

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

## **NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 3rd QUARTER ENDED 31 MARCH 2010**

### **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 March 2010 as follows:-

a) 9 months ended 31 March 2010

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
<b>Revenue</b>				
External Sales	-	8,568		8,568
Inter-segment Sales	-	8,135	(8,135)	-
<b>Sub-total</b>	-	<b>16,703</b>	(8,135)	<b>8,568</b>
<b>Results</b>				
Segment Results	(1,587)	684		(903)
Finance costs	(172)	(8,005)		(8,177)
<b>Loss Before Taxation</b>				<b>(9,080)</b>
Taxation				(515)
<b>Loss After Taxation</b>				<b>(9,595)</b>

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

b) 9 months ended 31 March 2009

<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	-	8,038		8,038
Inter-segment Sales	-	5,603	(5,603)	-
<b>Sub-total</b>	<b>-</b>	<b>13,641</b>	<b>(5,603)</b>	<b>8,038</b>
<b><u>Results</u></b>				
<b>Segment Results</b>	(1,449)	65,108		63,659
Finance costs	(2,705)	(6,275)		(8,980)
<b>Profit Before Taxation</b>				<b>54,679</b>
Taxation				23
<b>Profit After Taxation</b>				<b>54,702</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 2009 to the current quarter under review.

**11. SUBSEQUENT MATERIAL EVENTS**

The renounceable two-call Rights Issue of up to 115,064,528 ordinary shares of RM1.00 each in the MPCorp ("Rights Shares") together with up to 115,064,528 free detachable warrants ("Warrants") at an issue price of RM1.00 per Rights Share on the basis of two (2) Right Shares together with two Warrants for every three (3) existing ordinary shares of RM1.00 in MPCorp, 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 shall be capitalized from MPCorp's retained earnings was successfully completed on 28 April when the Rights Shares and Warrants were listed on Bursa Malaysia Securities Berhad.

The Group's issued and paid-up capital increased from 172,596,793 ordinary shares of RM1.00 each to 287,661,321 ordinary shares of RM1.00 each upon completion of the Rights Issue exercise was overwhelmingly accepted.

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The total acceptances plus excess applications received for the Rights Issue was 149,759,316 which represents an over-subscription of 34,696,329 Rights Shares, or 30.15% over the total available number of 115,062,987 Rights Shares.

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

There were no changes in the composition of the Group for the current quarter under review.

### **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 stay unexciting until the final restructuring plan is completed by this calendar year end 2010, barring unforeseen circumstances. Therefore it recorded a small decrease of 3.34% in current revenue of RM2.60 million, as compared to RM2.69 million of previous corresponding quarter. The Group recorded a bigger loss before taxation of RM3.24 million against a previous corresponding quarter's profit before tax of RM1.87 million was owed to increase in advertising, promotional and marketing expenses and higher overheads in gearing for LakeHill and APTEC in anticipated big launching date as well as the one-off professional costs incurred pertaining to the Rights Issue.

Thus, the loss has correspondingly reduced the Company's net asset value per share ("NAV") to RM1.49 from RM1.51 under review as compared to the immediate preceding financial period.

However, the Company would like to highlight that it would take the prudent measures to undergo a review of its current fixed assets to reflect a fair NAV at the appropriate time in the foreseeable future.

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

Thus, as explained in paragraph 1 above, under the current quarter under review the Group's loss before tax was therefore marginally increased by 1.5% to RM3.24 million as compared to the immediate preceding quarter of a loss before tax of RM3.20 million.

**3. PROSPECTS FOR THE FINANCIAL YEAR**

The planned 1<sup>st</sup> stage of group consolidation and preliminary capital raising exercise has been completed subsequent to this reporting quarter as follows: -

- a) The Rights Issue was completed on 28 April 2010, therefore the RM30.03 million of advances by Top Lander was largely paid via the Rights Issue proceeds. With the repayment, the Group financial position is much stronger now for it will save an estimated interest of an approximately RM0.82 million for the Company in the remaining financial period ending 30 June 2010. In addition, the Group will save other additional interest in the reduction of other bank loans, plus the surplus cash flow from the Rights Issue being placed in fixed deposits to earn interest income.

However, part of the Rights Issue proceeds are allocated for expenditure of speeding the development activities in LakeHill and APTEC project as well as other operational requirement in readiness for the future big launch.

- b) The net proceeds derived from the Rights Issue were approximately RM21.75 million.

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- c) Owing to the financial situation that took place in Dubai not long ago, our potential partnership from Middle East group did not materialize. We are now exercising our option to discuss with other potential partners which will be announced as soon as possible, once materialized.

The Company maintains an optimistic outlook of a joint-venture in the near term. The JV is in line of our long term turnaround strategy for future strong recurring income investment portfolio and growth.

**“APTEC” and LakeHill Resort City, Iskandar Malaysia**

- d) Asia Pacific Trade & Expo City Sdn Bhd (“APTEC”) has submitted its application to the Ministry of Tourism (“MOTOUR”) to become a registered tourism project. We are optimistic of MOTOUR support.

Our application for “Special Tax Incentives” status for APTEC City is being under consideration by Iskandar Investment Committee (“IIC”).

We wish our shareholders to know of APTEC uniqueness as a high impact trade, expo, wholesale and distribution “hub” which will have enormous impact on our new economy and your Company’s future.

The approval of “Special Tax Incentives” status will place your Company on a unique tremendous growth path of diversification for your Company’s future and the country’s economic blueprint.

APTEC’s biggest trade and logistic hub will be the platform to integrate inevitably the regional Malaysia-ASEAN-China multi-lateral trade ties and will trigger the long term economic and diplomatic cooperation between greater China, Malaysia, ASEAN, India, Japan, Korea and the Pacific countries to converge their mass consumer manufactured products collectively showcase under “one-roof” and “one-stop” centre to maximize each other economy of scale, cost competitiveness, logistics and sourcing and supply chain advantages, including spurring the upstream and downstream activities of manufacturing, supply chain, cottage industries, SME retailers, financial, logistics and other services under the 1Malaysia “People’s First – Performance Now” new economic model (“NEM”).

The concept of APTEC is more than a stereotype property development as it will target the huge consumer market population of Asia Pacific region spanning towards the Indian Continent and the Middle Eastern countries and the East African countries which resided approximately half of the world’s population.

It is your Company’s BOLD AMBITION to achieve its corporate social responsibilities of a high impact socio-economic undertaking besides money making that is anticipated to get full regional government support. The Group’s paramount focus is its future in store and not so much on the quick current immediate financial gains.

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Barring any unforeseen circumstances, based on the above stated scenarios the Group is optimistic of its future prospect.

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

This is not applicable to the Group.

#### 5. TAXATION

	Current Quarter Quarter 31-03-2010 RM'000	Current Year To-Date To-Date 31-03-2010 RM'000
Taxation based on results for the year:		
Current	177	630
Overprovision in prior years	-	(115)
	<u>177</u>	<u>515</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 March 2010.

#### 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 RM34,560,682 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 March 2010 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	185	445	630
Revolving Credit	25,704	-	25,704
Bank Overdraft	53,447	-	53,447
<b>Total</b>	<b>79,336</b>	<b>445</b>	<b>79,781</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

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: -



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

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 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 23 June 2010. No Trial Date has been fixed to date.

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 21 May 2010. No Trial Date has been fixed to date.

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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 23 June 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. The Court has fixed a Case Management date on 18 May 2010. The matter is fixed for Full Trial from 23 June 2010 to 28 June 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.

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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 Court has directed parties to attend a mediation to be held on June 2010 and fixed a further Case Management date on 22 June 2010.

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**

	<b>Current Quarter Ended 31 March 2010</b>	<b>Current Year To Date 31 March 2010</b>
Net loss attributable to ordinary shareholders (RM'000)	(3,255)	(9,150)
Weighted average number of ordinary shares in issue (RM'000)	172,597	172,597
Basic loss per share (sen)	<b>(1.89)</b>	<b>(5.30)</b>

**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 21 May 2010.

By order of the Board

Dated: 21 May 2010.