

**M K LAND HOLDINGS BERHAD**  
(INCORPORATED IN MALAYSIA) - 197801003984 (40970 H)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2020**

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER (Q4)		CUMULATIVE QUARTER (12 Mths)	
		CURRENT YEAR QUARTER 30/06/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2019 RM'000	CUMULATIVE CURRENT YEAR 30/06/2020 RM'000	CUMULATIVE PRECEDING YEAR 30/06/2019 RM'000
Revenue	9	30,079	24,798	199,010	171,820
Cost of sales		(19,766)	(18,756)	(111,974)	(93,160)
Gross profit		10,313	6,042	87,036	78,660
Other operating income		9,740	52,409	15,527	66,338
Administrative expenses		(7,143)	(9,335)	(48,679)	(56,418)
Selling and marketing expenses		(366)	(2,072)	(3,225)	(6,802)
Other operating expenses		(6,890)	(25,931)	(23,599)	(44,154)
Profit from operations	9	5,654	21,113	27,060	37,624
Finance costs		(1,270)	(908)	(3,586)	(4,258)
Profit before taxation	10	4,384	20,205	23,474	33,366
Taxation	20	(963)	(18,966)	(13,110)	(27,025)
Profit for the period		3,421	1,239	10,364	6,341
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		3,421	1,239	10,364	6,341
<b>Profit attributable to:</b>					
Owners of the parent		3,530	1,251	10,562	6,374
Non-controlling interests		(109)	(12)	(198)	(33)
		3,421	1,239	10,364	6,341
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		3,530	1,251	10,562	6,374
Non-controlling interests		(109)	(12)	(198)	(33)
		3,421	1,239	10,364	6,341
<b>Basic earnings per share (sen)</b>	24	0.29	0.10	0.88	0.53

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) - 197801003984 (40970 H)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

(The figures have not been audited)

	Note	UNAUDITED AS AT END OF CURRENT QUARTER 30/06/2020 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		172,641	177,574
Inventories - land held for property development		804,494	781,923
Investment properties	11	216,565	213,305
Deferred tax assets		7,683	10,044
		1,201,383	1,182,846
<b>Current Assets</b>			
Inventories - property development costs		139,962	106,005
Inventories - completed properties and others		129,375	162,772
Trade receivables		59,211	64,318
Other receivables		5,739	5,818
Contract assets		51,738	58,647
Tax recoverable		3,923	3,525
Other financial assets		6,823	33,830
Cash and bank balances		50,634	46,680
		447,405	481,595
<b>Total Assets</b>		1,648,788	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		(19,441)	(17,938)
		1,196,855	1,198,358
Non-controlling interests		(186)	12
<b>Total Equity</b>		1,196,669	1,198,370
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		26,225	26,274
Long term borrowings	23	13,046	16,319
Other payables		87,503	86,877
		126,774	129,470
<b>Current Liabilities</b>			
Short term borrowings	23	37,530	32,002
Trade payables		116,770	88,424
Other payables		107,003	98,148
Contract liabilities		32,570	67,404
Provision for liabilities		19,931	37,299
Current tax liabilities		11,541	13,324
		325,345	336,601
<b>Total Liabilities</b>		452,119	466,071
<b>Total Equity and Liabilities</b>		1,648,788	1,664,441
<b>Net assets per share attributable to owners of the parent (sen)</b>		99	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**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2020**

(The figures have not been audited)

	<----- Attributable to owners of the parent ----->					Non- controlling Interest RM'000	Total RM'000
	Share Capital RM'000	<-----Non-distributable----->		Distributable			
		Treasury Shares RM'000	Merger Deficit RM'000	Retained Profits RM'000	Total 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	-	-	-	10,562	10,562	(198)	10,364
<b>Transactions with owners</b>							
Dividend paid	-	-	-	(12,046)	(12,046)	-	(12,046)
<b>At 30 June 2020</b>	1,216,296	(1,904)	(39,441)	21,904	1,196,855	(186)	1,196,669
<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	-	-	-	6,374	6,374	(33)	6,341
<b>Transactions with owners</b>							
Subscription of interest in a subsidiary by a non-controlling interest	-	-	-	-	-	45	45
<b>At 30 June 2019</b>	1,216,296	(1,904)	(39,441)	23,407	1,198,358	12	1,198,370

\* 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**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

(The figures have not been audited)

	12 Months Ended 30/06/2020 RM'000	12 Months Ended 30/06/2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	23,474	33,366
Adjustments for non-cash and non-operating items	2,636	(25,559)
Operating profit before working capital changes	26,110	7,807
Increase in land held for property development and property development costs	(56,528)	(47,768)
Decrease in inventories - completed properties and others	31,151	36,604
Decrease in receivables	17,133	7,120
(Decrease)/Increase in payables and provision for liabilities	(17,007)	8,733
Net cash used in operations	859	12,496
Net interest received/(paid)	90	(1,295)
Taxes paid	(13,001)	(7,235)
<b>Net cash (used in)/from operating activities</b>	<b>(12,052)</b>	<b>3,966</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(1,210)	(5,876)
(Increase)/Decrease in placement of fixed deposits	(1,867)	376
Withdrawal from money market fund	27,007	3,644
<b>Net cash from/(used in) investing activities</b>	<b>23,930</b>	<b>(1,856)</b>
<b>Cash flows from financing activities</b>		
Ordinary shares subscribed by non-controlling interests of a subsidiary	-	45
Net drawdown/(repayment) of borrowings	1,853	(14,080)
Dividend paid	(12,046)	-
<b>Net used in financing activities</b>	<b>(10,193)</b>	<b>(14,035)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,685</b>	<b>(11,925)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>32,855</b>	<b>44,780</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>34,540</b>	<b>32,855</b>
<b>Cash and cash equivalents at end of financial period comprise the following:</b>		
Cash and bank balances	50,634	46,680
Less: Deposits with licensed banks for more than 3 months	(6,257)	(4,390)
Bank overdraft	(9,837)	(9,435)
	<b>34,540</b>	<b>32,855</b>

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.

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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**  
(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>

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(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**

On 18 March 2020, the Company declared a first interim dividend (single tier) of 1 sen for the financial year ending 30 June 2020 which was paid on 17 June 2020.

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

**9 Segmental Information**

	12 Months Ended		
	30/06/2020 RM'000	30/06/2019 RM'000	Changes (%)
<b>Segment Revenue</b>			
Property development	178,949	147,970	21
Leisure	18,604	22,575	(18)
Education	1,444	1,254	15
Investment	19,856	23,350	(15)
	<hr/> 218,853	<hr/> 195,149	<hr/> 12
Eliminations on consolidation	(19,843)	(23,329)	(15)
Total revenue	<hr/> 199,010	<hr/> 171,820	<hr/> 16
<b>Segment Results</b>			
Property development	33,113	46,941	(29)
Leisure	(6,355)	(10,943)	42
Education	(1,418)	(2,515)	44
Investment	1,960	4,381	(55)
	<hr/> 27,300	<hr/> 37,864	<hr/> (28)
Eliminations on consolidation	(240)	(240)	-
Profit from operations	<hr/> 27,060	<hr/> 37,624	<hr/> (28)

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	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
The following have been (credited)/charged in arriving at profit before tax:				
Rental income	(584)	(1,099)	(3,486)	(3,569)
Interest income	(255)	(508)	(1,337)	(1,987)
Interest expense	1,270	908	3,586	4,258
Net fair value adjustments on investment properties	(3,260)	(48,145)	(3,260)	(56,696)
Depreciation and amortisation	1,722	1,604	6,417	6,097
Provision for impairment loss (net of reversal) of receivables	(6,755)	10,388	(5,038)	11,132
Provision for impairment of inventories	2,246	315	2,246	315

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

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**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 2020.

**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 RM50.3 million as at 30 June 2020.

**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 of Section 33 (1) of the Income Tax Act, 1967.



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(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 transactions 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.

During case management on 25 February 2020, the Appellant informed the Court that it has issued a letter to the Respondent on 20 January 2020 to which the Respondent has only reverted on 25 February 2020. As such, another case management date was fixed on 25 March 2020 for parties to update the Court on the status of the settlement and to allow further negotiations between the parties.

The case management date fixed on 25 March 2020 was further adjourned to 6 May 2020, which was subsequently vacated as the Movement Control Order was still in effect. The Court fixed the next case management date on 6 July 2020.

During case management on 6 July 2020, the Court was informed that parties are still in the midst of settlement discussions and that additional time is needed due to the Movement Control Order. The Court directed parties to attend the next case management on 4 September 2020 for parties to update the Court on the status.

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.

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(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		
	30/06/2020 RM'000	30/06/2019 RM'000	Changes (%)	30/06/2020 RM'000	30/06/2019 RM'000	Changes (%)
<b>Revenue</b>						
Property development	29,495	20,883	41	178,949	147,970	21
Leisure	219	3,594	(94)	18,604	22,575	(18)
Education	361	316	14	1,444	1,254	15
Investment	3,754	7,951	(53)	19,856	23,350	(15)
	33,829	32,744	3	218,853	195,149	12
Elimination on consolidation	(3,750)	(7,946)	53	(19,843)	(23,329)	15
	30,079	24,798	21	199,010	171,820	16
<b>Profit before taxation</b>						
Property development	6,447	22,077	(71)	29,931	43,190	(31)
Leisure	(2,752)	(3,868)	29	(6,358)	(10,946)	42
Education	(61)	(895)	93	(1,418)	(2,515)	44
Investment	810	2,951	(73)	1,559	3,877	(60)
	4,444	20,265	(78)	23,714	33,606	(29)
Elimination on consolidation	(60)	(60)	-	(240)	(240)	-
	4,384	20,205	(78)	23,474	33,366	(30)

The Group registered RM30.1 million in revenue and profit before tax of RM4.4 million for the current quarter under review. Property development segment generated revenue amounting to RM29.5 million, representing 98.1% of the total revenue of the Group. Revenue is mainly generated from the sale of completed properties and construction progress from properties sold for on-going projects in Damansara Perdana, Damansara Damai and Taman Bunga Raya (in Central region) and Meru Perdana and Klebang Putra (in Northern region).

Revenue for the property development segment recorded an increase of 41%. The higher revenue in the current quarter for the property development segment was mainly contributed by higher sales from on-going project in Taman Bunga Raya. Revenue from leisure segment declined significantly by 94% from RM3.6 million to RM0.2 million as the operations of the resort and waterpark were suspended during the current period as a result of the Movement Control Order. Profit before taxation of RM4.4 million for the current quarter is lower by 78% compared with RM20.2 million for the previous year corresponding quarter, mainly due to lower profit before taxation from property development segment. Administrative expenses were lower following various cost containment measures implemented.

For financial year ended 30 June 2020, the Group recorded a profit before taxation of RM23.5 million, which is lower by 30% compared with RM33.4 million for the previous year corresponding period. This was mainly due to lower fair value gain on investment properties.

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

	3 Months Ended		Changes (%)
	30/06/2020 RM'000	31/03/2020 RM'000	
<b>Profit before taxation</b>			
Property development	6,447	17,499	(63)
Leisure	(2,752)	(3,073)	10
Education	(61)	(304)	80
Investment	810	381	113
	4,444	14,503	(69)
Eliminations on consolidation	(60)	(60)	-
	4,384	14,443	(70)

The Group recorded profit before taxation of RM4.4 million for the current quarter as compared to RM14.4 million for the preceding quarter.

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**NOTES TO THE ACCOUNTS**  
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(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)**

**17 Variations of Results Against The Preceding Quarter (continued)**

The material changes are mainly from the property development segment. Profit before tax for the property development segment in the current quarter of RM6.4 million is lower by 63% as compared to the preceding quarter, mainly due to lower revenue from property development segment.

**18 Commentary on Prospects**

The outbreak of the Covid-19 pandemic and implementation of the Movement Control Order (MCO) have resulted in most businesses and social activities being severely disrupted. The Malaysian economy is expected to contract in 2020 with Bank Negara Malaysia projecting a Gross Domestic Product (GDP) growth of -2% to 0.5%. Malaysia's GDP contracted by 17.1% in the second quarter of 2020 mainly due to the MCO enforced during the quarter to stem the spread of Covid-19. The Malaysian Government has introduced various fiscal, monetary stimulus and other measures in supporting a recovery in economic activities. There are also multiple rounds of reduction in Overnight Policy Rate. This is expected to support the domestic economic activities.

The Group expects performance to remain challenging for the financial year ending 30 June 2021. Consumers are more cautious in their spending, especially on properties, due to concern on job security and the sluggish economy. The Group's leisure segment is expected to be adversely affected until full recovery of tourism activities and consumer sentiments. The Group will continue to monitor the pandemic and economic situation and will take appropriate measures if warranted.

**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	
	30/06/2020	30/06/2019
	RM'000	RM'000
Current tax		
- for the current period	11,635	9,797
- in respect of prior periods	(815)	12,996
Deferred tax		
- for the current period	2,207	6,823
- in respect of prior periods	83	(2,591)
	13,110	27,025

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.

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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**  
(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 21 August 2020, 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 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 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 6 July 2020, the IRB issued a Writ of Summon and Statement of Claim of RM10,107,364.56 to MPSB. MPSB then filed an application for Stay of Proceedings on 14 August 2020.

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.

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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**  
(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**

	<b>As At</b>	
<b>Secured</b>	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term Borrowings :</b>		
Term and bridging loans	27,633	22,496
Hire purchase payables	60	71
Bank overdraft	9,837	9,435
	37,530	32,002
<b>Long Term Borrowings :</b>		
Term and bridging loans	12,830	16,044
Hire purchase payables	216	275
	13,046	16,319
<b>Total Borrowings</b>	50,576	48,321

The weighted average effective interest rate during the current quarter for borrowings and debt securities was 6.7%. 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.

	<b>3 Months Ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
Net profit attributable to owners of the parent for the period (RM'000)	3,530	1,251
Weighted average no. of ordinary shares in issue ('000)	1,204,590	1,204,590
Basic earnings per share (sen)	0.29	0.10

**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 24 August 2020.