

MALAYSIA PACIFIC CORPORATION BERHAD

(12200 – M)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED**

30 JUNE 2018

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-06-2018 RM'000	Preceding Year Corresponding Quarter 30-06-2017 RM'000	Current Year To Date 30-06-2018 RM'000	Preceding Year Corresponding Period 30-06-2017 RM'000
Revenue	10,272	4,721	14,899	10,053
Cost of sales	(3,172)	(2,054)	(7,248)	(6,953)
Gross profit	7,100	2,667	7,651	3,100
Other income/ (loss)	11,810	16,861	11,934	6,871
Administrative expenses	(3,526)	(13,869)	(9,953)	(9,403)
Profit from operations	15,384	5,659	9,632	568
Finance costs	(3,410)	(3,215)	(11,702)	(10,671)
Profit/ (Loss) before tax	11,974	2,444	(2,070)	(10,103)
Taxation	(95)	(255)	(95)	(255)
Profit/ (Loss) for the financial period	11,879	2,189	(2,165)	(10,358)
Other comprehensive profit, net of tax				
Foreign currency transaction differences for foreign operations	(58)	42	7	44
Total comprehensive profit/ (loss)	11,821	2,231	(2,158)	(10,314)
Profit/ (Loss) attributable to:				
Owners of the parent	11,879	2,189	(2,165)	(10,358)
Non-controlling interest	-	-	-	-
	11,879	2,189	(2,165)	(10,358)
Total comprehensive profit/ (loss) attributable to:				
Owners of the parent	11,821	2,231	(2,158)	(10,314)
Non-controlling interest	-	-	-	-
	11,821	2,231	(2,158)	(10,314)
Profit/ (Loss) per share attributable to owners of the parent:				
a) Basic (sen)	4.13	0.76	(0.75)	(3.60)
b) Diluted (sen)	N/A	N/A	N/A	N/A

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	As At End Of Current Quarter 30-06-2018 (Unaudited) RM'000	As At Preceding Financial Year Ended 30-06-2017 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,037	567
Land held for property development	212,295	213,055
Total non-current assets	213,332	213,622
Current assets		
Property development cost	19,354	21,282
Trade and other receivables	12,373	12,565
Tax recoverable	1,229	1,674
Cash and cash equivalents	1,705	810
	34,661	36,331
Assets held for sales	252,000	256,000
Total current assets	286,661	292,331
Total assets	499,993	505,953
Equity and liabilities		
Equity		
Share capital	287,660	287,660
Reserves	(151,297)	(149,139)
Total equity	136,363	138,521
Liabilities		
Non-current liabilities		
Bank borrowings	385	244
Deferred tax liabilities	28,662	29,561
	29,047	29,805
Current liabilities		
Trade and other payables	183,943	200,007
Provision for liquidated and ascertained damages	257	257
Bank borrowings	149,392	137,363
Tax payable	991	-
	334,583	337,627
Total liabilities	363,630	367,432
Total equity and liabilities	499,993	505,953
Net assets per share (RM)	0.47	0.48

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

← Attributable to owners of the parent →
← Non-distributable →

	Share capital RM'000	Warrants reserve RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As at 1 JULY 2017	287,660	-	(700)	(148,439)	138,521
Other comprehensive Income/ (loss) for the financial year	-	-	7	-	7
Loss for the financial year	-	-	-	(2,165)	(2,165)
Total comprehensive income/ (loss) for the financial year	-	-	7	(2,165)	(2,158)
As at 30 JUNE 2018	287,660	-	(693)	(150,604)	136,363
As at 1 JULY 2016	287,660	-	(744)	(138,081)	148,835
Other comprehensive Income/ (loss) for the financial year	-	-	44	-	44
Loss for the financial year	-	-	-	(10,358)	(10,358)
Total comprehensive income/ (loss) for the financial year	-	-	44	(10,358)	(10,314)
As at 30 JUNE 2017	287,660	-	(700)	(148,439)	138,521

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	As At End Of Current Quarter 30-06-2018 (Unaudited) RM'000	As At Preceding Financial Year Ended 30-06-2017 (Audited) RM'000
Cash flows from operating activities		
Loss before tax	(2,070)	(10,103)
Adjustments for :		
Bad debts written off	-	20
Depreciation of property, plant and equipment	219	262
Impairment loss/ (gain) on trade and other receivables	704	(508)
Impairment loss/ (gain) on assets held for sales	4,000	(6,000)
Interest expenses	11,702	10,671
Interest income	(51)	(26)
Gain on disposal of property, plant and equipment	(74)	(164)
Unrealised loss on foreign exchange	2	1
Change in working capital	14,432	(5,847)
Property development costs	2,688	(259)
Trade and other receivables	(512)	(10,770)
Trade and other payables	(25,451)	(9)
Cash used in operations	(8,843)	(16,885)
Interest expenses paid	(16)	(25)
Interest income received	51	26
Tax paid	(175)	(1,092)
Tax refund	617	-
Net cash used in operating activities	(8,366)	(17,976)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	74	322
Purchase of property, plant and equipment	(398)	(287)
Net cash (used in)/ generated from investing activities	(324)	35
Cash flows from financing activity		
Repayment of finance lease liabilities	(153)	(330)
Net cash used in financing activity	(153)	(330)
Net decrease in cash and cash equivalents	(8,843)	(18,271)
Cash and cash equivalents at beginning of financial period	(90,372)	(72,101)
Cash and cash equivalents at end of the financial period	(99,215)	(90,372)
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,705	810
Bank overdrafts	(100,920)	(91,182)
	(99,215)	(90,372)

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

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 Financial Reporting Standards (“FRS”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2017.

The significant accounting policies adopted in the interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2017 and all new and revised FRS and amendments to FRS issued by the MASB that are effective for annual financial periods beginning on or after 1 July 2016. The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 30 June 2017.

FRSs that have been issued by MASB but are not yet effective for the Group:		Effective Dates for financial period beginning on/or after
Amendments to FRS 107	Disclosure Initiative	Effective in FY 2018
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	Effective in FY 2018
Annual Improvements to FRSs 2014 – 2016 Cycle		
• Amendments to FRS 12		Effective in FY 2018
• Amendments to FRS 1		1 January 2018
• Amendments to FRS 128		1 January 2018
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018
Amendments to FRS 4	Applying FRS 9 <i>Financial Instruments</i> with FRS 4 <i>Insurance Contracts</i>	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

A1. ACCOUNTING POLICIES (CONT'D)

FRSs that have been issued by MASB but are not yet effective for the Group:		Effective Dates for financial period beginning on/after
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The adoption of the above Amendments to FRSs does not have any material impact on the financial statements of the Group. The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 30 June 2019.

The Group and the Company have not completed its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Frameworks. Accordingly, the consolidated and separate financial performance and financial position as disclosed in these financial statements for the financial year ended 30 June 2018 could be different if prepared under the MFRS Frameworks.

A2. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The independent auditors' report of the Company's audited financial statements for the financial year ended 30 June 2017 contained disclaimer of opinion on the financial statements.

The following Basis for Disclaimer of Opinion shown below are extracted from the independent auditors' report of the Company's audited financial statement for the financial year ended 30 June 2017.

Basis for Disclaimer of Opinion

1. We draw attention to Note 2(c) to the financial statements which state the following:
 - (i) The Group have reported net losses of RM10,36 million during the financial year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by RM45.30 million.
 - (ii) As disclosed in Note 15 to the financial statements, the Company was served with a Declaration of Default on 8 March 2013 by a financial institution on the default in the repayments of principal sums and interest in respect of the revolving credit and bank overdraft facilities. The Company has continued defaulted in the repayment of revolving credit and bank overdraft facilities as at 30 June 2017 amounting to RM137.25 million.

A2. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS (CONT'D)

(iii) As disclosed in Note 21(a) and 30(a) to the financial statements, on 28 September 2012, a creditor of a subsidiary company of the Group had served a Writ of Summons on the subsidiary company and the Company (collectively known as the “Defendants”) for a sum of RM113.17 million together with interest of 7.20% per annum calculated from 19 September 2012 until the date of full settlement. The amount due to the creditor arose from a Put Option exercised by the creditor under a joint venture agreement dated 20 August 2008 entered into between the creditor and the subsidiary company and a Deed of Undertaking between the creditor and the Defendants.

As at 30 June 2017, the Company has continued defaulted in the repayment of amount due to the creditor amounted to RM115.00 million within the agreed date stated in the settlement agreement signed on 10 March 2014.

The factors set forth above indicate the existence of material uncertainties that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business.

As disclosed in Note 2(c) to the financial statements, the financial statements of the Group and of the Company are prepared on a going concern basis. The appropriateness of preparing the financial statements of the Group and of the Company on going concern basis is dependent upon the successful and timely formulation and implementation of the regularisation plan. The Company has been granted extension of time up to 31 December 2018 to make the requisite announcement and submit the Company’s regularisation plan to the regulatory authorities.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realisable values, and to provide further estimated liabilities that may arise, and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements of the Group and of the Company do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

2. (i) As at the date of this report, replies relating to certain creditors confirmation requests of certain subsidiary companies are outstanding. We are unable to confirm or verify by alternative means as to whether the carrying amounts of the creditors balances for the financial year ended 30 June 2017 were appropriate.

A2. QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS (CONT'D)

- (ii) In previous financial year, a subsidiary company has received a letter from Optima Mewah Sdn. Bhd. to mutually terminate the sale and purchase agreement (“Proposed Mutual Termination”) in relation to the disposal of land in Mukim Plentong, Johor as disclosed in Note 8(b) to the financial statements and the Board of Directors of the Company has approved the Proposed Mutual Termination. The total revenue and cost recognised in previous financial years amounted to RM10.74 million and RM6.29 million respectively.

The financial statements of the Group do not include any adjustment relating to the termination of the sale and purchase agreement for current financial year.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

There were no significant seasonal and cyclical factors that affect the business of the Group.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the financial year ended.

A5. MATERIAL CHANGES IN ESTIMATES

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

A6. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the financial year ended under review.

A7. DIVIDEND PAID

There was no dividend paid during the financial year ended under review.

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A8. SEGMENTAL REPORTING

The segmental analysis for the Group for the financial year ended as follows:-

Results for 12 months ended 30 June 2018

Description	Property Development RM'000	Investment Property RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
- External Sales	8,714	6,185	-	14,899
- Inter-Segment Sales	-	-	-	-
Group's Revenue	8,714	6,185	-	14,899
Results				
Segment Results	12,024	(2,392)	-	9,632
Finance Costs	(16)	(11,686)	-	(11,702)
Profit/ (Loss) Before Tax	12,008	(14,078)	-	(2,070)
Taxation	484	(579)		(95)
Profit/ (Loss) After Tax	11,524	(14,657)	-	(2,165)

Results for 12 months ended 30 June 2017

Description	Property Development RM'000	Investment Property RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
- External Sales	3,091	6,962	-	10,053
- Inter-Segment Sales	-	-	-	-
Sub Total	3,091	6,962	-	10,053
Results				
Segment Results	(4,475)	5,043	-	568
Finance Costs	(5)	(10,666)	-	(10,671)
Loss Before Tax	(4,480)	(5,623)	-	(10,103)
Taxation	(47)	302	-	255
Loss After Tax	(4,433)	(5,925)	-	(10,358)

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A9. VALUATION OF LAND, PROPERTY, PLANT AND EQUIPMENT

(a) Assets held for sales

The fair value of the assets held for sales of the Group and the Company, which comprise of office buildings and shoplots have been arrived at on the basis of a valuation carried out by an independent firm of professional valuers, JB Jurunilai Bersekutu (KL) Sdn Bhd (“JBJBKL”) on 30 June 2018. The market value of the investment property amounting to RM252 million. The decreased in fair value of the investment property of the Group and the Company amounting to RM4 million has been recognised as impairment loss in profit and loss account in the current financial year.

Assets held for sales:

	As at End of Current Quarter 30-06-2018 RM'000	As at Preceding Corresponding Quarter 30-06-2017 RM'000
Freehold land and buildings		
- At Cost	31,114	31,114
- At Valuation	220,886	224,886
	<u>252,000</u>	<u>256,000</u>

The assets held for sale have been pledged to financial institutions for credit facilities granted to the Company.

(b) Land held for property development

A valuation had been performed on 30 June 2017 by independent firm of professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd on the development land. The market value of 34 parcels of freehold agricultural and commercial lands with an approximated aggregate land area of 17.76 million square foot amounting to RM427.10 million or average RM24.05 per square foot, based on “as is” basis by using comparison method, making reference relevant comparable transactions in the market. As such management is in view that no impairment is required for land held for property development.

On the assumptions that all the 34 parcels of land are converted into residential and commercial use and issued with separate unencumbered freehold land titles with all premiums and relevant statutory fees are fully paid. The market value of the 34 parcels freehold agricultural and commercial land amounting to RM652.80 million or average RM36.76 per square foot.

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A10. SIGNIFICANT AND SUBSEQUENT MATERIAL EVENTS

Save and disclosed below, there were no material events subsequent to the end of the financial period ended under review:

- (a) On 8 June 2018, TA Securities Holdings Berhad had submitted an application to Bursa Malaysia Security Berhad for a further extension of time up to 30 September 2018 to make the requisite announcement and to submit the Company's regularisation plan to regulatory authorities.

On 13 July 2018, Bursa Malaysia Securities Berhad approved the application for an extension of time up to 31 December 2018 for the Company to make the requisite announcement and submit its regularisation plan to the regulatory authorities.

The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of MPCORP and to de-list the Company in the event:

- (i) the Company fails to make the requisite announcement and to submit a regularisation plan to the regulatory authorities on or before 31 December 2018;
- (ii) the Company fails to obtain the approval from any of the regulatory authorities necessary for implementation of its regularisation plan; and
- (iii) the Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of MPCORP on the 6th market day after the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

- (b) On 18 June 2018, Bursa Malaysia Securities Berhad refers to the Company's announcement made on 13 and 14 June 2018; the trading in MPCORP will be suspended with effect from 9.00 a.m. Monday 25 June 2018 pursuant to Paragraph 16.02 (1) (j) of the Main Market Listing Requirements.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial year ended under review.

A12. CHANGES IN CONTINGENT LIABILITIES/ASSETS

There were no material contingent liabilities or contingent assets for the financial year ended under review.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

A13. Commitments

	As At End Of Current Quarter 30-06-2018 RM'000
Contracted for court settlement	13,860
Contracted for debt settlement	3,940
Total	17,800

Note

All the commitments had been provided for in the accounts.

A14. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PROFIT/ (LOSS) BEFORE TAX

	Individual period 3 months ended 30-06-2018 RM'000	Cumulative period 12 months ended 30-06-2018 RM'000
Depreciation of property, plant and equipment	65	219
Impairment (loss)/ gain on investment property	4,000	4,000
Interest expenses	3,410	11,702
Unrealised loss on foreign exchange	2	2
Impairment loss on receivables	704	704
Interest income	(45)	(51)
Loss/ (Gain) on disposal of property, plant and equipment	5	(74)

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions have been entered into the normal course of business under normal trade terms except for advances from Top Lander Offshore Inc.

	As At End Of Current Quarter 30-06-2018 (Unaudited) RM'000	As At Preceding Financial Year Ended 30-06-2017 (Audited) RM'000
Advances from/ (Repayment to) Top Lander Offshore Inc. (net)	(9,564)	663

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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 current financial quarter ended 30 June 2018 increased by RM5.55 million to RM10.27 million as compared to the preceding year's corresponding quarter ended 30 June 2017 of RM4.72 million. The increased in revenue for the current quarter was due to revenue recognition from disposal of land.

The Group's profit before tax for the current quarter increased by 9.53 million to RM11.97 million as compared to the preceding year's corresponding period ended 30 June 2017 of RM2.44 million. The increase was mainly due to gain from disposal of land, fair value adjustment on the financial liabilities and reversal of over provision of expenses in prior years.

As on the year to date basis, the Group revenue registered RM14.90 million which has been increased by RM4.85 million as compare to the preceding year's corresponding financial year ended 30 June 2017 of RM10.05 million. The increase in revenue for the current financial period was mainly contributed by the revenue recognition from disposal of land.

The Group recorded RM2.07 million cumulative pre-tax loss for the current financial year ended which was RM8.03 million lower than the corresponding financial period ended 30 June 2017 of RM10.10 million. The improvement was mainly gain from disposal of land, fair value adjustment on the financial liabilities and reversal of over provision of expenses in prior year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter Ended 30-06-2018 RM'000	Preceding Quarter Ended 31-03-2018 RM'000	Difference	
			RM'000	%
Revenue	10,272	1,532	8,740	570.50
Profit/ (Loss) before tax	11,974	(4,809)	16,783	(348.99)

As compared to the preceding quarter, the Group revenue has increased by RM8.74 million. The increased in revenue for the current quarter was mainly gain from disposal of land.

The Group's results for the current quarter recorded profit before tax of RM11.97 million as compared to preceding quarter loss before tax of RM4.81 million. The significant improve was mainly gain from disposal of land, fair value adjustment on the financial liabilities and reversal of over provision of expenses in prior year.

B3. PROSPECTS AND OUTLOOK FOR THE FINANCIAL YEAR

The Malaysian economy expanded strongly by 5.9% during the fourth quarter of 2017 (Q4 2016: 4.5%). Growth was supported by domestic demand, particularly private sector spending. On the supply side, all sectors registered a positive growth except mining and quarrying. For the year 2017, the economy grew 5.9% (2016: 4.2%), surpassing the earlier estimation of 5.2% – 5.7%.

- **Outlook of the Investment Property industry**

The non- residential subsector grew 4.9% to RM6.4 billion (January – June 2016: RM6.1 billion). The growth was mainly supported by starts for shop and service apartments which rebounded 29.3% and 14% (January – June 2016: -46.7%; -35%), respectively. Nevertheless, demand for commercial buildings remained favourable with the average occupancy rate of office and retail space at 83.5% and 81.5%, respectively indicating sustained demand for commercial space, especially in prime areas.

The Purpose-Built Office (PBO) rental index for Klang Valley, Johor Bahru and George Town showed a positive trend during the second quarter of 2017. The Kuala Lumpur rental index expanded 3.7% to 133.5 points (Q2 2016: 4%; 128 points) with City Centre recording 4% while Outside City Centre (2.5%). Meanwhile, the rental index in Selangor, Johor Bahru and George Town increased 3.8%, 4.2% and 5.2% to record 120.3 points, 126.2 points and 122.6 points, respectively.

- **Outlook of the construction and property development industry**

The construction sector recorded a robust growth of 7.4% during the first half of 2017 (January – June 2016: 8.5%), primarily attributed to strong civil engineering activities. Accordingly, total value of completed construction works increased 10.4% to RM68.9 billion involving 18,977 projects (January – June 2016: 11.14%; RM62.4 billion; 20,026 projects). The private sector contributed 63.6% of the total value of construction works. The civil engineering subsector was the major contributor to the total value of construction works constituting 35.3%, followed by non- residential (31%), residential (28.8%) and specialised construction activities (4.8%) subsectors. In 2017, construction sector is expected to expand 7.6% (2016: 7.4%) mainly underpinned by new and existing civil engineering projects.

The residential subsector continued to expand 4.7% (January – June 2016: 6.7%) supported by firm demand for affordable housing in choice locations with easy access. Housing starts rebounded significantly by 12.1% to 67,662 units (January – June 2016: -40% 60,378 units). Condominiums and apartments accounted for 42.9% of total housing starts in line with the increasing demand, especially for high-rise units in major cities. However, the increase was offset by a decline in incoming supply at 3.4% to 485,433 units (January – June 2016: 14.1%; 502,345 units) as developers were cautious in launching new projects to prevent accumulation of unsold properties. Likewise, new approvals declined 2.8% to 43,133 units (January – June 2016: -33.5% 44,389 units) as developers reviewed their future plan in response to market situation.

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B3. PROSPECTS AND OUTLOOK FOR THE FINANCIAL YEAR (CONT'D)

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018. Growth will be mainly driven by resilient domestic demand amid favourable external sector. Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

(Source: Economic Report 2018 by Ministry of Finance Malaysia)

In view of the above, the Board believes that the prospect for the financial year will be challenging due to the local economic situation. And it is crucial to submit comprehensive regularisation plan for Practice Note 17 including to address the going concern issue. The Company has on 18 April 2018 appointed TA Securities Holdings Berhad to replace M&A Securities Sdn Bhd as the Principal Adviser for the proposed regularisation plan of the Company. Bursa Malaysia Securities Berhad has on 13 July 2018 approved the application for an extension of time up to 31 December 2018 for the Company to make the requisite announcement and submit its regularisation plan to the regulatory authorities.

On 13 June 2018, the Court allowed RHB'S Winding-Up Petition and dismissed the Company application to Stay the Winding-Up Petition and application for Notice of Motion to Strike Out the Winding-Up Petition. On 10 July 2018, the Court of Appeal had allowed the Company's application for the Stay of Execution of the Winding-Up Order dated 13 June 2018 with no order as to costs.

B4. VARIANCES ON ACTUAL PROFIT FROM FORECAST PROFIT

This is not applicable to the Group.

B5. TAXATION

The disproportionate tax charge of the Group was mainly due to certain expenses or losses being disallowed for tax purposes, certain gains which are not taxable.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense for the year	993	255	993	255
Deferred Tax	(898)	-	(898)	-
	<u>95</u>	<u>255</u>	<u>95</u>	<u>255</u>

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profits for the financial year ended

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

B6. GROUP BORROWINGS

Total Group's borrowings as at 30 June 2018 are as follow:-

	Short Term Secured RM'000	Long Term Secured RM'000	Total RM'000
Finance lease payables	103	385	488
Revolving credit	48,369	-	48,369
Bank overdrafts	100,920	-	100,920
Total	<u>149,392</u>	<u>385</u>	<u>149,777</u>

All the borrowings are denominated in Ringgit Malaysia ("RM")

B7. MATERIAL LITIGATION UPDATES

- (a) Court of Appeal No. W-02(NCVC)(W)-361-02-2018.
Kuala Lumpur High Court Suit No. 22NCVC-691-12/2015

Malaysia Pacific Corporation Berhad (“Appellant” or “Company”) vs. Wisma MPL JMB (“Respondent” or “JMB”)

On 4 July 2018, pursuant to the Settlement Agreement between the Respondent and the Company dated 18 June 2018, the Company has filed a Notice of Withdrawal of the Appeal to the Court of Appeal without liberty to file afresh and no order as to costs and the deposit to be refunded to the Company.

- (b) Kuala Lumpur High Court Originating Summons No. WA-24FC-30-01/2016, A/E No.WA-38-550-09/2016

RHB Bank Berhad (“Plaintiff” or “RHB”) vs. Malaysia Pacific Corporation Berhad (“Defendant” or “Company”)

On 30 May 2018, the auction was aborted as there were no bidders.

On 26 July, RHB has filed a fresh application for auction at Kuala Lumpur High Court. The Court has fixed the Hearing for the application of auction on 27 August 2018.

On 27 August 2018, the Court further fixed the Hearing for the application of auction on 21 September 2018.

- (c) Court of Appeal No. W-02(IM)(NCC)-1811-10/2016 and W-02(IM)(NCC)-1812-10/2016

Malaysia Pacific Corporation Berhad (“Plaintiff” or “Company”) v RHB Bank (“Defendant” or “Bank”)

On 19 July 2018, Federal Court has vacated the Hearing on 10 August 2018 and further fixed 26 July 2018 for Case Management to fix a new Hearing date.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

B7. MATERIAL LITIGATION UPDATES (CONT'D)

On 20 July 2018, the Federal Court has re-fixed the Case Management to 27 July 2018 to fix a new Hearing date.

On 27 July 2018, the Federal Court has fixed a new Hearing date on 18 September 2018.

- (d) Court or Appeal No. W-02(NCC)(A)1312-06/2018 and W-02(NCC)-1311-06/2018
Kuala Lumpur High Court No. WA-28NCC-131-02/2018
Kuala Lumpur High Court Originating Summons No. 24NCC-292-07/2016

Malaysia Pacific Corporation Berhad (“MPCORP” or “Company” or “Plaintiff”) vs RHB Bank Berhad (“RHB” or “Defendant”).

On 30 May 2018, pursuant to the Hearing for the applications of Winding-Up Petition, Stay of Winding-Up Proceedings and Notice of Motion to Strike Out the Winding-Up Petition, the Court has fixed the Decision for the applications on 13 June 2018.

On 13 June 2018, the Court allowed RHB’S Winding-Up Petition and dismissed the Company application to Stay the Winding-Up Petition and application for Notice of Motion to Strike Out the Winding-Up Petition. The Company is appealing against the decision.

On 14 June 2018, the Company filed an appeal to the Court of Appeal against the Winding-Up Order and also application for a stay of Winding-Up Order pending the appeal.

On 17 June 2018, the Court of Appeal has acknowledged receipt of the Company’s appeal and has registered the appeal under Civil Appeal No. W-02(NCC)(A)1312-06/2018.

The Court of Appeal has fixed 10 July 2018 for the Hearing of the Stay of Winding-Up Proceedings.

On 10 July 2018, the Court of Appeal had allowed the Company’s application for the Stay of Execution of the Winding-Up Order dated 13 June 2018 with no order as to costs. The Court has further fixed the appeal against the Winding-Up Order for Case Management on 1 August 2018.

On 1 August 2018 the Court of Appeal fixed the next Case Management on 13 September 2018.

B8. DIVIDEND

The Board does not recommend any interim dividend for the current financial period ended.

MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)

B9. PROFIT/ (LOSS) PER ORDINARY SHARE

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	Quarter	Quarter	Period	Period
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
(a) Basic Earnings Per Share				
Profit/ (Loss) attributable to members of the Company (RM'000)	11,879	2,189	(2,165)	(10,358)
Weighted average number of ordinary shares in issue ('000)	287,660	287,660	287,660	287,660
Basic profit/ (loss) per share (sen)	4.13	0.76	(0.75)	(3.60)

(b) Diluted

The Group and the Company has no dilution in its loss per ordinary share as there is no dilutive potential ordinary share. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial period ended and before the authorisation of these financial statements.

B10. PROFITS/ (LOSSES) ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no disposal of unquoted investments and/or properties for the current financial year ended.

B11. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no disposal of quoted securities for the current financial year ended.

B12. STATUS OF CORPORATE PROPOSAL

There are no corporate proposals announced as at the date of this report.

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors on 30th August 2018.