

# **MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)**

## **NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPT 2008**

### **SECTION A – FRS 134 PARAGRAPH 16**

#### **1. ACCOUNTING POLICIES**

The interim financial report are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2008.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of a change in a financial position and performance of the Group since the financial year ended 30 June 2008.

#### **2. CHANGES IN ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 30 June 2008.

#### **3. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the financial statements for the financial year ended 30 June 2008 was not subject to any qualification.

#### **4. SEASONALITY OR CYCLICALITY OF OPERATIONS**

There were no significant seasonal and cyclical factors that affect the business of the Group in the current quarter under review.

#### **5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow in the current quarter under review.

#### **6. MATERIAL CHANGES IN ESTIMATES**

There were no changes in estimates of amount reported in prior financial year that have a material effect in the current quarter under review.

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### 7. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter under review.

### 8. DIVIDENDS PAID

There were no dividends paid in the current quarter under review.

### 9. SEGMENTAL REPORTING

The segmental analysis for the Group for the quarter ended 30 September 2008 as follows:-

a) 3 months ended 30 September 2008

<b>Description</b>	<b>Property Development &amp; Construction (RM'000)</b>	<b>Investment Properties (RM'000)</b>	<b>Elimination (RM'000)</b>	<b>Consolidation (RM'000)</b>
<b><u>Revenue</u></b>				
External Sales	-	2,694		2,694
Inter-segment Sales	-	1,609	(1,609)	-
<b>Sub-total</b>	<b>-</b>	<b>4,303</b>	<b>(1,609)</b>	<b>2,694</b>
<b><u>Results</u></b>				
Segment Results	<b>(915)</b>	<b>(214)</b>		<b>(1,129)</b>
Finance costs	(1,968)	(2,037)		(4,005)
<b>Loss Before Taxation</b>				<b>(5,134)</b>
<b>Loss After Taxation</b>				<b>(5,134)</b>

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**9. SEGMENTAL REPORTING (cont'd)**

b) 3 months ended 30 September 2007

<b>Description</b>	<b>Property Development &amp; Construction (RM'000)</b>	<b>Investment Properties (RM'000)</b>	<b>Elimination (RM'000)</b>	<b>Consolidation (RM'000)</b>
<b><u>Revenue</u></b>				
External Sales	1,824	2,413	-	4,237
Inter-segment Sales	-	767	(767)	-
<b>Sub-total</b>	<b>1,824</b>	<b>3,180</b>	<b>(767)</b>	<b>4,237</b>
<b><u>Results</u></b>				
<b>Segment Results</b>	114	58,393		58,507
Finance costs	(1,953)	(1,794)		(3,747)
<b>Profit Before Taxation</b>				<b>54,760</b>
Taxation				-
<b>Profit After Taxation</b>				<b>54,760</b>

**10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There were no amendments to the valuation of property, plant and equipment from the previous financial statements for the financial year ended 30 June 2008 to the current quarter under review.

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### **11. SUBSEQUENT MATERIAL EVENTS**

On 23 October 2008, all conditions precedent of internal restructuring exercise were fulfilled including approval of FIC as was announced on 23 October 2008. On 31 October 2008, total RM99.0 million was received pursuant to the terms of the Joint Venture.

On 31 October 2008, the total liabilities of RM108,323,375.01 was fully repaid to EON Bank Bhd and all the land parcels were redeemed free of encumbrances.

The Company obtained a temporary overdraft facilities of RM15.0 million from EON Bank Bhd against the secured guarantee of Messrs Steady Essence Sdn. Bhd. (a company controlled by the directors, Datin Kong Yuk Chu and Mr Ch'ng Soon Sen and CEO, Dato' Bill C.P. Ch'ng) to assist the Company to fulfill the full redemption of the titles of Taman Bandar Baru Masai Sdn. Bhd. (TBBM) from EON Bank Bhd to be beneficiary owned by LakeHill Resort Development Sdn. Bhd. as at 31 October 2008.

With the completion of the JVA, the Company's effective equity interest in LakeHill Resort Development Sdn Bhd (LHRSD) was reduced from 100% to 78% effective from 31 October 2008.

### **12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the current quarter under review except for Oriental Pearl City Properties Sdn Bhd as explained in Section A, Note 11 above.

### **13. CHANGES IN CONTINGENT LIABILITIES/ASSETS**

There were no changes in contingent liabilities or contingent assets as at the date of this report except for the material litigation as explained in Section B, Note 12.

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## **SECTION B –LISTING REQUIREMENTS**

### **1. PERFORMANCE REVIEW**

In the current quarter under review, the Group achieved revenue of RM2.7 million as compared to RM4.2 million in the previous corresponding quarter. The decrease in revenue was mainly due to the lack of contribution by the property development division as launching of sales were temporarily held back because of rising cost of construction and building materials as well as during the period while the development was in negotiation with AmanahRaya Development Sdn Bhd about a joint venture all major decisions were put on hold in order not to rock the negotiation agreed price and independent valuation of the undeveloped properties. The JV agreement was signed on 20 August 2008 thus major work on the site in particular major sale launching was put on hold pending the conclusion of the JV and the formation of Joint-Management Committee (JMC) between AmanahRaya and the Company to decide the development and the selling plan, etc.

Hence, for this quarter the revenue was affected and at net earnings level, the Group recorded loss before tax of RM5.1 million (majority in bank charges) as compared to profit before tax of RM54.8 million in the corresponding quarter. However, after deducting the one-off gain of RM58.0 million in the previous corresponding quarter, the Group's comparative loss before tax was RM1.9 million, mainly due to increase in interest expenses.

### **2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

From the forgoing explanation, in the current quarter under review, the Group recorded a loss before tax of RM5.1 million as compared to a profit before tax of RM9.2 million in the immediate preceding quarter. However after deducting the one-off gain of RM15.0 million of the immediate preceding quarter, the Group's comparative loss before tax is reduced to RM0.7 million which was mainly due to lower overhead cost of development property division and higher revenue attributed by investment property division in the current quarter under review.

### **3. PROSPECTS FOR THE FINANCIAL YEAR**

It is anticipated that the coming 2<sup>nd</sup> financial quarter (ending 31 December 2008), would show much better result and a turnaround situation for the financial year ending 30 June 2009 is expected for the following reasons given below:

#### **a) Development Property Division – LakeHill Resort Iskandar Malaysia**

On 20 August 2008, a Joint Venture Agreement (“JVA”) between Amanah Raya Development Sdn Bhd (“ADSB”), a subsidiary of Amanah Raya Berhad, a company under the ‘Minister of Finance Inc.’ Malaysia, and Oriental Pearl City Properties Sdn Bhd, a subsidiary of the Company to develop the 638 acres of freehold land situated in Nusa Damai, Iskandar Malaysia, Johor was signed.

On 29 September 2008, the Shareholders at the Extraordinary General Meeting (EGM) approved the JVA. On 17 October 2008, the Foreign Investment Committee (FIC) granted its approval to ADSB the JVA.

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The completion of the JV with AmanahRaya Development Sdn Bhd (“ADSB”) a subsidiary of Amanah Raya Berhad under the ‘Minister of Finance Inc’, took place after this quarter, on 31 October 2008 which the income would be reflected in the coming 2<sup>nd</sup> Quarter ending 31 December 2008. The company received an investment sum of RM99.0 million for 22% participation in LakeHill Resort Development Sdn Bhd, (“Developer”), which will be the new developer of LakeHill Resort City cum APTEC (Asia Pacific Trade & Expo City) in Iskandar Malaysia, Johor, that would be wholly transferred from Taman Bandar Baru Masai Sdn Bhd (TBBM). The remaining 78% in the “Developer” would be owned by Oriental Pearl City Properties Sdn Bhd (“Oriental”), a wholly owned subsidiary of the Company.

Consequently, during the period the Company has set up a new office in Hong Kong under the Asia Pacific Trade & Expo City (HK) Ltd (“APTEC-HK”) for the purpose and convenience of coordinating, negotiating and marketing role in the China manufacturers, suppliers and governmental delegations into Hong Kong. It will also be the marketing office in LakeHill Resort City housing sales under the ‘Malaysia My Second Home’ (MM2H) programme.

In the financial year, the Company would be in negotiation to secure other strategic partners to take an equity stake of up to 49% of Oriental for cash into the Company and other sub-joint ventures.

Both Amanah Raya Berhad and the Company will be in negotiation for other strategic partners and/or investors to join in the investment of APTEC as a new JV entity, as well as in joint ventures in the other dedicated parcels of specified properties within LakeHill Resort City in order to generate cashflow and profits to the “Developer”, which indirectly the Company is 78% beneficiary.

Owing to the intention to JV or dispose some of the above dedicated parcels of specified development properties in the near term, a portion of the land held for property development was re-classified under current assets, thus, reduced the net-current liabilities position from RM150.5 million (as at 30 June 2008) to RM91.8 million in this quarter.

The JV income of RM99.0 million with ADSB which was received and completed on 31 October 2008 would further reduce the net current liabilities in the 2<sup>nd</sup> Quarter ending 31 December 2008.

### **b) Investment Property Division – Wisma MPL, Kuala Lumpur**

The Company is still awaiting the approval of a proposed extension and addition of a 50-storey tower building to be built atop of the commercial podium of Wisma MPL. The Company has also put forward the Company’s proposed building and extension plan to the Joint Management Committee (JMC).

The proposed Islamic finance of RM150.0 million has reached a final stage, pending execution. But, both the Financier and the Company are exploring the possibility of a joint-venture and development of Wisma MPL, instead of a loan agreement. The Company would urge decision be made as soon as possible.

The financier has no objection that we also discuss with other interested parties about joint-venture in Wisma MPL, but it should be on better terms and conditions than the financier’s asking.

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### **Conclusion:**

The JV with AmanahRaya Group is an important milestone of the Company's business strategic partnership for the growth and direction of LakeHill Resort City development. As at 31 October 2008, the Group's bank borrowing would be drastically reduced, thus a big saving in interest payment of about RM7.3 million per annum of the TBBM debts.

The next aim is the disposal of 49% equity in Oriental in the year 2009 which looks promising. The joint-venture on the Wisma MPL looks hopeful to succeed in 2009, barring unforeseen circumstances.

Subject to the success of any of the above joint-ventures and/or assets disposal, the Company would be in a fully turnaround position and in a cash-rich situation in the very near future.

The global financial crisis and imminent recession will be a great challenge or an opportunity to your company.

Barring unforeseen circumstances, the Company is so far still cautiously optimistic of the prospect and outlook for the financial year.

### **4. VARIANCES ON ACTUAL PROFIT FROM FORECAST PROFIT**

This is not applicable to the Group.

### **5. TAXATION**

There was no tax provision in the current quarter under review.

### **6. PROFITS/(LOSSES) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sales of unquoted investments or properties for the current quarter ended 30 September 2008.

### **7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no purchases or disposal of quoted securities by the Group in the current quarter under review.

### **8. STATUS OF CORPORATE PROPOSAL BUT NOT COMPLETED**

There were no outstanding corporate proposals announced for the current quarter under review.

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### 9. OTHER PAYABLES

Included in other payables is a cumulative amount of RM5,773,532.51 owing to a Company which the directors/ shareholders Datin Kong Yuk Chu and Mr Ch'ng Soon Sen and the Chief Executive Officer (CEO) have an interest. The amount owing is unsecured and with no fixed repayment terms and at an agreed interest rate of 15% per annum approved by the Board of Directors from time to time on a urgent requirement basis.

### 10. GROUP BORROWINGS

Total Group's borrowings as at 30 September 2008 are as follow: -

	<b>Short Term</b>	<b>Long Term</b>	
	<b>Secured</b>	<b>Secured</b>	<b>Total</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
HP Creditors	174	675	849
Revolving Credit	25,704	-	25,704
Bank Overdraft	72,466	-	72,466
Term Loan	83,343	-	83,343
<b>Total</b>	<b>181,687</b>	<b>675</b>	<b>182,362</b>

### 11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments entered by the Group as at the date of this quarterly report.

### 12. MATERIAL LITIGATION UPDATES

a) Kuala Lumpur High Court, Suit No. S4-22-82-2006

The Company and Taman Bandar Baru Masai Sdn. Bhd. ("TBBM") (collective known as "the Plaintiffs") commenced a civil action on 14 November 2005 against the former directors of the Company namely, En. Chut Nyak Isham bin Nyak Ariff, Dato' Yusof bin Jusoh, YAM Tengku Syarif Syed Amir Abidin Putra Jamalullail, Dato' Thomas Teng Poh Foh and Pn. Asnah bt. Mohd Salleh as well as other connected parties namely, Warisan Alam Enterprise Sdn Bhd, Bumialpha Sdn Bhd, Dion Sharil Bin Chut Nyak Isham, Intan Safina Binti Yusof and Aishah Binti Mohd Jelani (collectively known as "the Defendants"), for inter-alia breach of Section 132(E) of the Companies Act, 1965, refund of all interest and costs received or profited by the Defendants in relation to the transaction to themselves and damages to be assessed. Defendants had filed their defence and/or counter claim and the Court has fixed for case management to be heard on 11 March 2009 for parties to finalise the bundle of documents.

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b) Johor Bahru High Court No.22-702-2005 / Kuala Lumpur High Court No.S3-22-1176-2006

The Company and TBBM (collectively known as “the Plaintiffs”) commenced a civil action on 14 October 2005 vide Johor Bahru High Court Suit No. 22-702-2005 against the former Group General Manager of the Company and TBBM, En. Zulhaimi bin Nordin, the former Group Managing Director and Chief Executive Officer of the Company and TBBM, En. Chut Nyak Isham Bin Nyak Ariff, as well as Inta Development Sdn Bhd (“Inta”) and its directors, and others (collectively known as “the “Defendants”) in relation to alleged disclosable connected parties transaction in the sale of land owned by TBBM held under PTD 149705 H.S (D) 310451, Mukim Plentong, Daerah Johor Bahru to party or parties, thus, breaching Section 132(E) of the Act and others.

The matter was transferred to the Kuala Lumpur High Court for the purpose of merging case and the case mentioned in paragraph (c) below due to related matters involving the same parties. The Defendants’ application to strike out the Plaintiff’s claim has been dismissed by the Registrar on 15 November 2007. The matter is fixed for hearing on 2 March 2009.

c) Kuala Lumpur High Court No. S3-22-1128-2004

Inta as Plaintiff had on 19 July 2004 filed a claim against TBBM in respect of the same matter of the property sale referred in paragraph (b) above which was claimed by the Plaintiff that the cost of infrastructure works were included in the sales and purchase agreement as part of the obligation in the sale and purchase agreement dated 26 December 2001 between Inta and TBBM the said land in the Mukim of Plentong, Daerah Johor Bahru same as referred under paragraph (b) above. TBBM filed an application to consolidate this case and the case referred in paragraph (b) above to be tried together because TBBM claimed that the sales and purchase agreement was void and fraudulent. This matter is fixed for hearing on 2 March 2009.

d) Kuala Lumpur Civil High Court No. S2-23-29-06

A claim was filed by the four (4) former directors of the Company, En. Chut Nyak Isham bin Nyak Ariff, Dato’ Yusof bin Jusoh, Tengku Sharif Syed Amir Abidin Jamalullail and Dato’ Thomas Teng Poh Foh (collectively known as the “Plaintiffs”) against the Company for alleged defamation in respect of the Company’s report of the legal matter under paragraph (a) above in its Annual Report for the financial year ended 30 June 2005 pertaining to 'Material Litigation', which was subsequently picked up and reported in the Star Newspaper on 15 November 2005.

The Court had, vide its decision on 8 February 2007, struck out the Plaintiff’s claim of slander brought forth against the Company. The Court ordered the Plaintiffs to amend their statements of claim in striking out all suggestions of alleged slanders against the Company.

The Plaintiffs has filed their amended statement of claim and the Company has filed its statement of defence on July 2008. The case is pending for a hearing date to be fixed.

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e) Kuala Lumpur High Court Suit No. S3-22-1236-2007

TBBM as Plaintiff had on 22 October 2007 commenced a legal action against Chut Nyak Isham Bin Nyak Ariff the former Group Managing Director and Chief Executive Officer of the Company and TBBM, Dato' Yusoh Bin Jusoh the former Chairman/Director of the Company and TBBM and one Ikmal Nazarin Bin Junid (collectively known as "the Defendants") in relation to the sale of TBBM's approved for petrol service stations known as Unit No. 12BC (1<sup>st</sup> Parcel) and Plot 12A and 12D (2<sup>nd</sup> Parcel) in the Mukim of Plentong, District of Johor Bahru to a third party at prices allegedly below market prices without independent valuation as required by the Company policy and duties of Directors. The sale was highly suspicious in circumstances. The Defendants have filed their defence.

TBBM's claim against the Defendants for, amongst other, the sum of RM1,428,200.00 on the sale of the 1<sup>st</sup> Parcel and RM1,152,531.00 on the sale of the 2<sup>nd</sup> Parcel being losses in undervaluing the respective parcels of lands and losses and damages to be assessed by the Court. Ikmal Nazarin Bin Junid has filed an application to strike out the TBBM's claim and the application has been fixed for mention on 20 January 2009.

f) Arbitration Proceedings

Dindings Construction Sdn Bhd ("DCSB") as the Claimant had on 13 November 2007 commenced an arbitration proceedings against TBBM as the Respondent. The claim is for the balance sum of RM394,850.52 which the Claimant alleged was still owed on account of alleged additional variation orders pursuant to a construction and completion of phase 4M1 & 4M2-58 units of double storey terrace houses and phase 4M3-56 units of single storey terrace houses at Taman Nusa Damai.

TBBM as Respondent had challenged the validity of the variation orders to be substantiated by professionals as there were no client's written approval of such alleged additional variations, plus challenging the lack of other documentations.

(g) Johor Bahru High Court Suit No. 22 – 174 - 2007

TBBM (known as "the Plaintiff") commenced a civil action on 10 April 2007 against Scientex Quatari Sdn Bhd ("the Defendant") in relation to illegal encroachment of land owned by TBBM held under PTD 149729 H.S (D) 310467, Mukim Plentong, Daerah Johor Bahru (the said land) which caused damage to the said land and sought relief from the Court for the land to be reinstated to original state and level, plus damages and costs to be assessed. The matter is now fixed for case management on 5 March 2009.

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### 13. DIVIDEND

There were no dividends declared by the Group in the current quarter under review.

### 14. EARNINGS PER SHARE

#### a. Basic earnings per share

	<b>Current Quarter Ended 30 Sept 2008</b>	<b>Current Year To Date 30 Sept 2008</b>
Net loss attributable to ordinary shareholders (RM'000)	(5,134)	(5,134)
Weighted average number of ordinary shares in issue (RM'000)	172,597	172,597
Basic loss per share (sen)	<b>(2.97)</b>	<b>(2.97)</b>

#### b. Diluted earnings per share

There were no dilutions of shares in the current quarter under review.