

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2012

SECTION A – EXPLANATORY NOTES PURSUANT TO FRS 134

A1. ACCOUNTING POLICIES

The quarterly consolidated financial statements are unaudited and have been prepared in accordance with the reporting requirements of Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies adopted in the unaudited quarterly consolidated financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2011 except for adoption of the following Issue Committee (“IC”) Interpretations and Amendments to FRSs issued by the MASB that are effective for the Group’s financial statements commencing 1 July 2011:-

FRSs/Interpretations

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfer of Assets from Customers
Amendment to IC Interpretation 13	Customer Loyalty Programmes
Improvements to FRSs (2010)	Amendments to FRS 1, 3, 7, 101, 121, 128, 131, 132, 134, 139 & Interpretation 13
Amendments to IC Interpretation 14	FRS 119 – The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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A2. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2011 was not subject to any qualification.

A3. 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.

A4. 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.

A5. 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.

A6. DEBTS AND EQUITY SECURITIES

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

A7. DIVIDENDS PAID

No interim dividend has been recommended for the current quarter under review.

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A8. SEGMENTAL REPORTING

The segmental analysis for the Group for the quarter ended 31 March 2012 as follows:-

a) 9 months ended 31 March 2012

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
Revenue				
External Sales	2,038	9,196	-	11,234
Inter-segment Sales	-	7,996	(7,996)	-
Sub-total	2,038	17,192	(7,996)	11,234
Results				
Segment Results	(2,228)	4,951	(4,871)	(2,148)
Finance costs	(2,253)	(9,215)	4,403	(7,065)
Loss Before Taxation	(4,481)	(4,264)	(468)	(9,213)
Taxation	-	521	-	521
Loss After Taxation	(4,481)	(3,743)	(468)	(8,692)

b) 9 months ended 31 March 2011

Description	Property Development & Construction (RM'000)	Investment Properties (RM'000)	Elimination (RM'000)	Consolidation (RM'000)
Revenue				
External Sales	-	8,453	-	8,453
Inter-segment Sales	-	10,143	(10,143)	-
Sub-total	-	18,596	(10,143)	8,453
Results				
Segment Results	(3,352)	(311)	(4,618)	(8,281)
Finance costs	(5,079)	(6,109)	4,618	(6,570)
Loss Before Taxation	(8,431)	(6,420)	-	(14,851)
Taxation	(1,371)	-	-	(1,371)
Loss After Taxation	(9,802)	(6,420)	-	(10,002)

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A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no amendments to the valuation of property, plant and equipment from the previous audited financial statements for the financial year ended 30 June 2011 to the current quarter under review.

A10. 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.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

A12. CHANGES IN CONTINGENT LIABILITIES/ASSETS

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

A13. PROFIT BEFORE TAX

	3 months ended	9 months ended
	31.3.2012	31.3.2012
	RM'000	RM'000
Profit before tax is arrived at after charging/ (crediting):		
Other income	(13)	(91)
Depreciation of property, plant & equipment	275	819
Interest expenses	2,413	7,065

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SECTION B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

The Group's revenue for the 3rd Quarter ended 31 March 2012 was still depended exclusively on investment sector of rental income from Wisma MPL of RM2.87 million as compared to the preceding corresponding Quarter of RM2.30 million. The higher revenue in the current quarter was due to better rental rates and improvement in occupancy.

The loss before taxation incurred for the reporting Quarter of RM2.95 million was lower as compared to the corresponding Quarter ended 31 March 2011 of RM6.22 million. The reduction in loss before taxation were achieved partly based on higher rental revenue and reduction in operating costs during the quarter under review.

This has resulted in a small reduction to its corresponding quarter in its net asset value per share ("NAV") from RM1.21 as at 31st March 2011 to RM1.17 as at 31st March 2012. However, this NAV does not reflect the surplus valuation, valued in 2008, of LakeHill 638 acres landbank in order to meet the compliance of the Standard of Accounting Practice and Guideline as the said land is being currently earmarked as "development property".

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

In the 3rd Quarter under review, the Group showed a higher loss before tax of RM3.47 million as compared to the immediate preceding Quarter ended 31st December 2011 of RM2.52 million was because during the 2nd Quarter ended 31 Dec 2011 there was a sale of a piece of land by a subsidiary company with gross revenue of RM2.038 million.

In the 3rd Quarter, however, all sales were put on hold pending the re-submission of an amended Master Layout Plan. The improved and revised Master Plan was submitted in April 2012.

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B3. PROSPECTS FOR THE FINANCIAL YEAR

Management is still continuously pursuing to secure one or several new strategic investors with full financial strength and required construction experience and ability to contribute to the success of LakeHill Resort City and APTEC long term development.

The revenue is currently solely dependent on the rental and related income sources of Wisma MPL which substantial revenue growth will greatly depend on increasing its existing occupancy ratio plus revised rental rates after renovation. But this will require heavy capital expenditure on renovation. Any upgrading of the existing 35 years old building and construction of an additional tower (subject to DBKL's approval) can only take place after a new joint venture partner is secured. The Company has received few joint venture proposals. Alternatively management may propose an outright sale of the existing building based on very commercially attractive offer.

The Group will work towards improving revenue during the financial year to start development and sale of 163 units of approved terrace houses on the old parcel of remaining land in Taman Nusa Damai, adjacent to LakeHill Resort as soon as practicable.

LakeHill Resort Development and APTEC are in serious discussion with new strategic partners and barring unforeseen circumstances, its prospects look promising.

The exercise of Put-Option by Amanah Raya Development Sdn Bhd (ADSB) which expired on 27 January 2012 was requested by ADSB and mutually agreed to be extended to 26 March 2012.

On 26 March 2012, ADSB exercised the Put-Option whereby the payment of RM110,880,000 (Option Price) would become due on 25 May 2012. Owing to recent new development, Oriental Pearl City Properties Sdn Bhd (OPCP) has requested for extension of time to complete the transaction. One of the reasons is because a member company of Amanah Raya Group is interested to negotiate to acquire one of the assets of the Company which will require time for their due diligence to be done. It is envisaged that the settlement method of the Purchase Price may be used by way of contra of Option Price and balance to be paid by cash. However, the Company is also free to consider procuring other interested party to acquire the ADSB Option from OPCP.

An announcement shall be made as soon as appropriate about the details and completion of the Put Option.

B4. VARIANCES ON ACTUAL PROFIT FROM FORECAST PROFIT

This is not applicable to the Group.

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B5. TAXATION

	Current Quarter (RM'000)	Current To-Date (RM'000)
Taxation based on results for the financial period:		
Over provision on previous year taxation	(521)	-
	<u>(521)</u>	<u>-</u>

B6. PROFITS / (LOSSES) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and / or properties for the current quarter ended 31 March 2012.

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSAL BUT NOT COMPLETED

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

B9. OTHER PAYABLES

Included in other payables an amount of RM14,226,269 due to major shareholder of the Company. The amount owing is unsecured, no fixed terms of repayment and at an interest rate charged of 13% to 15% per annum approved by the Board of Directors.

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B10. GROUP BORROWINGS

Total Group's borrowings as at 31 March 2012 are as follow: -

	Short Term Secured (RM'000)	Long Term Secured (RM'000)	Total (RM'000)
Hire Purchase Creditors	330	903	1,233
Revolving Credit	25,704	-	25,704
Bank Overdraft	57,579	-	57,579
Total	<u>83,613</u>	<u>903</u>	<u>84,516</u>

B11. 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.

B12. MATERIAL LITIGATION UPDATES

Material litigation updates as at 18th May 2012.

- a. Johor Bahru High Court Suit No. 22-702-2005 (consolidated with Kuala Lumpur High Court Suit No.S3-22-1176-2006)

Malaysia Pacific Corporation Berhad & Taman Bandar Baru Masai Sdn Bhd (Plaintiff/TBBM) vs. Inta Development Sdn Bhd & 6 Ors (Defendants)

The Plaintiff/TBBM first commenced a civil action on 14th October 2005 vide Johor Bahru High Court Suit No. 22-702-2005 against the former Group General Manager of the Plaintiff/TBBM, En. Zulhaimi bin Nordin as well as the former Group Managing Director and Group Chief Executive Officer of the Plaintiff/Company, Encik Chut Nyak Isham Bin Nyak Ariff, including Inta Development Sdn Bhd ("Inta") and Inta Directors and others (Defendants) for alleged non-disclosed connected parties transaction in respect of the sale of land owned by TBBM held under PTD 149705 H.S (D) 310451, Mukim Plentong, Daerah Johor Bahru.

The Defendants applied to strike out the Plaintiff's/TBBM's action but the application was dismissed by the Registrar on 15th November 2007. Subsequently, the Defendants' appeal against the dismissal was again dismissed on 8th July 2009 with cost in favour of the Plaintiff/TBBM.

After a full trial of the suit, the Court delivered its decision on 25th August 2011 in favour of the Defendants. The Plaintiff/TBBM has filed an appeal against the decision based on legal advice.

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The appeal is fixed for case management in the Court on Appeal on 22nd May 2012.

b. Johor Bahru High Court Suit No. 22 - 174 - 2007

Taman Bandar Baru Masai Sdn Bhd (Plaintiff/Company) vs. Scientex Quatari Sdn Bhd (Defendant)

The Plaintiff/Company commenced civil action on 10th April 2007 against Scientex Quatari Sdn Bhd (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") and sought relief for compensation and damages.

On 19th November, 2010 the Court allowed the Plaintiff/Company a token damage award which the Plaintiff/Company deemed unreasonable and filed an appeal to the Court of Appeal on 29th November 2010.

The appeal is fixed for hearing in the Court of Appeal on 24th May 2012.

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

Taman Bandar Baru Masai Sdn Bhd (Plaintiff/Company) vs. Chut Nyak Isham Bin Nyak Ariff & 2 Others (Defendants)

The Plaintiff/Company, on 22nd October, 2007 commenced legal action against Chut Nyak Isham Bin Nyak Ariff, the former Group Managing Director and Chief Executive Officer of the Plaintiff/Company, Dato' Yusoh Bin Jusoh, the former Chairman/Director of the Plaintiff/Company and one Ikmal Nazarin Bin Junid (Ikmal) (Defendants) in relation to the sale of the Plaintiff's/TBBM's two (2) approved petrol service stations known as Unit No. 12BC (1st Parcel) and Plot 12A and 12D (2nd Parcel) in the Mukim of Plentong, District of Johor Bahru, in questionable circumstances.

The Plaintiff/Company's claim against the Defendants is for the sum of RM1,428,200 being losses suffered on the sale of the 1st Parcel and RM1,152,531 on the sale of the 2nd Parcel, plus claim for other losses and damages to be assessed.

Ikmal filed an application to strike out the Plaintiff's/Company's claim on 8th October 2009 but the application was dismissed by the Learned Judge with cost in favour of the Plaintiff/Company.

The suit is fixed for Case Management on 24th May 2012.

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- d. Kuala Lumpur High Court (Civil) No: S22-NCVC-69-2010 & Kuala Lumpur High Court (Civil) No: 22 NCVC-230-2011

Hong Leong Bank Berhad and Hong Leong Assurance Berhad – (Plaintiffs) vs. MPC Properties Sdn Bhd – (Defendant/Company)

On 21st March 2011, the Plaintiffs filed a suit against the Defendant/Company claiming for the refund of rental deposits. The Defendant filed its Defence and Counterclaim for unpaid rental plus double rent for late delivery of vacant possession plus reinstatement cost incurred on the vacated premises and to set-off the rental deposits.

The Court allowed the Plaintiffs' claim in respect of the refund of the rental deposits, but the judgement was stayed by the Learned Judge, pending disposal of the Defendant's/Company's Counterclaim and set-off against the unpaid rents, double rent and costs of reinstatement of vacated premises.

The full hearing of the suit was completed on 11st November 2011. On 27th December 2011, the Court dismissed the Defendant's/Company's Counterclaim with costs.

Upon solicitors' advice, the Defendant/Company filed an appeal to the Court of Appeal against the High Court decision on 18th January 2012.

The appeal is fixed for hearing in the Court of Appeal on 16th July 2012

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

Messrs Kamil Hashim Pury & Lim (Plaintiff) vs. Lakehill Resort Development Sdn Bhd (Defendant/Company)

On 3rd August 2010, the Plaintiff filed a Writ against the Defendant/Company claiming RM 443,637.50 being the alleged professional fees/charges for services allegedly rendered to the Defendant/Company. The Defendant/Company refuted the Plaintiff's claim that the Plaintiff was appointed to act as solicitor by the Defendant/Company. It is the Defendant's/Company's contention that it was never a party to a Sale and Purchase Agreement purportedly drafted by the Plaintiff.

An attempt by the Plaintiff to file an application and enter Summary Judgment against the Company was struck out by the Learned Judge. The Defendant's/Company's solicitors are of the opinion that it has a good defence to the Plaintiff's claim.

The matter is fixed for hearing in the High Court on 7th July 2012.

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f. Kuala Lumpur High Court Civil Suit No. 22 NCV-975-10/2011

Wisma MPL JMB (Plaintiff) vs. Malaysia Pacific Corporation Berhad (Defendant/Company)

The Plaintiff's claim against the Defendant/Company is for the sum of RM 3,083,639.32 being the outstanding maintenance and service charges allegedly owed by the Defendant/Company as at 30th April 2011. The Defendant/Company denies owing the Plaintiff the sum claimed due to the fact that the sum claimed by the Plaintiff was erroneous. The Plaintiff's claim had failed to deduct and account for monies that were paid and advanced by the Defendant/Company throughout the relevant period, namely towards all utilities charges, building improvement works, non-payment of rental charges towards the usage of the Defendant's/Company's premises for the Plaintiff's benefit and also for lack of maintenance and services in addressing complaints by the Defendant's/Company's tenants.

The Defendant/Company also contends that the maintenance and service charges were disproportionate, excessive and unreasonable and filed a Counterclaim against the Plaintiff claiming the sum of RM 2,105,041.20 being damages suffered by the Defendant/Company by reason of the poor maintenance and management services provided by the Plaintiff. The Defendant/Company has also disputed the validity, formation and constitution of the Plaintiff contending that it contravened the Building and Common Property (Maintenance and Management) Act 2007.

The Plaintiff had filed an application seeking to enter summary judgment against the Defendant/Company for the sum claimed, but the application was refused by the Learned Judge.

The full trial of the suit was completed on 3rd May 2012 and the Court has fixed 28th June 2012 to deliver its decision.

B13. DIVIDEND

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

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)**B14. (LOSS)/EARNINGS PER SHARE****Basic (loss)/earnings per share**

	Current Quarter Ended 31/03/2012	9 months Cumulative 31/03/2012	Comparative Quarter Ended 31/03/2011	9 months Cumulative 31/03/2011
Net loss attributable to equity holders of the Company (RM'000)	(2,523)	(7,567)	(5,821)	(15,041)
Number of ordinary shares in issue/ Weighted average number of ordinary shares in issue ('000)	287,660	287,660	287,660	287,660
Basic loss per share (sen)	(0.88)	(2.63)	(2.02)	(5.22)

B15. REALISED AND UNREALISED PROFIT OR LOSSES

	31.12.2011 RM'000	Current Quarter 31.03.2012 RM'000
Total retained profits of the Group and its subsidiaries:		
Realised loss	(17,665)	(20,188)
Unrealised profit	59,817	59,817
Total group retained profits as per consolidation accounts	42,152	39,629

B16. 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 25 May 2012.