

# 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 30 SEPTEMBER 2019

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q1)		CUMULATIVE QUARTER (3 Mths)	
		CURRENT YEAR QUARTER 30/09/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2018 RM'000	CUMULATIVE CURRENT YEAR 30/09/2019 RM'000	CUMULATIVE PRECEDING YEAR 30/09/2018 RM'000
Revenue	9	54,506	49,547	54,506	49,547
Cost of sales		(35,869)	(19,541)	(35,869)	(19,541)
Gross profit		18,637	30,006	18,637	30,006
Other operating income		2,640	1,414	2,640	1,414
Administrative expenses		(13,091)	(14,617)	(13,091)	(14,617)
Selling and marketing expenses		(1,077)	(2,439)	(1,077)	(2,439)
Other operating expenses		(4,203)	(6,721)	(4,203)	(6,721)
Profit from operations	9	2,906	7,643	2,906	7,643
Finance costs		(790)	(1,283)	(790)	(1,283)
Profit before taxation	10	2,116	6,360	2,116	6,360
Taxation	20	(605)	(3,938)	(605)	(3,938)
Profit for the period		1,511	2,422	1,511	2,422
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		1,511	2,422	1,511	2,422
<b>Profit attributable to:</b>					
Owners of the parent		1,520	2,422	1,520	2,422
Non-controlling interests		(9)	-	(9)	-
		1,511	2,422	1,511	2,422
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		1,520	2,422	1,520	2,422
Non-controlling interests		(9)	-	(9)	-
		1,511	2,422	1,511	2,422
<b>Basic earnings per share (sen)</b>	24	0.13	0.20	0.13	0.20

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 2019.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 30 SEPTEMBER 2019**

(The figures have not been audited)

		UNAUDITED AS AT END OF CURRENT QUARTER 30/09/2019 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2019 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		176,508	177,574
Inventories - land held for property development		787,416	781,923
Investment properties	11	213,305	213,305
Deferred tax assets		9,814	10,044
		1,187,043	1,182,846
<b>Current Assets</b>			
Inventories - property development costs		123,577	106,005
Inventories - completed properties and others		148,322	162,772
Trade receivables		62,845	64,318
Other receivables		4,778	5,818
Contract assets		59,049	58,647
Tax recoverable		3,279	3,525
Other financial assets		26,513	33,830
Cash and bank balances		40,615	46,680
		468,978	481,595
<b>Total Assets</b>		1,656,021	1,664,441
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		1,216,296	1,216,296
Reserves		(16,437)	(17,938)
		1,199,859	1,198,358
Non-controlling interests		3	12
<b>Total Equity</b>		1,199,862	1,198,370
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		26,260	26,274
Long term borrowings	23	16,164	16,319
Other payables		87,434	86,877
		129,858	129,470
<b>Current Liabilities</b>			
Provisions for liabilities		37,170	37,299
Current tax liabilities		12,908	13,324
Short term borrowings	23	32,257	32,002
Trade payables		84,253	88,424
Other payables		107,336	98,148
Contract liabilities		52,377	67,404
		326,301	336,601
<b>Total Liabilities</b>		456,159	466,071
<b>Total Equity and Liabilities</b>		1,656,021	1,664,441
<b>Net assets per share attributable to owners of the parent (sen)</b>		100	99

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2019.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

	<----- Attributable to the owners of the parent ----->				Total RM'000	Non- controlling Interest RM'000	Total RM'000
	<-----Non-distributable----->		Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Retained Profits RM'000			
<b>At 1 July 2019</b>	1,216,296	(1,904)	(39,441)	23,407	1,198,358	12	1,198,370
Cumulative effect of initial application of MFRS 16	-	-	-	(19)	(19)	-	(19)
At 1 July 2019	1,216,296	(1,904)	(39,441)	23,388	1,198,339	12	1,198,351
Total comprehensive income for period	-	-	-	1,520	1,520	(9)	1,511
<b>At 30 September 2019</b>	1,216,296	(1,904)	(39,441)	24,908	1,199,859	3	1,199,862
<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 *	-	-	-	(7,466)	(7,466)	-	(7,466)
As at 1 July 2018 (restated)	1,216,296	(1,904)	(39,441)	17,033	1,191,984	-	1,191,984
Total comprehensive income for period	-	-	-	2,422	2,422	-	2,422
<b>At 30 September 2018</b>	1,216,296	(1,904)	(39,441)	19,455	1,194,406	-	1,194,406

\* 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 2019.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(The figures have not been audited)

	3 Months Ended 30/09/2019 RM'000	3 Months Ended 30/09/2018 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	2,116	6,360
Adjustments for non-cash and non-operating items	928	2,537
Operating profit before working capital changes	3,044	8,897
Increase in land held for property development and property development costs	(23,065)	(9,080)
Decrease in inventories - completed properties and others	14,450	16,538
(Increase)/Decrease in receivables	3,069	(16,538)
Increase/(Decrease) in payables and provision for liabilities	(10,228)	(503)
Net cash used in operations	(12,730)	(686)
Net interest received/(paid)	71	(329)
Taxes paid	(560)	(2,136)
<b>Net cash used in operating activities</b>	(13,219)	(3,151)
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(264)	(2,134)
Decrease/(Increase) in placement of fixed deposits	105	932
Withdrawal from/(Placement in) money market fund	7,317	7,214
<b>Net cash generated from investing activities</b>	7,158	6,012
<b>Cash flows from financing activities</b>		
Net (repayment)/drawdown of borrowings	103	(5,503)
<b>Net cash generated from financing activities</b>	103	(5,503)
<b>Net decrease in cash and cash equivalents</b>	(5,958)	(2,642)
<b>Cash and cash equivalents at beginning of financial period</b>	31,458	44,780
<b>Cash and cash equivalents at end of financial period</b>	25,500	42,138
<b>Cash and cash equivalents at end of financial period comprise the following:</b>		
Cash and bank balances	40,615	55,462
Less: Deposits with licensed banks for more than 3 months	(5,683)	(3,834)
Less: Bank overdraft	(9,432)	(9,490)
	25,500	42,138

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2019.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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 2019. 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 2019.

#### 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 2019 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 2019, as disclosed below:

MFRS 16	Leases
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

The adoption of the above MFRSs does not have significant financial impact to the Group except for MFRS 16 Leases as disclosed below:

##### MFRS 16 Leases

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use assets representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Company has adopted the standard using modified retrospective approach, under which the cumulative effect of initial recognition is recognized in retained earnings. The Company measured the right-of-use assets as if MFRS 16 had always been applied with no restatement of comparative information. The cumulative effect of initial application of MFRS 16 is adjusted to the opening balance of retained earnings at the date of initial application, as shown below:

	<b>RM'000</b>
Retained profits as at 1 July 2019, as previously reported	23,407
Cumulative effect of initial application of MFRS 16	(19)
Retained profits as at 1 July 2019, as restated	<u>23,388</u>

# **M K LAND HOLDINGS BERHAD**

(INCORPORATED IN MALAYSIA) - 40970 H

## **NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(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 2019 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 30 SEPTEMBER 2019

(The figures have not been audited)

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

#### 9 Segmental Information

	3 Months Ended		
	30/09/2019 RM'000	30/09/2018 RM'000	Changes (%)
<b>Segment Revenue</b>			
Property development	47,689	42,791	11
Leisure	6,436	6,377	1
Education	377	373	1
Investment	5,368	5,133	5
	<hr/>	<hr/>	
	59,870	54,674	10
Eliminations on consolidation	(5,364)	(5,127)	5
Total revenue	<hr/>	<hr/>	
	54,506	49,547	10
	<hr/>	<hr/>	
<b>Segment Results</b>			
Property development	3,890	10,470	(63)
Leisure	(716)	(1,669)	(57)
Education	(570)	(570)	-
Investment	362	562	(36)
	<hr/>	<hr/>	
	2,966	8,793	(66)
Eliminations on consolidation	(60)	(1,150)	(95)
Profit from operations	<hr/>	<hr/>	
	2,906	7,643	(62)
	<hr/>	<hr/>	

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		3 Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
The following have been (credited)/charged in arriving at profit before tax:				
Rental income	(1,099)	(820)	(1,099)	(820)
Interest income	(508)	(498)	(508)	(498)
Interest expense	790	1,283	790	1,283
Depreciation and amortisation	1,604	1,753	1,604	1,753
Provision for impairment loss (net of reversal) of receivables	(958)	268	(958)	268
	<hr/>	<hr/>	<hr/>	<hr/>

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

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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 2019.

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

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

#### 13 Subsequent events

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

#### 14 Commitments

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

#### 15 Changes in Contingent Liabilities and Contingent Assets

##### a) Corporate guarantees

Contingent liabilities in respect of corporate guarantees issued by the holding company to licensed banks for credit facilities granted to subsidiaries amounted to RM48.1 million as at 30 September 2019.

##### b) 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.



# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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 and development costs - Saujana Triangle Sdn Bhd (Continued)

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.

On 26 February 2019, IRB requested for a 3 months mention date. In that regards, the SCIT fixed a next mention date on 10 May 2019 for the parties to update the Court on the progress of settlement, however the mention was not reflected in SCIT's diary and a new mention date will be fixed and informed by SCIT. Subsequently, case management was held on 24 September 2019 and 1 November 2019. On 1 November 2019, the Court informed the parties to attend case management on 21 November 2019 as more time is given to IRB to respond to STSB's settlement proposal.

During case management on 21 November 2019, the IRB requested for more time to consider the settlement proposal. Accordingly, the Court allowed the IRB's request and fixed another case management on 25 February 2020 for the IRB to update the Court.

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

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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		Changes (%)
	30/09/2019 RM'000	30/09/2018 RM'000	
<b>Revenue</b>			
Property development	47,689	42,791	11
Leisure	6,436	6,377	1
Education	377	373	1
Investment	5,368	5,133	5
	<u>59,870</u>	<u>54,674</u>	<u>10</u>
Elimination on consolidation	(5,364)	(5,127)	5
	<u>54,506</u>	<u>49,547</u>	<u>10</u>
<b>Profit before taxation</b>			
Property development	3,220	9,263	(65)
Leisure	(717)	(1,670)	57
Education	(570)	(570)	-
Investment	243	430	(43)
	<u>2,176</u>	<u>7,453</u>	<u>(71)</u>
Elimination on consolidation	(60)	(1,093)	(95)
	<u>2,116</u>	<u>6,360</u>	<u>(67)</u>

The Group registered RM54.5 million in revenue and profit before tax of RM2.1 million for the current quarter under review.

Property development segment generated revenue amounting to RM47.7 million, representing 87.5% 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.

Revenue for the property development segment recorded an increase in revenue of 11%. The higher revenue achieved in the current quarter for the property development segment was mainly due to higher construction progress achieved for the on-going project in Damansara Damai. Profit before taxation for the current quarter of RM2.1 million, which is lower by 67% compared with RM6.4 million for the previous year corresponding quarter, was mainly due to lower profit margin from sale of completed properties.

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

	3 Months Ended		Changes (%)
	30/09/2019 RM'000	30/06/2019 RM'000	
<b>Profit before taxation</b>			
Property development	3,220	22,077	(85)
Leisure	(717)	(3,868)	81
Education	(570)	(895)	36
Investment	243	2,951	(92)
	<u>2,176</u>	<u>20,265</u>	<u>(89)</u>
Eliminations on consolidation	(60)	(60)	-
	<u>2,116</u>	<u>20,205</u>	<u>(90)</u>

The Group recorded profit before taxation of RM2.1 million for the current quarter as compared to RM20.2 million for the preceding quarter.

The material changes are mainly from the property development. Profit before tax for the property development segment in the current quarter is RM3.2 million, which is 85% or RM18.9 million lower than RM22.1 million in the preceding quarter. This was mainly due to the fair value adjustments on investment properties during the preceding quarter.

# M K LAND HOLDINGS BERHAD

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## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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 more efforts towards development of affordable housing, of which an affordable housing project in Gopeng is targeted to be launched by the second half of the financial year 2020.

The Group remains cautious on new launches (other than affordable housing) and expects performance to be challenging for the financial year ending 30 June 2020.

#### 19 Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and forecast profit after tax and for the shortfall in profit guarantee are not applicable.

#### 20 Taxation

	3 Months Ended	
	30/09/2019	30/09/2018
	RM'000	RM'000
Current tax		
- for the current period	390	4,002
- in respect of prior periods	-	-
Deferred tax		
- for the current period	215	(64)
- in respect of prior periods	-	-
	<u>605</u>	<u>3,938</u>

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

#### 21 Status of Corporate Proposals

There was no corporate proposal announced but not completed at the end of the current financial period.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (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 27 November 2019, there was no change in material litigation which exceed 5% of the net assets of the Group since the last audited statement of financial position as at 30 June 2019, save as disclosed below and in Section 15.

##### *Medan Prestasi Sdn Bhd vs. Inland Revenue Board*

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 Summons 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 new panel of SCIT heard the oral submissions by parties concerned and the last hearing was on 22 February 2019. The SCIT then set a date of 10 May 2019 for an oral decision on the case.

On 10 May 2019, the SCIT opined that since there are no firm evidence to show that the lands were meant for other uses in the future, or that it was intended for the construction of commercial buildings and showrooms for rental income, the Appellant's appeal is dismissed.

Upon review of the SCIT's Deciding Order and consulting its solicitors, MPSB filed an appeal against the SCIT's decision to the High Court on 28 May 2019 via a case stated. Presently, MPSB is waiting for the case stated (i.e. the ground of judgement) to be issued by SCIT for the appeal to be transmitted to the High Court.

On a prudent and without prejudice basis, a provision of tax and penalty amounting RM8,709,121 and RM5,876,480 respectively have been made in the financial year ended 30 June 2019, solely for reporting purposes. MPSB maintains the view that the basis of the assessment that the gain on disposal of this investment properties should be subjected to RPGT.

# M K LAND HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) - 40970 H

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(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)

#### 23 Borrowings and Debt Securities

Secured	As At	
	30/09/2019 RM'000	30/06/2019 RM'000
<b>Short Term Borrowings :</b>		
Term and bridging loans	22,754	22,496
Hire purchase payables	71	71
Bank overdraft	9,432	9,435
	<hr/>	<hr/>
	32,257	32,002
<b>Long Term Borrowings :</b>		
Term and bridging loans	15,906	16,044
Hire purchase payables	258	275
	<hr/>	<hr/>
	16,164	16,319
<b>Total Borrowings</b>	<hr/>	<hr/>
	48,421	48,321

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	
	30/09/2019	30/09/2018
Net profit attributable to owners of the parent for the period (RM'000)	1,520	2,422
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	<hr/>	<hr/>
	0.13	0.20

#### 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 November 2019.