



**MALAYSIA
PACIFIC
CORPORATION
BERHAD**
(Company No. 12200-M)

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23 November 2017

MINORITY SHAREHOLDER WATCHDOG GROUP

Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Puan Lay Rahman

Dear Sir/ Madam,

45th Annual General Meeting (AGM) of Malaysia Pacific Corporation Berhad (“The Company/Group”) on 24 November 2017

Referring to your letter dated 20 November 2017 pertaining to the issues raised at the 45th Annual General Meeting.

The board of directors of MPCorp would like to reply the issues rose by you as follows:

Strategic and Financial Matters

- 1. The company had on 30 June 2017 submitted to Bursa Securities an application for further extension of time up to 28 February 2018 to submit the regularization plan. Bursa Malaysia Securities had on 21 July 2017 approved the application for extension of time up to 31 December 2017.**

Could the Board update the progress in formulating the regularization plan to ensure that the Company would not be suspended or de-listed?

Reply:

The Company still in the midst of formulating the Regularisation Plan. Once the Plan has been properly drafted and finalized, the Regularisation Plan will be submitted to Bursa for approval and announcement of the details will be made in due cause.

- 2. As stated in Note 35 to the Financial Statements for FY2017. The conditions precedent of a Joint Development Agreement (“JDA”) entered into on 26 May 2015 with Bina Puri Properties Sdn Bhd to carry out a housing development project at Mukim Plentong, Johor Bahru have yet to be fulfilled as at 30 June 2017.**
 - a. What are the conditions precedent that have yet to be fulfilled as at to-date?**
 - b. What is the timeline for the conditions precedent to be fulfilled?**
 - c. What are the initiatives taken to expedite the fulfillment of the conditions precedent?**

Reply:

This contract is a Joint Development Agreement (“JDA”) with Bina Puri Properties Sdn Bhd. Lakehill Resort Development Sdn Bhd (LHRD) as a land owner will grant to who acts as developer, the sole and exclusive rights to carry out a housing development project on the land with total areas of 1,063,299.55 square feet. As a return, LHRD is entitled to RM21,265,991 as consideration together with an agreed proportion of profit sharing.

The payment of this contract for the land cost and profit sharing are in accordance to the schedule of payment and also based on the certificate of completion of each stage and phase. Therefore as at 30 June 2017, the conditions precedent yet to be fulfilled.

3. **As at to-date, the company is still looking for buyer for Wisma MPL despite that the management has been actively looking for perspective buyers. Two potential buyers who had shown interest in the property had decided not to proceed with the purchase.**
- a. **What are the challengers encountered by the Company in securing potential buyer for the property?**
 - b. **Any conditions precedent for the disposal, e.g consent of the tenants property title issued, etc that might shy away the potential buyers?**
 - c. **Does the Company own all units in the Property?**

Reply:

The challengers encountered by the Company to secure potential investors are as follows:

- a. Uncertainty on the current global economic situation
- b. Volatile of foreign exchange
- c. Huge investment. i.e. at least RM250 million is required to purchase this block of MPL building and also it is very difficult task to find such investor with large capital investment.

The Company owned the 53.6% areas in the retail podium and 100% owned for the 19 storey office tower.

4. **We noted a direct operating expense of RM4.1 million attributable to non-Income generating Investment properties showed in Note 12 to the Financial Statements.**

Could the Board provide the details of the direct operating expense and to which investment properties that the expense was attributed?

Reply:

The whole non-income generating expenses for investment properties of RM4.1 million as per note 12 to the financial statement consist of Joint Management Body (JMB) charges on the services and maintenance fees.

5. **Note 9 to the Financial statements showed that 99.8% of the trade receivable are past due and 90% of the total trade receivables are concentrated on the three (3) debtors.**
- Which business activity or segment are the receivables from these three (3) debtors attributable to?**
 - What was the amount recovered to-date from these debtors?**
 - What are the measures taken to improve the collection from trade debtors.**

Reply:

90% of the total trade receivable which concentrated on 3 debtors comprises of amount due from the JMB and disposal land proceed from Choice Avenue. Both amount as at to-date had been received by way of contra against their management fees and the land proceed payment had been collected.

The measures taken up by the Company for those uncollectable or long overdue account are by way of legal action.

Corporate Governance Matters

1. **With the resignation of Mr. Leong Kah Mun as member of Audit and Risk Management Committee (ARMC) on 7 August 2017, the ARMC is left with only two members. Paragraph 15.09(1) of the Main Market Listing Requirements stated that “the audit committee must be composed of not fewer than 3 members”, as stated in the announcement on the resignation of Mr. Leong Kah Mun, the Board is endeavour to appoint candidate(s) to fill the vacancy within 3 months from the date of change.**

Could the Board update on the efforts and the progress in filling vacancy?

Reply:

The vacancy for the Audit and Risk Management Committee (ARMC), Nomination and Remuneration Committee had been properly appointed and announcement had been made.

Dato’ Ir. Hj. Md Nasir Bin Ibrahim had been appointed for the position.

2. **We noted that the total cost incurred for the internal audit function during the FY2017 was RM14,464 which was 52% lower than the amount of RM30,000 incurred in the FY2016.**

What were the factors that had caused significant decline in the internal audit cost in FY2017?

Reply:

In year 2016, there were few internal audit assignments in many areas had been performed. However in year 2017, the internal audit procedure were only emphasise on the critical area and only limited job scope had been performed.

Therefore, the internal audit fees was not as high as compared to the previous year.

3. **We noted that Mr. Lim Yit Kiong attended only 3 out of 5 Board Meeting and ARMC meetings during the FY2017.**
- a. **Granted that the Board meetings are scheduled well in advance, I.e. prior the closing of each quarter as stated in the statement on CG, what was the reason for him not being able to attend these meetings?**
 - b. **Our record also showed that in FY2016, he had only attended 4 out of 7 Board meetings as highlighted in our letter dated 14 November 2016 for the Company's 44th AGM.**

Could the Nomination Committee comment on his time commitment and contribution to the Board?

Reply:

Mr. Lim was based in Sabah. Certain occasion, he was not able to attend the Board Meeting due to last minutes changes of meeting schedule.

4. **We noted that the remuneration package for the Executive Directors for FY2017 increased significantly by 25% compared with the amount for FY2016 despite that the operating revenue and the profitability of the Company had not showed any improvement.**

Could the Nomination & Remuneration Committee provide the justification of the increase by reference to the operating activities and the financial performance of the Company for FY2017?

Reply:

The increase of 25% remuneration were mainly due to the appointment of new director for the replacement of the outgoing director Mr Yee Wei Meng who was resigned on 1 November 2016. There was a overlapping period of 5 months which resulted additional cost incurred.

During the year, the Company has made an improvement from the operation and made profit of RM0.57 million and RM16.77 million for the Group and Company respectively.

I wish our reply is sufficient to clarify your concerns.

Thank you.

Yours faithfully,

For and on behalf of

Malaysia Pacific Corporation Berhad



Ch'ng Soon Sen