended 30 June 2018.

#### 12 Changes in the Composition of the Group

On 20 September 2018, Ritma Mantap Sdn. Bhd. ("RMSB"), a wholly-owned subsidiary of Company, had acquired one ordinary share representing 100% equity interest in Naluri Majujaya Sdn. Bhd. ("NMSB") for a cash consideration of RM1.00. Arising from the acquisition, NMSB became an indirect wholly-owned subsidiary of the Company.

On 27 September 2018, issued and paid up ordinary share capital of NMSB has been increased to RM300,000 by further allotment of 254,999 ordinary shares to RMSB for a cash consideration of RM254,999 and 45,000 ordinary shares to Menteri Besar Incorporated (Perak) for a cash consideration of RM45,000. Arising from this allotment, NMSB became a 85% owned indirect subsidiary of the Company.

#### 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 RM54.46 million as at 31 December 2018.

##### 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 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 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. In response, MPSB submitted a Notice of Appeal to the Special Commissioners of Income Tax.

Subsequent to the initial appeal to the IRB, the IRB initiated a civil suit against MPSB and served a Writ of Summon and Statement of Claim of RM13.5 million to MPSB. MPSB then filed an application for Stay of Proceedings. On 11 February 2010, the Shah Alam High Court granted a Stay of Proceedings until the final disposal of the appeal before the SCIT. On 5 March 2010, the IRB filed a notice of appeal to the High Court on the decision to grant the Stay of Proceedings. On 16 March 2011, the High Court allowed IRB's appeal. On 15 April 2011, MPSB filed a defense at the High Court against the civil suit.

On 2 June 2009, the IRB forwarded MPSB's appeal to the Special Commissioners of Income Tax ("SCIT") and on 6 May 2011, SCIT dismissed the appeal and MPSB 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.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

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

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

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 scheduled an oral submission for both parties on 24 November 2017. The Hearing on 24 November 2017 has been adjourned to 18 December 2017 for the parties to make oral submissions. The SCIT has scheduled the next Hearing on 23 April 2018. On 23 April 2018, MPSB made oral submission on the facts of the case to the SCIT. A Mention was held on 2 May 2018 and the SCIT has fixed a Hearing on 27 August 2018 for the calling of witness. The SCIT has scheduled a case management on 28 August 2018 to fix a new hearing date that was supposed to be heard on 27 August 2018. The hearing has been fixed on 22 February 2019 for the calling of the Appellant's witness and oral submissions. The SCIT has set a date of 10 May 2019 for an oral decision on the above case.

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.

##### 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"), was served with Notices of Assessment dated on 4 May 2017 for the years of assessment (YA) 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 took the view that the gains from the disposal of land held under investment properties in the year of assessment 2009 were to be treated as revenue in nature, instead of capital in nature;
- ii) IRB disregarded the 5 years' time barred period to raise the assessments in respect of the land disposal; and
- iii) IRB disallowed certain development costs on the basis that these were only provisions and the amounts have not been paid. Thus, IRB did 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 were capital transaction which were 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 were statute barred and erroneous in Law; and
- iii) The accrual of development costs were allowable according to accounting standards and IRB's public ruling on property development.

STSB disagreed with the assessment raised by the IRB and 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. A case management was held on 16 August 2018 whereby SCIT directed the parties to attend the next case management fixed on 19 November 2018.

During the case management on 19 November 2018, the SCIT fixed another case management on 26 February 2019 for parties to update on the status of settlement as IRB required more time to consider the settlement proposal.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART A - EXPLANATORY NOTES (CONT'D)

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

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

Meanwhile, STSB also made an Application to the High Court ("HC") 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 ("COA") against the HC'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 COA. On 29 August 2017, the COA has granted an interim stay on the IRB's Notices of Assessment.

The COA scheduled a case management on 15 November 2017 for STSB to file its notes of proceedings, which it was further adjourned to 18 December 2017. The COA fixed a hearing date to be held on 13 March 2018 for STSB to file its Submissions by 27 February 2018. On 13 March 2018, the COA did not allow STSB's appeal on the decision of the HC in not granting the application for a Judicial Review and Stay.

On 6 September 2017, the IRB filed a Notice of Motion for Leave to Appeal to the Federal Court ("FC") against the COA's decision to grant the interim relief. The FC directed STSB to file its Written Submission on 20 November 2017 and to attend a hearing on 4 December 2017. On 20 November 2017, the case management was postponed to 22 November 2017 to fix for a hearing date. On 22 November 2017, the FC scheduled a new hearing to be held on 28 March 2018 prior to which Written Submissions are to be filed. On 25 April 2018, proceedings with the FC was discontinued as the IRB filed the notice of discontinuance at the FC.

On 12 April 2018 and 18 April 2018, STSB was served with two (2) Writs of Summon pertaining to the IRB's Notices of Assessment amounting RM79,326,018 of additional tax assessment and penalty, and RM12,295,533 of late payment fine, totalling RM91,621,551. In response, STSB immediately filed applications for Stay and Extension of Time at the HC on the IRB's Writs of Summon. On 24 April 2018, a case management was conducted at the HC for the first suit and a hearing was fixed on 4 July 2018. On the second suit, STSB is to file Affidavit and Submissions on or before 1 June 2018 and 11 June 2018 respectively.

The hearing on 4 July 2018 has been converted to a case management and the hearing of application for a stay of proceedings for the two (2) suits has been fixed on 19 September 2018.

On 19 September 2018, the parties have entered into a consent judgement that STSB will be granted a stay of the civil recovery proceedings at the High Court until the full and final determination of its appeal at the SCIT. The Court also directed parties to attend case management on 22 November 2018 to update the Court on the status of the matter at the SCIT.

The case management on 22 November 2018 at the Shah Alam Court has been vacated and fixed instead on 10 December 2018 to update the Court on the status of the matter at the SCIT

The case management on 10 December 2018 has been vacated and next case management was fixed on 30 January 2019. During case management on 30 January 2019, the Court ordered that the Plaintiff's Writ and Statement of Claim in both suits be struck out with no order as to cost and with liberty for the Plaintiff to file afresh after disposal of the SCIT appeal.

The hearing before the SCIT is fixed on 21 and 22 November 2019.

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 in the financial year ended 30 June 2017, solely for reporting purposes. STSB maintains 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 be allowed according to accounting standards and IRB's public ruling on property development.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(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		
	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)	Changes (%)	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)	Changes (%)
<b>Revenue</b>						
Property development	39,403	55,309	(29)	82,194	89,776	(8)
Leisure	6,132	6,346	(3)	12,509	12,761	(2)
Education	270	352	(23)	643	798	(19)
Investment	5,133	4,986	3	10,266	9,971	3
	50,938	66,993	(24)	105,612	113,306	(7)
Elimination on consolidation	(5,128)	(4,977)	3	(10,255)	(9,960)	3
	45,810	62,016	(26)	95,357	103,346	(8)
<b>Profit before taxation</b>						
Property development	7,775	7,661	1	17,038	15,469	10
Leisure	(2,408)	(881)	16	(4,078)	(1,668)	16
Education	(548)	(481)	130	(1,118)	(755)	130
Investment	156	248	(37)	586	347	69
	4,975	6,547	(24)	12,428	13,393	(7)
Elimination on consolidation	973	(68)	(126)	(120)	171	(126)
	5,948	6,479	(8)	12,308	13,564	(9)

The Group registered RM45.8 million in revenue and profit before tax of RM5.9 million for the current quarter under review.

Property development segment generated revenue amounting RM39.4 million, representing 86.0% of the total revenue of the Group. Revenue is mainly generated from sale of completed properties and construction progress from properties sold for on-going projects in Damansara Perdana, Damansara Damai and Meru projects.

For the current quarter under review, the property segment registered a decrease in revenue of 29% mainly due to slow-down of sales in properties. As compared to corresponding quarter, the Group registered a decrease in profit before tax of 8% mainly due to lower revenue in current quarter under review.

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

	3 Months Ended		Changes (%)
	31/12/2018 RM'000	30/9/2018 RM'000	
<b>Profit before taxation</b>			
Property development	7,775	9,263	(16.06)
Leisure	(2,408)	(1,670)	44.19
Education	(548)	(570)	(3.86)
Investment	156	430	(63.72)
	4,975	7,453	(33.25)
Eliminations on consolidation	973	(1,093)	(189.02)
	5,948	6,360	(6.48)

The Group recorded profit before taxation of RM5.9 million for the current quarter under review which is slightly lower as compared to RM6.4 million for the preceding quarter.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

#### 18 Commentary on Prospects

The Group continues with its strategies to drive performance at its flagship locations namely Damansara Perdana, Damansara Damai, Klebang and Meru Perdana through aggressive awareness campaign and marketing promotions. Under the prevailing property market condition, the Group has channelled efforts towards development of affordable housing.

The Group remains cautious on new launches (other than affordable housing) and expects performance to be challenging for the financial year ending 30 June 2019.

#### 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	
	31/12/2018	31/12/2017
	RM'000	RM'000
		(Restated)
Current tax		
- for the current period	8,037	7,085
- in respect of prior periods	-	-
Deferred tax		
- for the current period	(320)	(475)
- in respect of prior periods	-	(1,170)
	<u>7,717</u>	<u>5,440</u>

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

#### 21 Status of Corporate Proposals

##### a) Share Buy-Back Scheme

The Share Buy-Back Scheme mandate approved by the shareholders at the AGM on 13 December 2017 was not renewed at the last AGM held on 6 December 2018.



# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(The figures have not been audited)

### PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

#### 22 Changes in Material Litigation

As at 25 February 2019, there was no change in material litigation since the last audited statement of financial position as at 30 June 2018, save as disclosed in Section 15 above.

#### 23 Borrowings and Debt Securities

Secured	As At	
	31/12/2018 RM'000	30/06/2018 RM'000
<b>Short Term Borrowings :</b>		
Term and bridging loans	27,811	34,315
Hire purchase payables	72	30
Bank overdraft	9,460	9,824
	<u>37,343</u>	<u>44,169</u>
<b>Long Term Borrowings :</b>		
Term and bridging loans	17,186	18,247
Hire purchase payables	330	139
	<u>17,516</u>	<u>18,386</u>
<b>Total Borrowings</b>	<u>54,859</u>	<u>62,555</u>

The weighted average effective interest rate during the current quarter for borrowings and debt securities was 7.8%. There is no foreign denominated borrowing.

#### 24 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the parent for the period by the weighted average number of ordinary shares in issue during the period. There was no potential dilutive shares outstanding at reporting date.

	3 Months Ended	
	31/12/2018	31/12/2017 (Restated)
Net profit attributable to owners of the parent for the period (RM'000)	2,169	3,764
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<u>0.18</u>	<u>0.31</u>

#### 25 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 28 February 2019.