

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2nd QUARTER ENDED 31 DECEMBER 2009

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 2009.

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 2009.

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 2009, except for the following new and revised FRS in Malaysia which adopted by the Group and the Company, where applicable, effective for the financial period beginning 1 July 2009:

FRS 8	Operating Segments
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The above new and revised FRS is expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for changes in disclosures arising from the adoption of FRS 8.

3. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the financial year ended 30 June 2009 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.

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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.

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

No interim dividend has been recommended for the financial year under review.

9. SEGMENTAL REPORTING

The segmental analysis for the Group for the quarter ended 31 December 2009 as follows:-

a) 6 months ended 31 December 2009

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
Revenue				
External Sales	-	5,958		5,958
Inter-segment Sales	-	5,678	(5,678)	-
Sub-total	-	11,636	(5,678)	5,958
Results				
Segment Results	(1,098)	643		(455)
Finance costs	(113)	(5,275)		(5,388)
Loss Before Taxation				(5,843)
Taxation				(338)
Loss After Taxation				(6,181)

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9. SEGMENTAL REPORTING (cont'd)

b) 6 months ended 31 December 2008

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
<u>Revenue</u>				
External Sales	-	5,338		5,338
Inter-segment Sales	-	3,483	(3,483)	-
Sub-total	-	8,821	(3,483)	5,338
<u>Results</u>				
Segment Results	(1,380)	64,776		63,396
Finance costs	(2,655)	(4,183)		(6,838)
Profit Before Taxation				56,558
Taxation				-
Profit After Taxation				56,558

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 2009 to the current quarter under review.

11. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the interim financial report for the current quarter except for the proposed renounceable two-call rights issue as follows:

On 18 September 2009, the Company announced its proposed renounceable two-call rights issue of up to 129,447,594 Rights Shares together with up to 129,447,594 Warrants at an issue price of RM1.00 per Rights Share on the basis of three (3) Rights Shares together with three (3) Warrants for every four (4) existing MPCorp Shares held on the Entitlement Date, of which the first call of RM0.42 per Rights Share shall be payable in cash on application and the second call of RM0.58 per Rights Share shall be capitalised from our Company's retained earnings.

On 11 December 2009, the Company announced its plans to revise the ratio and pricing aspects of the proposed rights issue. The revisions will involve a proposed renounceable two-call rights issue of up to 115,064,528 Rights Shares together with up to 115,064,528 Warrants at an issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares together with two (2) Warrants for every three (3) existing MPCorp Shares held on Entitlement Date, of which the First Call shall be payable in cash on application and the Second Call shall be capitalised from our Company's retained earnings.

On 4 January 2010, the Company announced that Bank Negara Malaysia had vide its letter dated 24 December 2009, which was received on 31 December 2009, approved the application for the issuance of up to 115,064,528 Warrants to non-resident shareholders of the Company pursuant to the Proposed Rights Issue.

On 25 January 2010, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 21 January 2010, which was received on 22 January 2010, approved the following:

- admission to the Official List and the listing and quotation of up to 115,064,528 Warrants to be issued pursuant to the Proposed Rights Issue;
- listing of up to 115,064,528 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Rights Issue; and
- listing of up to 115,064,528 new ordinary shares of RM1.00 each to be issued pursuant to the exercise of Warrants.

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The approval by Bursa Securities for the Proposed Rights Issue is subject to the following conditions:

- MPCorp and PIVB must fully comply with the relevant provisions under the Listing Requirements (“LR”) pertaining to the implementation of the Proposed Rights Issue;
- MPCorp and PIVB to inform Bursa Securities upon the completion of the Proposed Rights Issue;
- MPCorp to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Rights Issue is completed;
- Payment of additional listing fees (*if any*). In this respect, MPCorp is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of the Warrants) as at the end of each quarter together with a details computation of listing fees payable;
- MPCorp to furnish Bursa Securities with a copy each, of the Company’s Board of Director’s resolution approving the Proposed Rights Issue and the approval letter from Bank Negara Malaysia, for the issuance of up to 115,064,528 Warrants to non-resident shareholders of MPCorp pursuant to the Proposed Rights Issue; and
- To incorporate the comments made in the circular to shareholders.

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 the following:

On 22 October 2009, the company has newly acquired a company, Temasek Mewatek Sdn Bhd for a RM2.00 cash consideration intended for the purpose to serve as a special purpose vehicle (“SPV”) in readiness for a proposed joint-venture to redevelop existing Wisma MPL, Jalan Raja Chulan, Kuala Lumpur and the construction of a new 50-storey commercial tower situated in the frontage, atop the existing shopping podium.

The acquisition has no material effect to the Group.

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.

SECTION B –LISTING REQUIREMENTS

1. PERFORMANCE REVIEW

The Group's current quarter under review was expected to record only a small improvement of 11.4% in current revenue of RM2.94 million, as compared to RM2.64 million of previous corresponding quarter (period ended 31 December 2008). The slight increase in revenue is insufficient to help to turnaround the Group yet. It recorded a loss before taxation of RM3.19 million against a previous corresponding quarter's profit before tax of RM61.7 million owing largely because no other exceptional source of income was registered during the current quarter under review as opposed to previous exceptional gain of RM65.2 million due to the disposal of 22% profit shares in Lakehill Resort Development Sdn Bhd ("LRDS").

The loss has slightly reduced the Company's net asset value per share ("NAV") to RM1.51 from RM1.54 under review as compared to the immediate preceding financial period. However, the NAV will achieve a very significant increase once the Group's restructuring exercise and financial target begin to take shapes in a not too distant future.

2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

In the current quarter under review, the Group's loss before tax was increased by RM540,000.00 amounting to RM3.19 million as compared to the immediate preceding quarter of a lesser loss before tax of RM2.65 million. The increase loss was mainly due to an increase in overheads and the necessary costs incurred in professional fees pertaining to the proposed two-call rights issue including other additional on-going operating budgeted expenses required to continue the significant preparatory works needed for the approvals, brochure publication, advertising and so forth for APTEC and LakeHill Resort City Development.

3. PROSPECTS FOR THE FINANCIAL YEAR

- a) The proposed revised two-call rights issue is anticipated to be completed in March 2010 would help immediately set-off the advances of Top Landers which would significantly save approximately RM4.04 million per annum that would help improve the future bottom line of the Group.
- b) In an eventual full subscription of the proposed two-call rights issue, the Company would derive additional net cash proceeds of RM21.3 million to add to the working capital. This would enable the Group to enhance and expedite the work progress plus the launching of Lakehill Resort and APTEC project which is anticipated for the 2nd half of this current financial year. The new working capital would help to increase the work in progress that would quicken the approval pace and significantly add better value to the Group's joint-venture pricing and negotiating position with potential investors/operators and regional government agencies.

Wisma MPL, Jalan Raja Chulan, Kuala Lumpur

- c) It is unforeseen circumstances that the recent financial crisis in Dubai has directly delayed the finalization of the joint-venture agreement of Wisma MPL. However the potential partners from the Middle East are still hopeful it can be materialized. But the Company will now exercise its rights to entertain discussion with other interested parties on a first sign first serve basis. The Company is still optimistic that a joint-venture will be imminent to enable a quick turnaround strategic plan and at the same time still retain a significant stake in the new development and continue to enjoy MPL's new 50-storey tower and added GFA (Gross Floor Area) new source of recurring income and growth. Very important also, your Company would still have its partial ownership and significant presence in this prime location serving as our Headquarter building.

“APTEC” and LakeHill Resort City, Iskandar Malaysia

- d) Asia Pacific Trade & Expo City Sdn Bhd (“APTEC”) and LakeHill Resort Development Sdn Bhd are very prestigious socio-economic development projects for your Company which is in joint-venture with AmanahRaya Berhad, a wholly owned company of the Government of Malaysia, directly under the “Minister of Finance Inc.”

We have applied for the “Special Tax Incentives” status with Iskandar Regional Development Authority (“IRDA”).

Upon approval, it will be a very significant gesture and recognition by the government that APTEC is a high-impact project that will benefit the country and the people.

APTEC concept as Asia's largest trade, expo, wholesale and distribution “hub” located in the logistic geographic centre of Iskandar-Singapore will capitalize the existing ready-made established air, sea, road and rail infrastructures which is unparalleled anywhere available in the region, is a huge leap forward for the future of your Company.

The Special Tax Incentives status approval will signify the important support of the Federal Government and the State Government of Johor to turn APTEC into the biggest trade and logistic hub of Asia that we enable the Regional Multi-lateral Trade and Cooperation between China, ASEAN, India, Japan, Korea and Taiwan. The mass consumer manufactured products from all the above countries will collectively showcase the products under “one-roof” and “one-location”. The project will be “iconic” and will serve as a platform for tourism, SME, supply chains, franchise, services etc.

In the light of the Group's grand vision and ambitious planning of APTEC, barring any unforeseen circumstances, the Group's immediate focus is on the future prospect is prudent and well in store, while not so much was devoted on the current immediate financial results. A huge budget expenses and effort have to be pumped into APTEC and LakeHill Resort City in planning the development, financing and prospects in order to drive APTEC and LakeHill Resort to achieve its middle and long term goal.

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4. VARIANCES ON ACTUAL PROFIT FROM FORECAST PROFIT

This is not applicable to the Group.

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5. TAXATION

	Current Quarter Quarter 31-12-2009 RM'000	Current Year To-Date To-Date 31-12-2009 RM'000
Taxation based on results for the year:		
Current	217	453
Overprovision in prior years	-	(115)
	<u>217</u>	<u>338</u>
Deferred tax:		
Current year	-	-
Underprovision in prior years	-	-
	<u>-</u>	<u>-</u>

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 31 December 2009.

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.

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8. STATUS OF CORPORATE PROPOSAL BUT NOT COMPLETED

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

9. OTHER PAYABLES

Included in other payables is amount of RM32,482,679 due to major shareholder of the Company. The amount owing is unsecured and with no fixed terms of repayment and at an approved interest rate of 13% or 15% per annum by the Board of Directors.

10. GROUP BORROWINGS

Total Group's borrowings as at 31 December 2009 are as follow: -

	Short Term	Long Term	
	Secured	Secured	Total
	(RM'000)	(RM'000)	(RM'000)
HP Creditors	185	491	676
Revolving Credit	25,704	-	25,704
Bank Overdraft	52,888	-	52,888
Total	78,777	491	79,268

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

The material litigation comprises of mainly the Company being the plaintiff resulted from the previous management. There were no material changes in litigation progress pending the matters being disposed. However for compliance purpose, the litigation matters are repeated as below: -

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a. Arbitration Proceedings (2007) / Kuala Lumpur High Court Suit No. D6(R3)-24-28-2009

Dindings Construction Sdn Bhd (“DCSB”) as the Claimant had on 13 November 2007 commenced an arbitration proceedings against TBBM as the Respondent. The claim was for the balance sum of RM394,850.52 which the Claimant alleged was still owed on account of alleged additional variation orders pursuant to the 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.

The Arbitrator on 14 April 2009 awarded the sum of RM394,850.52 to the Claimant. However, TBBM had made an application to the Kuala Lumpur High Court vide Civil Suit No. D10-24-141-2009 for an ex-parte injunction for stay proceeding. The ex-parte injunction was granted by the Court on 21 May 2009. TBBM had also filed an application to set aside or vary the arbitration award in court on 26 May 2009 vide Kuala Lumpur High Court Suit No. D6(R3)-24-28-2009.

DCSB has filed an application to register the arbitration award dated 14 April 2009 but no date has been given by the High Court in respect of DCSB’s application. The inter-parte hearing for the injunction was held on the 10 June 2009 and further adjourned to 20 July 2009 and an interim injunction was granted in our favour until 20 July 2009. On the 20 July 2007 the injunction was further extended by the Court TBBM having fulfilled the condition set by the Court whereby TBBM paid the sum of RM534,850.00 into a joint solicitors’ account. The Parties had filed their written submission and the matter is fixed for decision and clarification on 26 August 2009. The Ground of judgement dated 11 September 2009 was in favour of the Claimant. Upon advised by our solicitors that we have reasonable grounds to appeal against the judgement, TBBM had filed an appeal in the Court of Appeal against the judgement and the matter is pending a date to be fixed by the Courts.

No further provision has been made in the financial statements of the Group and of the Company as the Directors have been advised by their solicitors that the Group and the Company’s proposed in defending the claim is fair.

b. Kuala Lumpur High Court Suit 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”) had claimed against the Company for alleged defamation in respect of the Company’s report of the legal matter under paragraph (a) of 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.

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However, 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 by deleting all suggestions of alleged slanders against the Company. The Plaintiffs since then had filed their amended statement of claim and the Company has filed its statement of defence on July 2008. The matter has been fixed for case management on 5 April 2010.

No provision has been made in the financial statements of the Group and of the Company as the Directors have been advised by their solicitors that the Group and the Company's proposed in defending the claim is fair.

- c. Johor Bahru High Court Suit No. 22-702-2005 / Kuala Lumpur High Court Suit 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 case was transferred to the Kuala Lumpur High Court for the purpose of merging this case to the case referred in paragraph (e) below owing to related subject matters involving the same related parties. The Defendants applied to strike out the Plaintiff's claim but was dismissed by the Registrar on 15 November 2007. An appeal was filed by the Defendants. Hearing of the appeal was fixed for 8 July 2009 and was dismissed with cost by the Court but the learned judge instructed that this case together with the case referred to in paragraph (e) below are to be heard one after the other by the same judge. The matter had been fixed for case management on 15 September 2009 and 21 January 2010 to be heard together with the case referred to in paragraph (e) below. The Court has fixed a further case management date on 29 March 2010 for parties to file the common bundle of documents, the agreed issues to be tried and the agreed facts.

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d. 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 counter claim and the Court has fixed for case management to be heard on 23 October 2009 for parties to finalise the bundle of documents, witness statements and opening submissions. The Court has fixed the new case management date on 5 April 2010.

e. Kuala Lumpur High Court Suit 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 (c) 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 in relation to the said land in the Mukim Plentong, Daerah Johor Bharu same as referred under paragraph (c) above. TBBM filed an application to consolidate this case and the case referred in paragraph (c) above to be tried together because TBBM claimed that the sales and purchase agreement was void and fraudulent. This matter was fixed for hearing on March 2009. The hearing for the consolidation was further heard on the 8 July 2009 and the learned judge dismissed the application with cost but instructed that this case and the case referred to in paragraph (c) above are to be heard one after the other before the same judge. Case management was fixed on 21 January 2010. The Court has fixed a further case management date on 29 March 2010 for parties to file the common bundle of documents, the agreed issues to be tried and the agreed facts. The next hearing date has yet to be fixed by the Court.

No provision has been made in the financial statements of the Group and of the Company as the Directors have been advised by their solicitors that the Group and the Company’s proposed in defending the claim is fair.

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f. Johor Bahru High Court Suit No. 22 – 174 – 2007

TBBM (“the Plaintiff”) commenced a civil action on 10 April 2007 against Scientex Quatari Sdn Bhd (“the Defendant”) in relation to illegal encroachment of the land owned by TBBM held under PTD 149729 HS (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 was fixed for case management on 5 June 2009. The matter was further fixed for case management on 10 July 200 and on the 10 July 2007 the matter was adjourned to 13 July 2009. The matter was subsequently fixed for further case management on 28 August 2009 after which a date for trial would be fixed. The Court has fixed another case management date on 26 March 2010. No Trial date has been fixed to date.

g. Kuala Lumpur High Court Suit No. D4-22-1803-2006

Simbapulus Builder (M) Sdn Bhd (“Plaintiff”) claimed against Euronium Construction Sdn Bhd (“Euronium”), a wholly owned subsidiary of the Company, for RM695,295.10 being the costs for work done involving past earthwork for Project under Phase 1A1 & 1A2 at Nusa Damai, Mukim Plentong, Daerah Johor Bahru, Johor. Euronium had counterclaimed against the Plaintiff for liquidated ascertained damages for the amount of RM465,600.00 and additional costs of RM2,811,833.25 to complete the site clearance work. The court has fixed 12, 13 and 14 October 2009 for full trial and the summary of case as well as witness statement(s) are to be filed before 18 September 2009 (not a case management). The judgement for the case has yet to be served on the Defendant.

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

	Current Quarter Ended 31 DEC 2009	Current Year To Date 31 DEC 2009
Net loss attributable to ordinary shareholders (RM'000)	(3,257)	(5,895)
Weighted average number of ordinary shares in issue (RM'000)	172,597	172,597
Basic loss per share (sen)	(1.89)	(3.42)

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b. Diluted earnings per share

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

15. AUTHORISED FOR ISSUE

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 8 FEBRUARY 2010.

By order of the Board

Dated: 8 FEBRUARY 2010.