

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010

SECTION A - FRS 134 PARAGRAPH 16

1. ACCOUNTING POLICIES

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2010. The explanatory notes attached to the interim financial report 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 2010.

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2010, except for the adoption of new FRSs, amendments and IC Interpretations that are effective commencing 1 January 2010. The FRSs, which are effective commencing 1 January 2010 and have impact on the financial statements and applied by the Group are:

- a) **FRS 101: Presentation of Financial Statements (Revised)**
FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised standard requires the presentation of third statement of financial position in the event that the entity has applied new accounting policy retrospectively. The adoption of this revised standard does not have any impact on the financial position and results of the Group.
- b) **FRS 139: Financial Instruments: Recognition and Measurement**
FRS 139 requires the recognition, measurement and disclosure of financial assets and financial liabilities. The new accounting standard moves measurement from a cost base to fair value base for certain categories of financial assets and financial liabilities. The change in accounting policy is to be prospectively in accordance with the transitional provision of FRS 139. The adoption of this revised standard does not have any impact on the financial position and results of the Group.

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2. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2010 was not subject to any qualification.

3. 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.

4. 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.

5. 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.

6. DEBTS AND EQUITY SECURITIES

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

7. DIVIDENDS PAID

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

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8. SEGMENTAL REPORTING

The segmental analysis for the Group for the quarter ended 31 December 2010 as follows:-

a) 6 months ended 31 December 2010

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
Revenue				
External Sales	-	6,149	-	6,149
Inter-segment Sales	-	8,067	(8,067)	-
Sub-total	-	14,216	(8,067)	6,149
Results				
Segment Results	(2,181)	(657)	(3,059)	(5,897)
Finance costs	(1,242)	(5,922)	3,059	(4,105)
Loss Before Taxation				(10,002)
Taxation				-
Loss After Taxation				(10,002)

b) 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	-	5,957	-	5,957
Inter-segment Sales	-	5,678	(5,678)	-
Sub-total	-	11,635	(5,678)	5,957
Results				
Segment Results	(729)	2,858	(2,584)	(455)
Finance costs	(757)	(7,192)	2,561	(5,388)
Loss Before Taxation				(5,843)
Taxation				(338)
Loss After Taxation				(6,181)

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9. 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 2010 to the current quarter under review.

10. 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.

11. CHANGES IN THE COMPOSITION OF THE GROUP

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

12. CHANGES IN CONTINGENT LIABILITIES/ASSETS

There were no changes in contingent liabilities or contingent assets as at the date of this report.

SECTION B –LISTING REQUIREMENTS

1. PERFORMANCE REVIEW

This 2nd Quarter's result ending 31 December 2010 was anticipated to remain low and unexciting as was expressed and explained in the last 1st Quarter's report ending 30 September 2010. However, this low trend will not be for long.

The LakeHill Resort City and the APTEC City, a prime catalytic development projects in Iskandar Malaysia will be the Company's largest investment and contribute in the medium and long term business plan and strategy.

Currently, the Group revenue is still strictly relying on the rental income business of Wisma MPL, Jalan Raja Chulan, Kuala Lumpur. The rental income is still low owing to the building being 33 years old, which needed major renovation and upgrading from "A" Building to "AAA" Building. The reduced revenue is also owed to five floors being vacated by one single tenant upon expiry of tenancy.

In the light of the current 2nd Quarter under review has recorded a revenue that is solely depended on Wisma MPL income, therefore remains low at RM2.42 million as compared to RM3.72 million. This situation will be overcome in the future quarters as the vacancy factor is reduced.

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SECTION B –LISTING REQUIREMENTS (CONT'D)

1. PERFORMANCE REVIEW (CONT'D)

The current quarter results will cause temporary impact on net asset value per share (“Net Asset”) from RM1.26 to RM1.23.

2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER’S RESULTS

In the current quarter under review, the Group incurred a loss before tax of RM5.16 million as compared with the immediate preceding quarter loss before tax of RM4.84 million. The increase in loss is largely due to increase in operating costs owing to additional recruitment of new staffs to manage the increase in activities and business plan of LakeHill Resort and APTEC City projects, including in increasing cost of brochures printing, advertising, promotion and marketing overseas trips and road shows being arranged our Government’s trade and investment missions abroad to showcase and promote APTEC unique trade and expo city economic trade “platform” to investors and overseas governments. The response has been very encouraging.

3. PROSPECTS FOR THE FINANCIAL YEAR

APTEC CITY AND LAKEHILL CITY IN ISKANDAR MALAYSIA

- The Company is pleased to report that our various consultants are expecting to complete detail design drawings respectively. We will proceed to submit our application for development approval from relevant authorities within the financial year.
- We have received numerous support and approvals in the form of initiatives and incentives from the Government, Johor State Government and Iskandar Regional Development Authority.
- It will be ready to generate positive results as soon as after our first few strategic joint-ventures are successfully signed and the Phase I detailed project submissions are approved in due course.

WISMA MPL

- The value of Wisma MPL has improved since the last Quarters in the light of recent transacted value of land in and around Wisma MPL. We will continue to drive rental yield and enhance value of our building.
- The upgrading and renovation of the existing office tower and commercial shopping podium is in continuing discussion with Joint Management Committee (“JMC”).
- We are also working with JMC towards obtaining relevant approval for the development of our new 50-storey Tower Building.

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3. PROSPECTS FOR THE FINANCIAL YEAR (CONT'D)

WISMA MPL (CONT'D)

Barring unforeseen circumstances the prospect for the financial year is fair. The successful joint-ventures will put the Group's image and status on very strong foundation and new impetuous.

4. VARIANCES ON ACTUAL PROFIT FROM FORECAST PROFIT

This is not applicable to the Group.

5. TAXATION

	Current Quarter (RM'000)	Current To-Date (RM'000)
Taxation based on results for the financial years:		
Current financial year	-	-
Overprovision in prior financial years	-	-
	<hr/>	<hr/>
	-	-
Deferred taxation:		
Current financial year	-	-
Overprovision in prior financial years	-	-
Total	<hr/>	<hr/>
	-	-

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 2010.

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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.

9. OTHER PAYABLES

Included in other payables is amounting to RM8,140,000 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% to 15% per annum by the Board of Directors.

10. GROUP BORROWINGS

Total Group's borrowings as at 31 December 2010 are as follow: -

	Short Term	Long Term	
	Secured	Secured	Total
	(RM'000)	(RM'000)	(RM'000)
Hire Purchase Creditors	244	746	990
Revolving Credit	25,704	-	25,704
Bank Overdraft	51,992	-	51,992
Total	77,940	746	78,686

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.

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12. MATERIAL LITIGATION UPDATES

The Company is by and large the plaintiff in most cases resulted largely from the past management doing. There are no material issues in these cases except pending disposal by the Court. For purpose of compliance, the litigation matters are repeated herein below:

a. Court of Appeal Civil Appeal No. W-02(IM)02384-09 (Kuala Lumpur High Court Civil Suit No. D6(R3)-24-28-2009)

Dindings Construction Sdn Bhd (“DCSB”) as Claimant had on 13 November 2007 commenced an arbitration proceedings against the Company’s subsidiary Taman Bandar Baru Masai Sdn Bhd (“TBBM”) as the Respondent. The claim was for the balance sum of RM394,851 which the Claimant alleged was owed an amount in variation orders “extra” in respect of 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, Johor, which TBBM denied.

The Arbitrator on 14 April 2009 awarded the sum of RM394,851 to DCSB DCSB issued a statutory notice of demand under section 218(1)(e) of the Companies Act 1965 against TBBM and TBBM in turn filed an application to the Kuala Lumpur High Court vide Civil Suit No. D10-24-141-2009 for an ex-parte injunction preventing DCSB from preventing a winding-up petition against TBBM. The High Court allowed the ex-parte and inter-partes injunction against DCSB.

On 14 April 2009, DCSB filed an application to register the arbitration award and on 26 May 2009, TBBM filed an application to set aside or vary the arbitration award. On 11 September 2009, the High Court dismissed TBBM’s application to set aside and/or vary the Arbitration Award and allowed DCSB’s application to register the Arbitration Award with costs. On 12 October 2009, TBBM filed its appeal to the Court of Appeal against these decisions of the High Court and TBBM’s Solicitors advised us that there were reasonable grounds to appeal against the decisions. The appeals are pending the Court of Appeal as no dates are fixed by the Court of Appeal.

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

b. Kuala Lumpur High Court Suit No. S2-23-29-06

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 (deceased) (collectively known as the “Plaintiffs”) have filed a claim against the Company for alleged defamation in respect of certain words contained in the Company’s Annual Report. The words complained of are contained in paragraph (a), page 49 of the said Annual Report for the financial year ended 30 June 2005 and are set out under the section entitled ‘Material Litigation’. The same content was picked up and reported in the Star Newspaper on 15 November 2005.

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12. MATERIAL LITIGATION UPDATES (CONT'D)

b. Kuala Lumpur High Court Suit No. S2-23-29-06 (Cont'd)

The Court on 08 February 2007 struck out the Plaintiff's claim for slander brought forth against the Company. The Court ordered the Plaintiffs to amend their Statements of Claim by deleting any references in respect of "slander" which they claimed the Company was guilty of. The Plaintiffs filed their Amended Statement of Claim as a result and the Company consequently filed its Amended Statement of Defence in July 2008. The Court has fixed this case for trial by way of written submission on 01 April 2011.

No provision was required to be made in the financial statements of the Company as the Directors have been duly advised by their solicitors that the Company's prospect 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 its subsidiary, TBBM (collectively known as "the Plaintiffs") first 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 as well as the former Group Managing Director and Group Chief Executive Officer of the Company and TBBM, En. Chut Nyak Isham Bin Nyak Ariff, including Inta Development Sdn Bhd ("Inta") and Inta directors and others (collectively known as "the Defendants") for alleged non-disclosable of connected parties transaction who benefited in the sale of land owned by TBBM held under PTD 149705 H.S (D) 310451, Mukim Plentong, Daerah Johor Bahru which also breached Section 132(E) of the Companies Act and other possible criminal action.

The case was requested by the Plaintiff to be transferred to the Kuala Lumpur High Court for the purpose of merging the two actions as above title referred. The striking out by the Defendants was dismissed by the Registrar on 15 November 2007. An appeal was filed by the Defendants which was heard on 08 July 2009 and again was dismissed with cost in favour of the Company and TBBM. The Court had fixed a case management on 24 September 2010 and both parties have filed their bundle of documents of the agreed issues to be tried plus the agreed facts. The Court has fixed 21 March 2011, 22 March 2011 and 23 March 2011 for trial.

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12. MATERIAL LITIGATION UPDATES (CONT'D)

d. Kuala Lumpur High Court Suit No. S4-22-82-2006

This is a case which the Company and the subsidiary TBBM (collective “the Plaintiffs”) commenced a civil action on 14 November 2005 against 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 (deceased) and Pn. Asnah bt. Mohd Salleh and 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, abused the authority of refund and penalty costs unfairly profited by the Defendants in relation to payment to themselves. In return, the Defendants had filed their defence and counter claim.

The Court has fixed 07 March 2011 for case management and 21 March 2011, 22 March 2011 and 23 March 2011 for trial.

e. 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, trespassing and erosion damages on the Plaintiff’s land held under PTD 149729 HS(D) 310467, Mukim Plentong, Daerah Johor Bahru (“the said Land”) which caused serious damages to the Plaintiff’s land and sought relief from the Court for compensation and/or the said Land to be reinstated to original state and level, plus damages and costs to be assessed. A full trial was fixed on 21 October 2010 and 22 October 2010. After having heard the witnesses of both sides, the Court fixed the matter for clarification and submission on 02 November 2010. The decision for the full trial was fixed on 19 November 2010 whereby the Court has allowed the Plaintiff’s claim for the duration from 15 March 2007 to 29 March 2007. The Plaintiff has filed an appeal since 29 November 2010 against the said decision and it is now pending the hearing date from the Court of Appeal.

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

TBBM as the 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 (Ikmal) (collectively known as “the Defendants”) in relation to the sale of TBBM’s two approved petrol service stations known as Unit No. 12BC (1st Parcel) and Plot 12A and 12D in the Mukim of Plentong, District of Johor Bahru to a third party in suspicious circumstances at prices well below the actual market prices which Ikmal was able to resell them at almost twice the value in matters of days and weeks. The Defendants acted contrary to fiduciary duties and without calling for independent valuation. The terms of sale was of highly suspicious circumstances. The Defendants have filed their defence.

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12. MATERIAL LITIGATION UPDATES (CONT'D)

f. Kuala Lumpur High Court Suit No. S3-22-1236-2007 (Cont'd)

TBBM's claim against the Defendants for 2 parcels of land, amongst other, the sum of RM1,428,200 on the sale of the 1st Parcel and RM1,152,531 on the sale of the 2nd Parcel which were grossly below market value and for other losses and damages to be assessed by the Court.

Ikmal Nazarin Bin Junid had filed an application to strike out TBBM's claim, which on 08 October 2009, the said application was struck out and dismissed by the learned judge with cost in favour of TBBM. No trial date has been fixed yet. The Court has fixed the case management on 28 March 2011.

g. Johor Bahru High Court No. MT5-22-731-2009

Pembinaan Proli Sdn Bhd ("Proli") claimed against Taman Bandar Baru Masai Sdn Bhd ("TBBM") for RM1,438,430 for the construction of the JB Sales Office at Nusa Damai, Mukim Plentong, Daerah Johor Bahru, Johor. The Plaintiff filed an application for Summary Judgement but was dismissed on 20 May 2010 with costs to TBBM, on the grounds that there were triable issues. The Court has fixed 10 March 2011 for mediation. The matter is now awaiting for a full trial. No trial date has been fixed to date.

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

h. Johor Bahru Session Court No. 52-2034-2010

UNP Design Sdn Bhd ("UNP") claimed against Taman Bandar Baru Masai Sdn Bhd ("TBBM") for RM105,897.50 being the outstanding balance of payment for Interior Design and Furnishing Work for the Show Unit for Phase 4M at Nusa Damai, Mukim Plentong, Daerah Johor Bahru, Johor. The Court has fixed the matter for Hearing on 01 June 2011 and 02 June 2011.

Even though TBBM is confident to succeed in striking out of the claim, this amount has been provided in the financial statements of the Group.

i. Kuala Lumpur High Court (Civil) No: S22-NCVC-69-2010

On 26 October 2010, MPC Properties Sdn Bhd ("MPC") filed a writ against Hong Leong Bank Berhad and Hong Leong Assurance Berhad (collectively known as "the Defendants") to claim RM4,076,653 on account of double rental and reinstatement costs for the premises located at Wisma MPL, Jalan Raja Chulan, Kuala Lumpur of which the Defendants were tenants of.

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12. MATERIAL LITIGATION UPDATES (CONT'D)

i. Kuala Lumpur High Court (Civil) No: S22-NCVC-69-2010 (Cont'd)

The Defendants have entered an appearance and filed their defence. Our Solicitors have also filed an application for Summary Judgment, and the Court has fixed 21 February 2011, 22 February 2011 and 23 February 2011 for the hearing of Summary Judgement and trial.

Our solicitors are of the opinion that MPC has a good chance of recovering the sums from the Defendant.

j. Kuala Lumpur High Court (Civil) No. D22NCC-1500-2010

On 03 August 2010, Messrs Kamil Hashim Pury & Lim ("the Plaintiff") filed a writ against Lakehill Resort Development Sdn Bhd ("Lakehill") claiming RM443,637.50 being the outstanding professional fee for the drafting of a sale and purchase agreement in respect of the conveyance of a piece of land in Johor. The Plaintiff contended that the Defendant was never appointed by the Vendor nor the Purchaser (the Plaintiff) to handle the sale and purchase transaction.

The Plaintiff has filed an application for Summary Judgement and the Court has fixed 03 March 2011 for the hearing of the said application. The Defendant has filed the 01 Affidavit in Reply.

Our Solicitors are of the opinion that Lakehill has good chances of defeating the Summary Judgement application.

13. DIVIDEND

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

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14. (LOSS)/EARNINGS PER SHARE

Basic loss per share

	Current Quarter Ended 31/12/2010	6 months Cumulative 31/12/2010	Comparative Quarter Ended 31/12/2009	6 months Cumulative 31/12/2009
Net loss attributable to equity holders of the Company (RM'000)	(4,745)	(9,220)	(3,258)	(5,895)
Weighted average number of ordinary shares in issue ('000)	(192,772)	(192,772)	(172,597)	(172,597)
Basic loss per share (sen)	(2.46)	(4.78)	(1.89)	(3.42)

15. REALISED AND UNREALISED PROFIT OR LOSSES

	30.09.2010 RM'000	Current Quarter 31.12.2010 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised profit/(loss)	1,428	(3,317)
Unrealised profit	59,817	59,817
	<u>61,245</u>	<u>56,500</u>
Less: Consolidation adjustments	-	-
Total group retained profits as per consolidation accounts	<u>61,245</u>	<u>56,500</u>

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16. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 FEBRUARY 2010.

By order of the Board

Dated: 18 FEBRUARY 2010.