MPHB Capital Berhad
(Company No. 1010253-W)
(Incorporated in Malaysia under the Companies Act, 1965)

MPHB Capital Berhad (Company No. 1010253-W)

PROSPECTUS

P R O S P E C T U S

MPHB Capital Berhad

(Company No. 1010253-W)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING BY WAY OF A RENOUNCEABLE OFFER FOR SALE BY MULTI-PURPOSE HOLDINGS BERHAD ("MPHB") OF 715,000,000 ORDINARY SHARES OF RM1.00 EACH IN MPHB CAPITAL BERHAD ("OFFER SHARES") TO THE SHAREHOLDERS OF MPHB ON THE BASIS OF 1 OFFER SHARE FOR EVERY 2 EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN MPHB AS AT 5.00 P.M. ON 29 MAY 2013, AT THE OFFER PRICE OF RM1.00 PER OFFER SHARE PAYABLE IN FULL UPON APPLICATION IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Principal Adviser and Managing Underwriter

CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Underwriters

CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
(formerly known as Innosabah Securities Berhad) (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS DATED 29 MAY 2013

OUR DIRECTORS, THE PROMOTERS, NAMELY MULTI-PURPOSE HOLDINGS BERHAD ("**MPHB**"), CASI MANAGEMENT SDN BHD, MWE HOLDINGS BERHAD AND TAN SRI DATO' SURIN UPATKOON, AND THE SELLING SHAREHOLDER, NAMELY MPHB, HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THE PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THE PROSPECTUS FALSE OR MISLEADING.

CIMB INVESTMENT BANK BERHAD ("**CIMB**") AS OUR PRINCIPAL ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THE PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR INITIAL PUBLIC OFFERING ("**IPO**").

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED OUR IPO AND LISTING AND A COPY OF THIS PROSPECTUS, TOGETHER WITH THE NOTICE OF PROVISIONAL OFFER AND OFFER ACCEPTANCE FORM (COLLECTIVELY REFERRED TO AS "**OFFERING DOCUMENTS**") HAVE BEEN REGISTERED WITH THE SC. THE APPROVAL AND THE REGISTRATION OF THE OFFERING DOCUMENTS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION EXPRESSED OR REPORT CONTAINED IN THE OFFERING DOCUMENTS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THE OFFERING DOCUMENTS BY OUR COMPANY. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THE OFFERING DOCUMENTS, MAKES NO REPRESENTATION AS TO THEIR ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS THAT YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE OFFERING DOCUMENTS. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR THE OFFER SHARES.**

OUR COMPANY HAS OBTAINED THE APPROVAL OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR OUR ENTIRE ISSUED AND PAID-UP SHARE CAPITAL COMPRISING ORDINARY SHARES OF RM1.00 EACH IN OUR COMPANY ("**SHARES**"). ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE IPO, OUR COMPANY OR OUR SHARES.

A COPY EACH OF THE OFFERING DOCUMENTS HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR THE CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE OFFERING DOCUMENTS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISLCOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

YOU SHOULD NOTE THAT ANY AGREEMENT BY OUR UNDERWRITERS NAMED IN THIS PROSPECTUS TO UNDERWRITE OUR SHARES UNDER THE IPO IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR SHARES BEING OFFERED.

THE DISTRIBUTION OF THE OFFERING DOCUMENTS AND THE IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THE OFFERING DOCUMENTS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDER, PRINCIPAL ADVISER, MANAGING UNDERWRITER AND UNDERWRITERS NAMED IN THE OFFERING DOCUMENTS HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THE OFFERING DOCUMENTS OUTSIDE MALAYSIA. NO ACTION HAS BEEN TAKEN TO PERMIT AN OFFERING OF OUR SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA BASED ON THE OFFERING DOCUMENTS. ACCORDINGLY, THE OFFERING DOCUMENTS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR PURCHASE OR INVITATION TO PURCHASE SHARES OFFERED UNDER THE IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE OFFERING DOCUMENTS AND THE SALE OF OUR SHARES OFFERED UNDER THE IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PROSPECTIVE INVESTORS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THE OFFERING DOCUMENTS ARE PUBLISHED SOLELY IN CONNECTION WITH THE IPO. OUR SHARES BEING OFFERED IN THE IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THE OFFERING DOCUMENTS. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDER, PRINCIPAL ADVISER, MANAGING UNDERWRITER AND UNDERWRITERS HAVE NOT AUTHORISED ANYONE TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THE OFFERING DOCUMENTS. ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THE OFFERING DOCUMENTS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDER, PRINCIPAL ADVISER, MANAGING UNDERWRITER AND UNDERWRITERS OR ANY OF THEIR RESPECTIVE DIRECTORS OR ANY OTHER PERSONS INVOLVED IN THE IPO.

THE OFFERING DOCUMENTS CAN BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF BURSA MALAYSIA BERHAD AT www.bursamalaysia.com.

THE OFFERING DOCUMENTS HAVE BEEN PREPARED IN THE CONTEXT OF AN IPO UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

NOTICE TO THE SHAREHOLDERS OF MPHB

IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR ORDINARY SHARES IN MPHB, YOU SHOULD AT ONCE HAND THE OFFERING DOCUMENTS TO THE AGENT/BROKER THROUGH WHOM YOU HAVE EFFECTED THE SALE OR TRANSFER FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE. YOU SHOULD ADDRESS ALL ENQUIRIES CONCERNING THE IPO, WHICH IS THE SUBJECT OF THIS PROSPECTUS, TO THE SHARE REGISTRAR, METRA MANAGEMENT SDN BHD AT 30.02, 30TH FLOOR, MENARA MULTI-PURPOSE, CAPITAL SQUARE, NO. 8, JALAN MUNSHI ABDULLAH, 50100 KUALA LUMPUR, MALAYSIA.

THE OFFERING DOCUMENTS ARE ONLY DESPATCHED TO THE SHAREHOLDERS OF MPHB WITH AN ADDRESS IN MALAYSIA WHOSE NAMES APPEAR IN THE RECORD OF DEPOSITORS OF MPHB AS AT 5.00 P.M. ON 29 MAY 2013.

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Opening and closing of applications

Applications for the Offer Shares will open at 5.00 p.m. on Wednesday, 29 May 2013 and will remain open until 5.00 p.m. on Thursday, 13 June 2013, or such other date or dates as our Directors, the Managing Underwriter, Underwriters and Selling Shareholder may in their absolute discretion mutually decide.

Indicative timetable

The indicative timetable for the IPO is set out below:

	Time and date
Entitlement date	5.00 p.m. on Wednesday, 29 May 2013
Last time and date for:	
• Sale of Provisional Offer Shares	5.00 p.m. on Wednesday, 5 June 2013
• Transfer of Provisional Offer Shares	4.00 p.m. on Monday, 10 June 2013
• Closing of acceptance, application and payment	5.00 p.m. on Thursday, 13 June 2013
• Excess Application and payment of the Offer Shares	5.00 p.m. on Thursday, 13 June 2013
Transfer of the Offer Shares to successful applicants	Monday, 24 June 2013
Listing of our Shares	Tuesday, 25 June 2013

Applications for the Offer Shares will close at the time and date stated above or such other date or dates as our Directors, the Managing Underwriter, Underwriters and Selling Shareholder may in their absolute discretion mutually decide.

In the event that the closing date and/or time for acceptance, application and payment (including Excess Application) of the Offer Shares is extended, the last date for the sale and transfer of the Provisional Offer Shares and the date for the listing of our Shares may be extended accordingly. Any extension will be announced in widely circulated English daily newspapers within Malaysia.

CONTENTS

CONTENTS *(cont'd)*

CONTENTS *(cont'd)*

CONTENTS *(cont'd)*

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" or "MPHB Capital" in this Prospectus are to MPHB Capital Berhad. All references to "our Group" or "MPHB Capital Group" in this Prospectus are to our Company and our subsidiaries taken as a whole. References to "we", "us", "our" and "ourselves" are to our Company and where the context requires, our Company and our subsidiaries.

In this Prospectus, references to the "Government" are to the Government of Malaysia; and references to "RM" and "sen" are to the lawful currency of Malaysia. Any discrepancies in the tables included in this Prospectus between the amounts listed and totals thereof are due to rounding. Other abbreviations used herein are defined in the "Definitions" section of this Prospectus. Certain acronyms and technical terms used herein are defined in the "Glossary of technical terms" section of this Prospectus. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

Any reference to a time or day shall be a reference to Malaysian time, unless otherwise stated.

References to the "LPD" in this Prospectus are to 2 May 2013, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

The information on our or any of our subsidiaries' website or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by Frost & Sullivan, an independent industry analyst, for inclusion in this Prospectus. We had appointed Frost & Sullivan to provide an independent market and industry review. In compiling their data for the review, Frost & Sullivan relied on industry surveys, published materials, its own private databanks and direct sources within the industry. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industries in which we operate.

However, we, our Directors, the Promoters, Selling Shareholder, Principal Adviser, Managing Underwriter and Underwriters have not independently verified these data and projections. None of our Company, our Directors, the Promoters, Selling Shareholder, Principal Adviser, Managing Underwriter and Underwriters makes any representation as to the correctness, accuracy or completeness of such data and projections and accordingly, you should not place undue reliance on the statistical data and projections cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third-party projections cited in this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we may operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our future overall business development plans and operations;
- our financial performance and financing plans;
- potential growth opportunities;
- our business and operating strategies and our various measures and initiatives to implement these strategies;
- competitive position and effects of competition;
- plans and objectives of our Company for future operations and effects of the plans; and
- the regulatory environment and the effects of future regulation.

The actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitation:

- future regulatory or Government policy changes affecting our business operations;
- continued availability of capital and financing;
- interest rates;
- taxes and tariffs;
- fixed and contingent obligations and commitments;
- the competitive environment in our industry;
- the activities and financial health of our customers, suppliers and other business partners;
- the general economic and business conditions;
- changes in population growth and other demographic trends;
- the frequency and severity of insured loss events;
- changes in the availability, cost, quality or collectability of reinsurance;

- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our risk profile and risk management practices; and

- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in Section 5 of this Prospectus on "Risk factors" and Section 12.2 of this Prospectus on "Management's discussion and analysis of financial condition and results of operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD. Save as required in Section 238(1) of the CMSA and Paragraph 1.02 of the Prospectus Guidelines (Supplementary Prospectus), we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Prospectus to reflect any changes in our expectations with regards to any such statement or any change in the events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

A.A. Anthony	:	A.A. Anthony Securities Sdn Bhd (the business of which has been merged into UOB Kay Hian Securities on 4 May 2013)
Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
AHL	:	Asia 4D Holdings Limited
AirAsia	:	AirAsia Berhad
BAFIA	:	Banking and Financial Institutions Act, 1989, as amended from time to time and any re-enactment thereof
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors
BRDB	:	Bandar Raya Developments Berhad
Burgess Rawson	:	Burgess Rawson Sdn Bhd
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compounded annual growth rate
CDS	:	Central Depository System
CIMB	:	CIMB Investment Bank Berhad
Closing Date	:	13 June 2013 (or such other date or dates as our Directors, the Managing Underwriter, Underwriters and Selling Shareholder may in their absolute discretion mutually decide) as the last day for acceptance, application and payment of the Offer Shares together with the Excess Offer Shares
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
CMSB	:	Casi Management Sdn Bhd
CVC Capital	:	Collectively, CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P.
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Entitled Shareholders	:	Shareholders of MPHB whose names appear in the Record of Depositors of MPHB as at 5.00 p.m. on the Entitlement Date in order to be entitled to the Offer for Sale
Entitlement Date	:	29 May 2013, being the date on which the names of MPHB's shareholders must appear in the Record of Depositors of MPHB as at 5.00 p.m. in order to be entitled to the Offer for Sale
EPS	:	Earnings per share
Equity Guidelines	:	Equity Guidelines issued by the SC, as amended from time to time
Excess Application	:	Application for additional Offer Shares in excess of the Entitled Shareholders' and/or their renouncee(s)' entitlements under the Offer for Sale as set out in Section 4.3.1(iii) of this Prospectus

Excess Offer Shares	:	The total excess Offer Shares to be made available for the Excess Application consists of the following: (i) the Offer Shares that remain not allotted to the Entitled Shareholders based on the outstanding MPHB Shares as at the Entitlement Date (after deducting the MPHB Shares held as treasury shares); and (ii) the Offer Shares which are not or cannot be applied for or validly applied for by the Entitled Shareholders and/or their renouncee(s) (if applicable)
Excluded Parties	:	Persons who are excluded from the Offer for Sale as set out in Section 4.3.1(iv) of this Prospectus
Foreign Addressed Shareholders	:	Entitled Shareholders whose address in the Record of Depositors of MPHB as at 5.00 p.m. on the Entitlement Date is not a Malaysian address
Frost & Sullivan	:	Frost & Sullivan Malaysia Sdn Bhd
FRS	:	Financial Reporting Standards in Malaysia
GDV	:	Gross development value
Henry Butcher Johor	:	Henry Butcher Malaysia (Johor) Sdn Bhd
Henry Butcher Malaysia	:	Henry Butcher Malaysia Sdn Bhd
Henry Butcher Penang	:	Henry Butcher Malaysia (Penang) Sdn Bhd
Independent Valuers	:	Collectively, Burgess Rawson, Henry Butcher Johor, Henry Butcher Malaysia, Henry Butcher Penang and Raine & Horne
Insurance Act	:	Insurance Act, 1996, as amended from time to time and any re-enactment thereof
IPO	:	Initial public offering of the Shares comprising the Offer for Sale
IT	:	Information technology
JV	:	Joint-venture
km	:	kilometre
Listing	:	Listing of and quotation for 715,000,000 Shares representing the entire issued and paid-up ordinary share capital of our Company on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	2 May 2013, being the latest practicable date prior to the registration of this Prospectus
Main Market	:	Main Market of Bursa Securities
Managing Underwriter	:	CIMB
Market Day	:	A day on which Bursa Securities is open for trading in securities
MFRS	:	Malaysian Financial Reporting Standards
MoF	:	Minister of Finance of Malaysia
MPHB	:	Multi-Purpose Holdings Berhad

MPHB Capital or Company	:	MPHB Capital Berhad
MPHB Capital Group or Group	:	Collectively, MPHB Capital and our subsidiaries
MPHB Capital Shares or Shares	:	Ordinary shares of RM1.00 each in our Company
MPHB Group	:	Collectively, MPHB and its subsidiaries
MPHB Shares	:	Ordinary shares of RM1.00 each in MPHB
MWE Holdings	:	MWE Holdings Berhad
NA	:	Net assets
NBV	:	Net book value
NPO	:	Notice of Provisional Offer
OAF	:	Offer Acceptance Form
Offer for Sale	:	Renounceable offer for sale of 715,000,000 Offer Shares by the Selling Shareholder to the Entitled Shareholders on the basis of 1 Offer Share for every 2 existing MPHB Shares held as at 5.00 p.m. on the Entitlement Date at the Offer Price payable in full upon application
Offer Price	:	RM1.00, which is the price for each Offer Share that is payable in full upon application
Offer Shares	:	MPHB Capital Shares to be offered pursuant to the Offer for Sale
Offering Documents	:	This Prospectus, together with the NPO and OAF
Official List	:	A list specifying all securities listed on the Main Market
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PIAM	:	Persatuan Insurans Am Malaysia
POS Malaysia	:	Pos Malaysia Berhad
Pre-IPO Reorganisation	:	An internal reorganisation exercise undertaken by MPHB prior to the IPO, as further described under Section 6.2 of this Prospectus
Promoters	:	Collectively, MPHB, CMSB, MWE Holdings and Tan Sri Dato' Surin
Prospectus Guidelines	:	Prospectus Guidelines – Equity and Debt issued by the SC, as amended from time to time
Provisional Offer Shares	:	Provisional allotment of Offer Shares to Entitled Shareholders
Raine & Horne	:	Raine & Horne International Zaki + Partners Sdn Bhd
Record of Depositors	:	A record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository
Rules of Bursa Depository	:	Has the meaning given to it under Section 2 of the CMSA and includes the rules of Bursa Depository and all procedures manual (as defined in the rules of Bursa Depository) for the time being of Bursa Depository, as amended from time to time

SC	:	Securities Commission Malaysia
Selling Shareholder	:	MPHB
SICDA	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
sq ft	:	square feet
Tan Sri Dato' Surin	:	Tan Sri Dato' Surin Upatkoon
Undertaking	:	The unconditional and irrevocable letters of undertaking from CMSB, AHL and MWE Holdings, dated 5 November 2012, 30 November 2012 and 5 November 2012 respectively to apply for and purchase in full their respective entitlements and/or additional Offer Shares which are made available vide the Excess Application, under the Offer for Sale
Underwriters	:	Collectively, CIMB and UOB Kay Hian Securities pursuant to the Underwriting Agreement which was entered into by, among others, A.A. Anthony on 3 May 2013
Underwriting Agreement	:	The underwriting agreement dated 3 May 2013 entered into between us, MPHB, CIMB and A.A. Anthony for the Underwritten Shares
Underwritten Shares	:	202,655,820 Offer Shares, representing approximately 28.3% of the total size of the Offer for Sale, underwritten by the Underwriters based on the terms and conditions of the Underwriting Agreement
UOB Kay Hian Securities	:	UOB Kay Hian Securities (M) Sdn Bhd (formerly known as Innosabah Securities Berhad)

CURRENCIES

RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the United States of America

SUBSIDIARIES

CGSB	:	Caribbean Gateway Sdn Bhd
FMSB	:	Flamingo Management Sdn Bhd
Jayavest	:	Jayavest Sdn Bhd
Kelana Megah	:	Kelana Megah Development Sdn Bhd
Leisure Dotcom	:	Leisure Dotcom Sdn Bhd
Magnum Leisure	:	Magnum Leisure Sdn Bhd
Magnum.Com	:	Magnum.Com Sdn Bhd
Mimaland	:	Mimaland Berhad
MP Capital	:	Multi-Purpose Capital Holdings Berhad
MP Credit	:	Multi-Purpose Credit Sdn Bhd
MP Credit Holdings	:	Multi-Purpose Credit Holdings Sdn Bhd
MP Credit Nominees	:	Multi-Purpose Credit Nominees (Tempatan) Sdn Bhd

MP Development	:	Multi-Purpose Development (PG) Sdn Bhd
MP Factors	:	MP Factors Sdn Bhd
MP Shipping	:	Multi-Purpose Shipping Corporation Berhad
MP Venture	:	Multi-Purpose Venture Partners Sdn Bhd
MPIB	:	Multi-Purpose Insurans Bhd
Mulpha	:	Mulpha Kluang Maritime Carriers Sdn Bhd
QNASB	:	Queensway Nominees (Asing) Sdn Bhd
QNTSB	:	Queensway Nominees (Tempatan) Sdn Bhd
SPSSB	:	Syarikat Perniagaan Selangor Sdn Bhd
Tibanis	:	Tibanis Sdn Bhd
WJSB	:	West-Jaya Sdn Bhd
ASSOCIATED COMPANY		
Tune	:	Tune Insurance (Labuan) Ltd

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GLOSSARY OF TECHNICAL TERMS

A.M. Best Company	:	A.M. Best Company is a global full service credit rating agency dedicated to serving the insurance industry. Its financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. A rating of "A" is assigned to an insurer that has an excellent ability to meet their insurance obligation
AFS	:	Available-for-sale financial assets refers to financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss
capital charge	:	The amount of capital that is required to be held by an insurance company which is determined based on the risk profile of each insurance company's assets and liabilities and the amount of business underwritten by the insurance company
CAR	:	Capital adequacy ratio, measures the adequacy of the total capital available in the insurance and shareholders' funds of an insurer to support the total capital required
ceding insurer	:	An insurer that reinsures part or the whole of a risk with one or more reinsurers
claim	:	A demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which is within the scope of cover of the insurance policy
combined ratio	:	Combined ratio provides a measure of the underwriting profitability of a general insurance company. A combined ratio of less than 100% represents an underwriting profit while a combined ratio of more than 100% represents an underwriting loss
excess of loss treaty	:	A type of reinsurance treaty which provides that the reinsurer pays all of or a specified percentage of loss arising from a particular occurrence or event (frequently of a more or less catastrophic nature) in excess of a fixed amount and up to a stipulated limit
extended warranty	:	Extended warranty refers to insurance coverage that extends the warranty period for certain products such as electrical/electronic appliances and motorcycles
facultative treaty	:	A reinsurance contract under which a ceding insurer has the option to cede and the reinsurer has the option to accept or decline individual risks
gross direct premiums	:	Gross direct premiums represent premiums written by MPIB without deduction for premiums ceded by it to reinsurers, and excludes premiums ceded to MPIB from other insurers in its inwards reinsurance business
gross premiums	:	Gross premiums represent premiums written by MPIB without deduction for premiums ceded by it to reinsurers, and includes premiums ceded to MPIB from other insurers in its inward reinsurance business
hull insurance product	:	Hull insurance product refers to insurance coverage for marine vessels and aircrafts. Marine vessels include barges, cargo vessels and ocean going liners. Aircrafts include helicopters, light aircrafts and commercial aeroplanes

IBNR	:	Incurred but not reported claims, refers to losses which have occurred during a stated period, usually a financial year, but have not yet been reported to the insurer as of the date under consideration
liability insurance	:	Type of insurance policy that protects the policy holder against legal liabilities from a third party
management expenses	:	Management expenses reflect the expenses incurred in the day-to-day operations of MPIB other than net claims incurred and net commission expenses
management expenses ratio	:	Management expenses over net earned premiums. This ratio measures operational expenses, mainly relating to staff costs, general administration and marketing expenses as a proportion of net earned premiums. A higher ratio indicates higher management expenses as a proportion of net earned premiums, hence lower profitability
MAT	:	Marine, aviation and transit
MMIP	:	The Malaysian Motor Insurance Pool, refers to a pooling arrangement between general insurance companies operating in Malaysia to jointly underwrite insurance cover for vehicles whose owners are unable to obtain coverage from any individual insurer
net claims incurred	:	Net claims paid less provisions for outstanding claims at the beginning of the year plus provisions for outstanding claims at the end of the year
net claims incurred ratio	:	Net claims incurred over net earned premiums. This ratio is one of the measures of underwriting profitability of insurance policies. A higher ratio indicates higher net claims incurred as a proportion of net earned premiums, hence lower profitability
net commission expenses	:	Net commission expenses reflect the commission expenses incurred after deducting commission income received from reinsurers
net commission ratio	:	Net commission expenses over net earned premiums. This ratio measures the cost of acquiring policies through agents and brokers as a proportion of net earned premiums. A higher ratio indicates higher net commission expenses as a proportion of net earned premiums, hence lower profitability
net earned premiums	:	Gross premiums less premiums ceded to reinsurers and net changes in UPR
net retained loss	:	The amount of loss retained by an insurance company after deducting the share of all the reinsurers who have accepted a certain percentage of risk from the insurance company
net retained premiums	:	Gross premiums less premiums ceded to reinsurers
PA	:	Personal accidents
premium	:	The monetary consideration payable once or periodically by a policy owner to an insurer in return for the insurance coverage provided
premiums ceded to reinsurers	:	The portion of gross premiums ceded to reinsurers (who share part of the insurance risk that we have assumed under the general insurance contracts written), which correlate to the amount of insurance contract risks that are transferred to our reinsurers.

proportional treaty	:	An agreement under which an insurer and a reinsurer participate proportionately in the premiums and losses on every risk that comes within the scope of the agreement
RBC Framework	:	Risk-Based Capital Framework for Insurers issued by BNM, the capital adequacy framework for all insurers licensed under the Insurance Act
reinsurance	:	The practice of sharing or spreading of an insured risk of an insurer or the reinsured by ceding part of the risk to another insurer or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued
retention ratio	:	The ratio of net retained premiums to gross direct and reinsurance accepted premiums less reinsurances. Retention ratio indicates the amount of risks and the corresponding premiums that an insurer is prepared to take for the insurance policies it underwrites based on their risk appetite and financial capacity
rider	:	An attachment to an insurance policy that modifies its conditions by expanding benefits
S&P	:	Standard & Poor's is a financial-market intelligence provider. A rating of "A" assigned to a company denotes strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
special risk insurance	:	Special risk insurance products refer to specialised insurance policies designed to meet the special needs of certain industries or market segments such as those designed for the oil and gas industry, jewellery shops, pawnbrokers, professional indemnities, libel and slander, port operators liabilities and for freight forwarders
Tier 1 capital	:	The aggregate of the following: (i) issued and fully paid-up ordinary shares (or working fund, in the case of a branch of a foreign insurer); (ii) share premiums; (iii) paid-up non-cumulative irredeemable preference shares; (iv) capital reserves; (v) retained profits(1); (vi) the valuation surplus(2) maintained in the insurance funds; and (vii) 50% of future bonuses(3). ***Notes:*** *(1) In the event that an insurer has accumulated losses, the losses should be deducted from the capital.* *(2) Gross of deferred tax, if any.* *(3) Future bonuses defined as maximum (zero; the difference between the par reserves on total benefits and par reserves on guaranteed benefits only, calculated on the bases described in Paragraph 3.2 of Appendix VII of the Risk-Based Capital Framework for Insurers issued by BNM). For the purpose of determining future bonuses, the value of 'par reserves on guaranteed benefits only' should be zerorised if it is negative.*

Tier 2 capital : Includes the following capital instruments:

(i) cumulative irredeemable preference shares;

(ii) mandatory[(1)] capital loan stocks and other similar capital instruments;

(iii) irredeemable subordinated debts;

(iv) available-for-sale reserves[(2)];

(v) revaluation reserves for self-occupied properties and other assets;

(vi) general reserves; and

(vii) subordinated term debts.

Notes:

(1) Refers to irredeemable loan stocks or capital instruments which are mandatorily convertible to equity.

(2) In the event that an insurer has fair value losses for available-for-sale instruments, the losses should be deducted from the capital.

Total capital available : The aggregate of Tier 1 capital and Tier 2 capital of the insurer less the following deductions:

(i) goodwill and other intangible assets (for instance capitalised expenditure);

(ii) deferred tax income/(expenses) and deferred tax assets;

(iii) assets pledged to support credit facilities obtained by an insurer; and

(iv) investment in subsidiaries

Total capital charges : The aggregate of capital charges for credit risk, capital charges for market risk, capital charges for general insurance liabilities and capital charges for operational risk

Total capital required : The aggregate of the total capital charges for each insurance fund and the total capital charges for all assets in the shareholders' fund or working fund, in the case of a branch of a foreign insurer. It is the higher of the aggregate of capital charges for credit, market, insurance and operational risks faced by an insurer or the surrender value capital charges[(1)], where applicable

Note:

(1) Surrender value capital charges is only applicable for life insurance companies. Surrender value is the sum of money an insurance company pays to the policy holder in the event the policy is voluntarily terminated by the policy holder before its maturity or the occurrence of the insured event

underwriting : The process of examining and classifying insurance risk, in order to decide whether to accept such risks and the conditions on which the risks should be accepted

underwriting profit / loss : Net earned premiums less net claims incurred, net commission expenses and management expenses

UPR : The portion of net retained premiums less the related net acquisition costs of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year

1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Nationality	Profession
Tan Sri Dato' Dr Yahya bin Awang *(Independent Non-Executive Chairman)*	33, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur Malaysia	Malaysian	Consultant Cardiothoracic Surgeon
Tan Sri Dato' Surin Upatkoon *(Managing Director)*	30, Perak Road 10150 Georgetown Pulau Pinang Malaysia	Thai/ Permanent Resident of Malaysia	Entrepreneur
Ng Kok Cheang *(Executive Director)*	2-20-2, Sri Pangkor Jalan Pangkor 10050 Georgetown Pulau Pinang Malaysia	Malaysian	Company Director
Dato' Lim Tiong Chin *(Non-Independent Non-Executive Director)*	54, Tanjong Bungah Park 11200 Pulau Pinang Malaysia	Malaysian	Accountant
Kuah Hun Liang *(Independent Non-Executive Director)*	11, Seventy Damansara Jalan Damansara 50490 Kuala Lumpur Malaysia	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Kuah Hun Liang	Chairman	Independent Non-Executive Director
Tan Sri Dato' Dr Yahya bin Awang	Member	Independent Non-Executive Chairman
Dato' Lim Tiong Chin	Member	Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Dr Yahya bin Awang	Chairman	Independent Non-Executive Chairman
Tan Sri Dato' Surin Upatkoon	Member	Managing Director
Kuah Hun Liang	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (*cont'd*)

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Dr Yahya bin Awang	Chairman	Independent Non-Executive Chairman
Dato' Lim Tiong Chin	Member	Non-Independent Non-Executive Director
Kuah Hun Liang	Member	Independent Non-Executive Director

COMPANY SECRETARY : Ng Sook Yee (MAICSA 7020643)
3001 Jalan Selesa
Taman Gembira
58200 Kuala Lumpur
Malaysia

REGISTERED OFFICE / HEAD/MANAGEMENT OFFICE : 39th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

Telephone no.: +603 2694 8333
Facsimile no.: +603 2694 6849

PRINCIPAL BANKERS : Alliance Bank Malaysia Berhad
Capital Square Branch
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

Telephone no.: +603 2694 8800

Malayan Banking Berhad
Kuala Lumpur Main Branch
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Telephone no.: +603 2070 8833

1. CORPORATE DIRECTORY (*cont'd*)

AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Telephone no.: +603 7495 8000
LEGAL ADVISER	:	Kadir Andri & Partners 8th Floor, Menara Safuan 80, Jalan Ampang 50450 Kuala Lumpur Malaysia Telephone no.: +603 2078 2888
PRINCIPAL ADVISER	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Telephone no.: +603 2084 8888
MANAGING UNDERWRITER	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Telephone no.: +603 2084 8888
UNDERWRITERS	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Telephone no.: +603 2084 8888 UOB Kay Hian Securities (M) Sdn Bhd (formerly known as Innosabah Securities Berhad) Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia Telephone no.: +603 2147 1888

1. CORPORATE DIRECTORY *(cont'd)*

SHARE REGISTRAR	:	Metra Management Sdn Bhd 30.02, 30th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia Telephone no.: +603 2698 3232
INDEPENDENT MARKET RESEARCHER	:	Frost & Sullivan Malaysia Sdn Bhd Suite E-08-15 Plaza Mont Kiara 2, Jalan Kiara Mont' Kiara 50480 Kuala Lumpur Malaysia Telephone no.: +603 6204 5800
INDEPENDENT VALUERS	:	Burgess Rawson Sdn Bhd Level 18, Wisma Tun Sambanthan 2, Jalan Sultan Sulaiman 50000 Kuala Lumpur Malaysia Telephone no.: +603 2260 2300 Henry Butcher Malaysia Sdn Bhd 25, Jalan Yap Ah Shak 50300 Kuala Lumpur Malaysia Telephone no.: +603 2694 2212 Henry Butcher Malaysia (Johor) Sdn Bhd 52, 52-A-B, Jalan Padi 1 Bandar Baru UDA 81200 Johor Bahru Johor Malaysia Telephone no.: +607 236 8060 Henry Butcher Malaysia (Penang) Sdn Bhd 142-M, Jalan Burma 10050 Pulau Pinang Malaysia Telephone no.: +604 229 8999 Raine & Horne International Zaki + Partners Sdn Bhd 14, Penang Street 10200 Pulau Pinang Malaysia Telephone no.: +604 262 6888
LISTING SOUGHT	:	Main Market of Bursa Securities

2. INTRODUCTION

This Prospectus is dated 29 May 2013.

No securities will be issued or allotted or offered on the basis of this Prospectus later than 12 months after the date of this Prospectus.

We have registered the Offering Documents with the SC. We have also lodged a copy of the Offering Documents with the Registrar of Companies of Malaysia, who takes no responsibility for the contents of the Offering Documents.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, the Offer Shares will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository.

On 10 December 2012, approval was obtained from the SC in respect of the IPO and our Listing. The approval of the SC shall not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in the Offering Documents. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of the Offering Documents, makes no representation as to their accuracy or completeness and expressly disclaims any liability for any loss that you may suffer arising from or in reliance upon the whole or any part of the contents of the Offering Documents. **You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of the IPO and an investment in our Shares. In considering the investment, if you are in any doubt as to the action to be taken, you should immediately consult your stockbrokers, bank managers, solicitors, accountants, or other professional advisers.**

We obtained the approval of Bursa Securities on 13 May 2013 for the listing of and quotation for our Shares, including the Offer Shares which are the subject of this Prospectus, on the Main Market. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the applicants have been duly credited and notices of allotment have been despatched to all applicants. Admission to the Official List is not to be taken as an indication of the merits of the IPO, our Company or our Shares.

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirements as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each at the time of Listing. Our Company is expected to achieve this at the time of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after the Selling Shareholder become liable to do so, the provisions of sub-sections 243(2) and 243(6) of the CMSA shall apply accordingly.

3. SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us and our IPO which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 5 of this Prospectus for an understanding of the risks associated with the investment in our Company.

3.1 Overview

Our Group is predominantly involved in the business of underwriting all classes of general insurance. We also have a credit business and investment in properties in locations such as Kuala Lumpur, Selangor, Penang and Johor with a total land area of 2,727.1 acres which include 2 hotels, namely, Hotel Flamingo by the beach and Hotel Flamingo by the lake, which are located in Penang and Selangor respectively.

The contribution of our businesses to our combined revenue and operating profit for the year ended 31 December 2012 is summarised as follows:

	Main business		Other undertakings			
	General insurance		Investments		Credit business	
	31 December 2012					
	RM 000 except percentages					
Revenue contribution	247,220	75.9%	75,996	23.3%	2,386[(1)]	0.7%
Operating profit contribution	60,016	68.8%	23,317	26.8%	3,850[(1)]	4.4%

Note:

(1) Comprises the MP Capital group excluding MPIB.

The net assets attributed to our general insurance business, investments and credit business as at 31 December 2012 (excluding investments in an associated company and unallocated corporate assets and liabilities) were RM280.1 million, RM619.5 million and RM183.4 million respectively.

Within our general insurance business, the fire and motor classes contributed 47.1% of our gross premiums for the year ended 31 December 2012. We derive returns on our investment in properties from our 4 ongoing JVs with property developers involving 682.2 acres of land, operation of 2 hotels, letting of an office building and profit sharing partnership with a third party operator for oil palm plantation operations in Johor. Our credit operations involve the provision of credit services such as term loan, project financing, hire purchase and other forms of credit.

Our businesses currently form part of the MPHB Group. On 23 May 2012, MPHB announced a proposal which includes the Pre-IPO Reorganisation and this Offer for Sale, to demerge the MPHB Group into 2 listed entities ("**Demerger**") which is intended to, among others, improve the operational and financial efficiency of its businesses. The resulting groups are the post-demerger MPHB Group, which would be substantially involved in the gaming business and our Group. Whilst underwriting of all classes of general insurance is our main business, we believe that it may be more relevant and appropriate that investment in properties form part of our Group as opposed to the MPHB Group which is intended to be a gaming business after the Demerger. This is particularly so as the ownership of some properties arose from our credit business. The Demerger was approved by the shareholders of MPHB on 5 December 2012 and the Pre-IPO Reorganisation was completed on 29 March 2013. The Demerger is intended to allow our Group to pursue business strategies that are appropriate for our Group while enhancing the profile of our Company. Upon completion of the IPO, we will have our own Board and management team whose focus is to grow our businesses. We would also be able to directly access the equity capital market in the future which would provide us with the financial flexibility to pursue growth opportunities.

Under the Pre-IPO Reorganisation, our Company acquired our businesses from the MPHB Group. Following the completion of the Offer for Sale, the MPHB Group would have disposed of our Group and we will be separate from the MPHB Group.

Please refer to Sections 6 and 7 of this Prospectus for further information on our Group and businesses.

3.2 Our strengths

We rely on our following strengths to compete and grow our businesses:

(i) Strong and experienced management team;

(ii) Extensive agency network and multi-channel distribution platform;

(iii) Market oriented and customer centric;

(iv) Stable financial position;

(v) Diversified portfolio of general insurance products; and

(vi) Land bank and properties that are generally located in prime areas.

Please refer to Section 7.5 of this Prospectus for further information on our strengths.

3.3 Business strategies, future plans and prospects

We intend to focus on building our general insurance business, whilst managing the realisation of value from our investment in properties via the following strategies:

3.3.1 Building on general insurance business by expanding our products and distribution network

We aim to position ourselves as one of the top 10 general insurance providers in Malaysia, based on gross premiums, by the end of 2015. We target to grow our general insurance business in Malaysia by focusing on expanding the classes of insurance where we retain a higher proportion of the premiums that we receive from underwriting an insurance policy, i.e. by not ceding a higher proportion of our premium to reinsurers.

We also aim to maintain a risk-balanced portfolio of products with a non-motor portfolio commanding at least 70% to 80% of our overall gross premiums. For the year ended 31 December 2012, our non-motor portfolio contributed 74.8% to our overall gross premiums.

To achieve the aforesaid future plans, we intend to undertake the following strategies:

(i) Introduce new insurance products and schemes;

(ii) Expand our distribution channels;

(iii) Expand our presence in the bumiputera broking market; and

(iv) Enhance our e-commerce channels.

3.3.2 Realising the value of our investment in properties

We plan to realise the value of our investment in properties through the development of our land bank with JV partners, profit sharing partnership or outright disposal when suitable opportunities arise.

On an ongoing basis, we plan to monitor the execution of our JV projects. In relation to our remaining land bank that are not committed to any JV, we intend to continue exploring new strategies to realise the value of our existing land bank located in Kuala Lumpur, Penang and Terengganu, to enhance our investment returns. These may include entering into profit sharing partnerships, strategic partnerships with property developers or outright disposals. Before entering into any property development partnerships, we will evaluate and assess our potential JV partners based on, among others, their track record and financial strength.

With regard to our hotels and office building, we intend to continue to manage the said properties based on their current use while at the same time pursue opportunities to increase our return on investment in these properties. This may include efforts to renovate and enhance the value of the said buildings or outright disposals of the said properties.

Please refer to Section 7.6 of this Prospectus for further information on our business strategies, future plans and prospects.

3.4 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that our Group, and to a large extent our operations, are governed by the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future. Additional risks whether known or unknown, may in the future have a material and adverse effect on us or our Shares.

3.4.1 Risks relating to our businesses

(i) Our general insurance business operates in a highly regulated environment and its continuity is subject to MPIB maintaining its licence and complying with all regulatory requirements;

(ii) We are dependent on our key management and certain key employees;

(iii) Our ability to compete effectively in the general insurance industry depends on our distribution channels;

(iv) We may not be able to reinsure our risk with reinsurers at favourable terms or at all;

(v) We face the risk of a decline in our policy holders' confidence in our financial strength;

(vi) We face insurance risk;

(vii) Our general insurance business is subject to fire and motor insurance tariffs requirements which may limit our ability to price our policies based on the risk which we insure;

(viii) We are required to participate in the MMIP;

(ix) We operate in a competitive environment;

(x) We face risk relating to the adequacy of our risk management framework;

(xi) We face investment risk;

(xii) We face the risk of misconduct by our employees, agencies and brokers;

(xiii) We are exposed to litigation and regulatory investigations;

(xiv) Our business operations are dependent on IT systems;

(xv) Our insurance and credit businesses are subject to fraud risks;

(xvi) The return from our investment in properties is dependent on the performance of the Malaysian property market and our JV partners;

(xvii) We may be liable to claims for specific performance and/or any actual losses or damages incurred by our JV partners;

(xviii) Our investment properties could be subject to compulsory acquisition;

(xix) Some of our landed properties do not comply with the conditions imposed on their respective land titles;

(xx) Our hotel operations may be affected by the outbreak of infectious diseases;

(xxi) We may need additional capital in the future which may not be available or may be available on terms not favourable to us;

(xxii) We face risks on growth and expansion through acquisitions; and

(xxiii) We are affected by changes in political, economic, regulatory and social conditions.

3.4.2 Risks relating to our Shares

(i) There has been no prior public market for our Shares;

(ii) There may be a potential delay or failure of the Listing;

(iii) We face the risk of our Underwriters terminating the Underwriting Agreement;

(iv) Our Share price and trading volume may be volatile;

(v) We may not be able to pay dividends; and

(vi) The sale or the possible sale of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares.

Please refer to Section 5 of this Prospectus for further details of our risk factors.

3.5 Summary of historical combined financial information

The following selected historical combined financial information for the years ended 31 December 2010, 2011, and 2012, have been derived from the audited combined financial statements of our Group and should be read in conjunction with the Accountants' Report and related notes in Section 13 and with Section 12.2 of this Prospectus.

Prospective investors should note that our Company was only incorporated on 17 July 2012 and we are part of the MPHB Group. Prior to the Pre-IPO Reorganisation, we did not operate independently as a group.

The combined financial statements presented herein have been carved out from the consolidated financial statements of the MPHB Group, and where appropriate, adjustments have been made to the combined financial statements such that they present only the combined financial position, results of operations and cash flows of our Group. All references to our Group's historical financial condition and results of operations within Sections 12.1 and 12.2 for the years ended 31 December 2010 and 2011 refer to our subsidiaries' financial condition and results of operations. The financial information presented in the combined financial statements do not incorporate the effects of the Pre-IPO Reorganisation and IPO and as such, may not be the same as the consolidated financial statements of our Group after incorporating the abovementioned events. Further, such financial information from the combined financial statements does not purport to predict our Group's financial position, results of operations and cash flows.

3. SUMMARY *(cont'd)*

	Year ended 31 December		
	2010	2011	2012
	RM 000, except percentages and per share data		
Revenue	257,986	277,875	325,602
Cost of sales	(162,230)	(178,881)	(213,745)
Gross profit	95,756	98,994	111,857
Other income	38,227	41,629	79,387
Administrative expenses	(33,625)	(34,548)	(39,319)
Other expenses	(38,787)	(44,796)	(64,742)
Operating profit	61,571	61,279	87,183
Finance costs	(2,323)	(4,517)	(5,041)
Share of profits of an associated company	5,308	7,025	2,309
PBT	64,556	63,787	84,451
Income tax expense	(8,820)	(15,093)	(18,026)
PAT	55,736	48,694	66,425
PAT attributable to:			
Owners of our Company	55,780	49,703	70,643
Non-controlling interests	(44)	(1,009)	(4,218)
	55,736	48,694	66,425
Profit from operations includes:			
Depreciation	8,402	9,118	9,145
Amortisation	12	179	332
Other selected financial data:			
EBITDA[(1)]	49,639	47,483	64,819
Gross profit margin (%)	37.1	35.6	34.4
Operating profit margin (%)	23.8	22.1	26.8
PBT margin (%)	25.0	23.0	25.9
PAT margin (%)	21.6	17.5	20.4
No. of Shares assumed to be in issue (000)[(2)]	715,000	715,000	715,000
Gross EPS (sen)[(3)]	9.0	8.9	11.8
Net EPS (sen)[(4)]	7.8	7.0	9.9

Notes:

(1) *Our EBITDA as presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS or MFRS. EBITDA is not a measure of performance and liquidity under the FRS or MFRS and should not be considered as an alternative to PAT, operating income, or any other performance measures derived in accordance with FRS or MFRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.*

We believe that the presentation of EBITDA may facilitate the comparison of operating performance from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of assets (affecting relative depreciation and amortisation expense).

The following is a reconciliation of our PBT to EBITDA:

	Year ended 31 December		
	2010	***2011***	***2012***
		RM 000	
PBT	*64,556*	*63,787*	*84,451*
Amortisation	*12*	*179*	*332*
Depreciation	*8,402*	*9,118*	*9,145*
Finance costs	*2,323*	*4,517*	*5,041*
Interest income	*(20,346)*	*(23,093)*	*(31,841)*
Share of profits of an associated company	*(5,308)*	*(7,025)*	*(2,309)*
EBITDA	*49,639*	*47,483*	*64,819*

(2) *Based on the issued and paid-up share capital after the Pre-IPO Reorganisation and IPO.*

(3) *Computed as PBT divided by 715.0 million MPHB Capital Shares.*

(4) *Computed as PAT attributable to the owners of our Company divided by 715.0 million MPHB Capital Shares.*

Please refer to Sections 12 and 13 of this Prospectus for further financial information relating to our Company.

3.6 Summary of proforma consolidated statements of financial position of our Company

The proforma consolidated statements of financial position as at 31 December 2012 have been prepared for illustrative purposes only, to show effects of the Pre-IPO Reorganisation, IPO and Listing on the assumption that these events were effected on 31 December 2012.

The proforma consolidated statements of financial position should be read in conjunction with the Reporting Accountants' letter on the proforma consolidated statements of financial position as set out in Section 12.4 of this Prospectus.

Please refer to Section 6.2 of this Prospectus for further information on the Pre-IPO Reorganisation.

3. SUMMARY *(cont'd)*

	As at 31 December 2012*	Proforma I After Pre-IPO Reorganisation	Proforma II After Proforma I, IPO and Listing
	Audited	Unaudited	
		RM 000	
ASSETS			
Non-current assets			
Property, plant and equipment	-	93,398	93,398
Investment properties	-	774,739	774,739
Investment in an associate	-	1,238	1,238
Intangible asset	-	42,536	42,536
Reinsurance assets	-	358,727	358,727
Investment securities	-	1,001	1,001
Deferred tax assets	-	11,354	11,354
	-	1,282,993	1,282,993
Current assets			
Inventories	-	202	202
Investment securities	-	375,766	375,766
Tax recoverable	-	1,286	1,286
Trade and other receivables	-	177,451	177,451
Cash and bank balances	3	378,725	377,325
	3	933,430	932,030
TOTAL ASSETS	**3**	**2,216,423**	**2,215,023**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of our Company			
Share capital	**	715,000	715,000
Share premium	-	281,330	281,330
Capital reserves	-	41,903	41,903
Available-for-sale reserves	-	12,126	12,126
Merger deficit	-	(225,928)	(225,928)
(Loss for the period) / retained earnings	(168)	209,601	208,201
	(168)	1,034,032	1,032,632
Non-controlling interests	-	16,949	16,949
TOTAL EQUITY	(168)	1,050,981	1,049,581
Non-current liabilities			
Borrowings	-	93,371	93,371
Insurance contract liabilities	-	703,003	703,003
Deferred tax liabilities	-	16,542	16,542
	-	812,916	812,916
Current liabilities			
Trade and other payables	171	216,473	216,473
Borrowings	-	17,714	17,714
Amount owing to MPHB***	-	112,790	112,790
Tax payable	-	5,549	5,549
	171	352,526	352,526
TOTAL LIABILITIES	**171**	**1,165,442**	**1,165,442**
TOTAL EQUITY AND LIABILITIES	3	2,216,423	2,215,023
Number of Shares (000)	**	715,000	715,000
NA per share (RM)	(84,000.00)	1.45	1.44

Notes:

* *At Company level.*

** *Representing 2 ordinary shares of RM1.00 each.*

*** *This is presented after the set off of RM77,574,000 due from MPHB.*

3.7 Capitalisation and indebtedness

The following information should be read in conjunction with the Reporting Accountants' letter and the proforma consolidated statements of financial position as at 31 December 2012 and the related notes and the Accountants' Report and related notes included in this Prospectus.

The table below sets out our cash and cash equivalents as well as capitalisation and indebtedness based on our combined financial statements as at 31 December 2012 and the proforma consolidated statements of financial position as at 31 December 2012 on the assumption that the Pre-IPO Reorganisation and IPO had occurred on 31 December 2012. There are no new MPHB Capital Shares to be issued by MPHB Capital or proceeds to be received by MPHB Capital pursuant to the IPO.

The proforma financial information below does not represent our actual capitalisation and indebtedness as at 31 December 2012 and is provided for illustrative purposes only.

		Proforma I[1]	**Proforma II[1]**
	Combined financial statements as at 31 December 2012	**After Pre-IPO Reorganisation**	**After Proforma I, IPO and Listing**
	Audited	**Unaudited**	
	RM 000		
Cash and cash equivalents	379,425	378,725	377,325
Amounts due from MPHB	77,574	-	-
Indebtedness			
Short term interest bearing borrowings			
Secured			
- Term loans	14,714	14,714	14,714
- Revolving credits	3,000	3,000	3,000
Total short term debt	17,714	17,714	17,714
Long term interest bearing borrowings			
Secured			
- Term loans	84,371	84,371	84,371
- Revolving credits	9,000	9,000	9,000
Total long term debt	93,371	93,371	93,371
Amounts due to MPHB	-	112,790[2]	112,790[2]
Total indebtedness	111,085	223,875	223,875
Total shareholders' equity / capitalisation	n/a	1,034,032	1,032,632
Total capitalisation and indebtedness	n/a	1,257,907	1,256,507
Gearing ratio (times)[3]	n/a	0.11	0.11

Notes:

(1) Refer to the proforma consolidated statements of financial position as at 31 December 2012 as set out in Section 12.4 of this Prospectus.

(2) The amount owing to MPHB of RM112.8 million (non interest bearing and unsecured) arose from the Pre-IPO Reorganisation as set out in Section 6.2 of this Prospectus.

(3) Computed based our total interest bearing debt over shareholders' equity.

Please refer to Section 12.3 of this Prospectus for information on our capitalisation and indebtedness.

3.8 Summary of the IPO

The salient terms of the Offer for Sale are as follows:

Number of Offer Shares	:	715,000,000 MPHB Capital Shares
Offer Price	:	RM1.00 for each Offer Share
Entitlement basis	:	1 Offer Share for every 2 existing MPHB Shares held on the Entitlement Date

The entire Offer Shares represent 100% of our issued and paid-up share capital and are offered by the Selling Shareholder. Please refer to Section 16 of this Prospectus for the procedures for acceptance and application.

The following are the additional terms to the Offer for Sale that prospective investors should consider:

(i) Renunciation

The Offer for Sale is renounceable in full or in part. Accordingly, the Entitled Shareholders may apply for and/or renounce their entitlements to purchase the Offer Shares in full or in part. Entitled Shareholders and/or their renouncee(s) (if applicable) who accept the Provisional Offer Shares will receive the Offer Shares in accordance with their entitlements provided that they have remitted the requisite application monies for the Offer Shares in accordance with the procedures for acceptance and application as set out in Section 16 of this Prospectus.

(ii) Fractional entitlement

In determining an Entitled Shareholder's entitlement to the Offer Shares, any entitlement to a fraction of an Offer Share shall be disregarded. These fractions of an Offer Share, if any, shall be dealt with in such manner as our Board and the Selling Shareholder in their absolute discretion may deem fit and expedient and in the best interest of our Company.

(iii) Excess Application

As the Offer Shares are offered to the Entitled Shareholders on the basis of 1 Offer Share for every 2 MPHB Shares held as at the Entitlement Date, there will remain some Offer Shares that are not allotted to the Entitled Shareholders based on the outstanding MPHB Shares as at the Entitlement Date (after deducting the MPHB Shares held as treasury shares). These Offer Shares, together with the Offer Shares which are not or cannot be applied for or validly applied for by the Entitled Shareholders and/or their renouncee(s) (if applicable) are available for excess applications.

It is the intention of our Board and the Selling Shareholder to allot the Excess Offer Shares, if any, on a fair and equitable basis to be determined by our Board and the Selling Shareholder. The Excess Offer Shares will be allotted in the following priority:

(a) firstly, to minimise the incidence of odd lots; and

(b) thereafter, on a pro-rata basis to the Entitled Shareholders and/or their renouncee(s) (if applicable) (save for the Excluded Parties) who have applied for Excess Offer Shares, based on their entitlements (including those Provisional Offer Shares purchased by or transferred to the renouncee(s) for the period up to the last date and the time for sale or transfer of the Provisional Offer Shares) on a board lot basis (subject to the number of Excess Offer Shares applied for).

Our Board and the Selling Shareholder reserve the right to allot any Excess Offer Shares applied for, in such manner as they deem fit and expedient in the best interest of our Company subject always to such allotment being made on a fair and equitable basis, and that the intention of our Board and the Selling Shareholder as set out in the basis of allotment of Excess Offer Shares above are achieved. Our Board and the Selling Shareholder also reserve the right to accept any application for the Excess Offer Shares, in full or in part, without assigning any reason.

(iv) Excluded Parties

As the Offering Documents will not be registered or made to comply with the applicable securities legislation of any country or jurisdiction other than Malaysia, and the Offer for Sale will not be made or deemed made in any country or jurisdiction other than Malaysia, the Offering Documents will not be sent to Foreign Addressed Shareholders.

The Foreign Addressed Shareholders may collect the Offering Documents from our Share Registrar in Malaysia, in which event our Share Registrar is entitled to satisfy itself as to the identity and authority of the person collecting the Offering Documents. No offer is made for, and we reserve the right to reject any acceptances of the Offer Shares, and applications for the Excess Offer Shares, where we believe or have reason to believe that such acceptances and/or applications may violate any applicable legislation of any jurisdiction. Save as provided herein, and for avoidance of doubt, no Entitled Shareholder is eligible to accept or apply for the Offer Shares unless such acceptance or application is made in Malaysia, on the basis of the address of the accepting or applying Entitled Shareholder as stated in the OAF. Notwithstanding anything to the contrary, we will not make or be bound to make any enquiry as to whether the Entitled Shareholders have an address other than as stated in MPHB's Record of Depositors as at the Entitlement Date, or other than as stated in such OAF, and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

The Offer Shares are available for acceptance and application by the Entitled Shareholders, except for Excluded Parties, being persons who are:

(a) Foreign Addressed Shareholders and purporting to accept or apply for Offer Shares otherwise than from within Malaysia (based on the address of the accepting or applying Entitled Shareholder as stated in the OAF);

(b) persons located or resident in countries or jurisdictions outside Malaysia in which acceptance of their entitlement under the Offer for Sale would result in the contravention of the laws of such jurisdiction (whether in the absence of any necessary consent and/or compliance with any registration or other legal requirements or for any reason); or

(c) persons who, in the opinion of our Directors and the Selling Shareholder (on the advice of legal counsel) would be necessary or expedient to exclude from participating in the Offer for Sale due to legal or regulatory requirements of countries or jurisdictions outside Malaysia.

The Excluded Parties shall have no rights or claims whatsoever against us, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, or any of their respective directors or any other persons involved in the IPO in respect of their entitlements or any proceeds in respect of the Offer for Sale. In addition, we, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, any of their respective directors, and/or any other persons involved in the IPO shall not accept any responsibility or liability in the event that any offer of, or acceptance and/or Excess Application under the Offer for Sale is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in such countries or jurisdictions outside Malaysia.

Entitled Shareholders and/or their renouncee(s) (if applicable) are advised that they shall be solely responsible to seek their own advice as to the laws of any jurisdiction to which they may be subject. Your participation in the Offer for Sale shall be based on your warranty to us that you may lawfully so participate without us, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, any of their respective directors or any other persons involved in the IPO being in breach of the laws of any country or jurisdiction outside Malaysia.

By each Entitled Shareholder and/or their renouncee(s) (if applicable) accepting all or part of the Offer Shares provisionally offered to them, they shall be deemed to have represented and warranted that they and/or the beneficial owner of those Offer Shares are not Excluded Parties.

Please refer to Section 4 of this Prospectus for the details of the IPO.

3.9 Utilisation of proceeds

As our Company will not be issuing any new Shares under the IPO, we will not receive any proceeds from the IPO.

The gross proceeds from the Offer for Sale of RM715,000,000 will accrue entirely to the Selling Shareholder which proposes to utilise such proceeds (after paying the expenses in connection with our IPO as set out in Section 4.11 of this Prospectus and the Selling Shareholder's capital repayment) to carry out a capital repayment exercise by way of a reduction of the share premium under Section 64 of the Act subject to the approval of the High Court of Malaya, which is expected to be implemented within 6 months from the date of Listing.

3.10 Dividend policy

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to the approval of our shareholders. In addition, BNM's prior approval is required for the payment of dividends by our Company, MP Capital and MPIB pursuant to the condition imposed by MoF through BNM's letter dated 21 December 2012 (as varied by BNM's letter dated 20 March 2013). Please refer to Section 10.1.2 of this Prospectus for further details.

It is our Board's intention to pay dividends to our shareholders in the future. However, such payments will depend on a number of factors, including our earnings, capital requirements, general financial condition, applicable regulatory approvals, our distributable reserves and other factors considered relevant by our Board.

As our Company is an investment holding company and conduct substantially all of our operations through our subsidiaries, an important source of our income, and consequently an important factor to our ability to pay dividends, is the dividends and other distributions that we may receive from our subsidiaries. Our subsidiaries' ability to pay dividends or make other distributions to us in the future is subject to them having sufficient funds and distributable profits after setting aside funds required for their operations, other obligations or business plans. Besides that, our subsidiaries' ability to declare and pay dividends is subject to restrictions imposed on them in the financing facility agreements entered into between them and the respective financial institutions as well as BNM's prior approval for payment of dividends by MP Capital or MPIB. In addition, the ability of MPIB to pay dividends on its shares is dependent on whether its CAR position is less than its internal target CAR level or if the payment of dividend would impair its CAR position to below its internal target as set out in Section 5.1.1 of this Prospectus. We currently do not have a formal dividend policy as we intend to adopt a policy of active capital management. The form, frequency and amount of future dividends on our Shares will depend on our earnings and financial position, our results of operations, our capital needs, our expansion plans and other factors as our Directors may deem appropriate.

Please refer to Section 5.2.5 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

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4. DETAILS OF THE IPO

4.1 Opening and closing of applications

Applications for the Offer Shares will open at 5.00 p.m. on Wednesday, 29 May 2013 and will remain open until 5.00 p.m. on Thursday, 13 June 2013, or such other date or dates as our Directors, the Managing Underwriter, Underwriters and Selling Shareholder may in their absolute discretion mutually decide.

4.2 Indicative timetable

The indicative timetable for the IPO is set out below:

	Time and date
Entitlement Date	5.00 p.m. on Wednesday, 29 May 2013
Last time and date for:	
• Sale of Provisional Offer Shares	5.00 p.m. on Wednesday, 5 June 2013
• Transfer of Provisional Offer Shares	4.00 p.m. on Monday, 10 June 2013
• Closing of acceptance, application and payment	5.00 p.m. on Thursday, 13 June 2013
• Excess Application and payment of the Offer Shares	5.00 p.m. on Thursday, 13 June 2013
Transfer of the Offer Shares to successful applicants	Monday, 24 June 2013
Listing of our Shares	Tuesday, 25 June 2013

Applications for the Offer Shares will close at the time and date stated above or such other date or dates as our Directors, the Managing Underwriter, Underwriters and Selling Shareholder may in their absolute discretion mutually decide.

In the event that the closing date and/or time for acceptance, application and payment (including Excess Application) of the Offer Shares is extended, the last date for the sale and transfer of Provisional Offer Shares and the date for the listing of our Shares may be extended accordingly. Any extension will be announced in widely circulated English daily newspapers within Malaysia.

4.3 Particulars of the IPO

4.3.1 Offer for Sale

MPHB, our holding company, shall make available 715,000,000 MPHB Capital Shares for sale on a renounceable basis to the Entitled Shareholders on the basis of 1 Offer Share for every 2 existing MPHB Shares held as at 5.00 p.m. on the Entitlement Date, at the Offer Price.

The following are the additional terms to the Offer for Sale that prospective investors should consider:

(i) Renunciation

The Offer for Sale is renounceable in full or in part. Accordingly, Entitled Shareholders may apply for and/or renounce their entitlements to purchase the Offer Shares in full or in part. Entitled Shareholders and/or their renouncee(s) (if applicable) who accept the Provisional Offer Shares will receive the Offer Shares in accordance with their entitlements provided that they have remitted the requisite application monies for the Offer Shares in accordance with the procedures for acceptance and application as set out in Section 16 of this Prospectus.

(ii) Fractional entitlement

In determining an Entitled Shareholder's entitlement to the Offer Shares, any entitlement to a fraction of an Offer Share shall be disregarded. These fractions of an Offer Share, if any, shall be dealt with in such manner as our Board and the Selling Shareholder in their absolute discretion may deem fit and expedient and in the best interest of our Company.

(iii) Excess Application

As the Offer Shares are offered to the Entitled Shareholders on the basis of 1 Offer Share for every 2 MPHB Shares held as at the Entitlement Date, there will remain some Offer Shares that are not allotted to the Entitled Shareholders based on the outstanding MPHB Shares as at the Entitlement Date (after deducting the MPHB Shares held as treasury shares). These Offer Shares, together with the Offer Shares which are not or cannot be applied for or validly applied for by the Entitled Shareholders and/or their renouncee(s) (if applicable) are available for excess applications.

It is the intention of our Board and the Selling Shareholder to allot the Excess Offer Shares, if any, on a fair and equitable basis to be determined by our Board and the Selling Shareholder. The Excess Offer Shares will be allotted in the following priority:

(a) firstly, to minimise the incidence of odd lots; and

(b) thereafter, on a pro-rata basis to the Entitled Shareholders and/or their renouncee(s) (if applicable) (save for the Excluded Parties) who have applied for Excess Offer Shares, based on their entitlements (including those Provisional Offer Shares purchased by or transferred to the renouncee(s) for the period up to the last date and the time for sale or transfer of the Provisional Offer Shares) on a board lot basis (subject to the number of Excess Offer Shares applied for).

Our Board and the Selling Shareholder reserve the right to allot any Excess Offer Shares applied for, in such manner as they deem fit and expedient in the best interest of our Company subject always to such allotment being made on a fair and equitable basis, and that the intention of our Board and the Selling Shareholder as set out in the basis of allotment of Excess Offer Shares above are achieved. Our Board and the Selling Shareholder also reserve the right to accept any application for the Excess Offer Shares, in full or in part, without assigning any reason.

(iv) Excluded Parties

As the Offering Documents will not be registered or made to comply with the applicable securities legislation of any country or jurisdiction other than Malaysia, and the Offer for Sale will not be made or deemed made in any country or jurisdiction other than Malaysia, the Offering Documents will not be sent to Foreign Addressed Shareholders.

The Foreign Addressed Shareholders may collect the Offering Documents from our Share Registrar in Malaysia, in which event our Share Registrar is entitled to satisfy itself as to the identity and authority of the person collecting the Offering Documents. No offer is made for, and we reserve the right to reject any acceptances of the Offer Shares, and applications for the Excess Offer Shares, where we believe or have reason to believe that such acceptances and/or applications may violate any applicable legislation of any jurisdiction. Save as provided herein, and for avoidance of doubt, no Entitled Shareholder is eligible to accept or apply for the Offer Shares unless such acceptance or application is made in Malaysia, on the basis of the address of the accepting or applying Entitled Shareholder as stated in the OAF. Notwithstanding anything to the contrary, we will not make or be bound to make any enquiry as to whether Entitled Shareholders have an address other than as stated in MPHB's Record of Depositors as at the Entitlement Date, or other than as stated in such OAF, and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Please refer to Section 16.8 of this Prospectus for further details.

The Offer Shares are available for acceptance and application by the Entitled Shareholders, except for Excluded Parties, being persons who are:

(a) Foreign Addressed Shareholders and purporting to accept or apply for Offer Shares otherwise than from within Malaysia (based on the address of the accepting or applying Entitled Shareholder as stated in the OAF);

(b) persons located or resident in countries or jurisdictions outside Malaysia in which acceptance of their entitlement under the Offer for Sale would result in the contravention of the laws of such jurisdiction (whether in the absence of any necessary consent and/or compliance with any registration or other legal requirements or for any reason); or

(c) persons who, in the opinion of our Directors and the Selling Shareholder (on the advice of legal counsel) would be necessary or expedient to exclude from participating in the Offer for Sale due to legal or regulatory requirements of countries or jurisdictions outside Malaysia.

The Excluded Parties shall have no rights or claims whatsoever against us, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, or any of their respective directors or any other persons involved in the IPO in respect of their entitlements or any proceeds in respect of the Offer for Sale. In addition, we, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, any of their respective directors, and/or any other persons involved in the IPO shall not accept any responsibility or liability in the event that any offer of, or acceptance and/or Excess Application under the Offer for Sale is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in such countries or jurisdictions outside Malaysia.

Entitled Shareholders and/or their renouncee(s) (if applicable) are advised that they shall be solely responsible to seek their own advice as to the laws of any jurisdiction to which they may be subject. Your participation in the Offer for Sale shall be based on your warranty to us that you may lawfully so participate without us, the Selling Shareholder, the Principal Adviser, Managing Underwriter and Underwriters, any of their respective directors or any other persons involved in the IPO being in breach of the laws of any country or jurisdiction outside Malaysia.

By each Entitled Shareholder and/or their renouncee(s) (if applicable) accepting all or part of the Offer Shares provisionally offered to them, they shall be deemed to have represented and warranted that they and/or the beneficial owner of those Offer Shares are not Excluded Parties.

4.3.2 Listing

In conjunction with our IPO, we have sought admission to the Official List of Bursa Securities and the listing of and quotation for our entire issued and paid-up ordinary share capital comprising 715,000,000 Shares on the Main Market.

4.4 Classes of shares and ranking

As at the LPD, our Company has 1 class of shares, namely ordinary shares of RM1.00 each.

The Offer Shares rank equally in all respects with our existing issued and paid-up Shares including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the profits paid out by us in the form of dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Articles of Association.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney or by other duly authorised representative. On a show of hands, each shareholder present either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote. On a poll, each shareholder present either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each Share held or represented. A proxy may but need not be a member of our Company.

4.5 Selling Shareholder

MPHB is the Selling Shareholder.

MPHB is a company listed on the Main Market of Bursa Securities with an address at 39th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur. It acquired 100.0% of our Company on 19 July 2012.

As at the date of this Prospectus, MPHB holds 715,000,000 Shares, representing 100.0% of the issued and paid-up share capital of our Company. Given the intention of MPHB to demerge our Group from the MPHB Group following the IPO, it will not hold any Shares in our Company after the IPO is completed.

4.6 Minimum application

The minimum level of proceeds to be raised from the IPO is RM715,000,000. Irrevocable written undertakings have been procured from the shareholders of MPHB as set out in Section 4.12 of this Prospectus and the Underwriters have agreed to underwrite the remaining Offer Shares which are not subject to the Undertakings, subject to the terms of the Underwriting Agreement as set out in Section 4.13 of this Prospectus.

The minimum application in terms of the number of Shares to be acquired by the Entitled Shareholders and/or their renouncee(s) (where applicable) is the number of Shares required to be held by public shareholders for our Company to comply with the public shareholding spread requirements under the Listing Requirements or as approved by Bursa Securities.

4.7 Basis of arriving at the price of the Offer Shares

4.7.1 Offer Price

The Offer Price of RM1.00 per Offer Share was determined by the Selling Shareholder after taking into account the objective of the demerger whereby the MPHB Capital Shares will be offered back to the shareholders of MPHB at the same price at which the Selling Shareholder received the MPHB Capital Shares under the Pre-IPO Reorganisation, as well as the following factors:

(i) the combined NA of our subsidiaries of RM1,018.5 million as at 30 June 2012 and the amount due from us to MPHB of RM112.8 million as described in Section 6.2 of this Prospectus;

(ii) our financial performance and operating history as described in Sections 12 and 13 of this Prospectus respectively;

(iii) our strengths, and business strategies, future plans and prospects as outlined in Sections 7.5 and 7.6 of this Prospectus respectively;

(iv) the future outlook of the industries in which we operate, as described in Section 8 of this Prospectus; and

(v) the prevailing market conditions which include, among others, market trends and investors' sentiments.

4.7.2 Expected market capitalisation

Based on the Offer Price of RM1.00 per Offer Share, the expected total market capitalisation of our Company upon Listing is RM715,000,000.

4.8 Objectives of the IPO

The objectives of the IPO are as follows:

(i) to demerge the MPHB Capital Group from the MPHB Group and to provide a platform for each of the groups to pursue different and better tailored business strategies;

(ii) to provide the Entitled Shareholders the opportunity to invest directly in our Company, following the Pre-IPO Reorganisation, which will focus primarily in general insurance business, credit business and investments, a portfolio wholly distinct from the gaming business which MPHB will be focusing on;

(iii) to obtain the listing of and quotation for our entire issued and paid-up ordinary share capital of 715,000,000 Shares on the Main Market;

(iv) to enable our Company to directly access the equity capital market in the future for financial flexibility to pursue growth opportunities;

(v) to enhance our Company's profile;

(vi) to establish liquidity of our Shares; and

(vii) to provide an opportunity for the investing community to participate in the future performance of our Company by way of equity participation.

4.9 Dilution

There is no dilution to our Shares as no new Shares are to be issued in connection with our IPO.

4.10 Utilisation of proceeds

As our Company will not be issuing any new Shares under the IPO, we will not receive any proceeds from the IPO.

The gross proceeds from the Offer for Sale of RM715,000,000 will accrue entirely to the Selling Shareholder which proposes to utilise such proceeds (after paying the expenses in connection with our IPO as set out in Section 4.11 of this Prospectus and the Selling Shareholder's capital repayment) to carry out a capital repayment exercise by way of a reduction of the share premium under Section 64 of the Act subject to the approval of the High Court of Malaya, which is expected to be implemented within 6 months from the date of Listing.

4.11 Estimated expenses of the IPO

The Selling Shareholder will bear the expenses relating to the IPO estimated at RM11.6 million, which comprise the estimated professional fees of RM9.0 million and other fees (such as fees to be paid to relevant authorities, printing and other miscellaneous charges) of RM2.6 million, as well as the underwriting commission as set out in Section 4.14 of this Prospectus. The expenses of the IPO to be borne by us are estimated to be RM1.4 million.

4.12 Undertakings by the shareholders

CMSB and AHL, being substantial shareholders of MPHB, and MWE Holdings, being a shareholder of MPHB, have vide their letters dated 5 November 2012, 30 November 2012 and 5 November 2012 respectively, provided irrevocable written undertakings to apply for and purchase in full their respective entitlements under the Offer for Sale and/or additional Offer Shares which are made available vide the Excess Application as set out in the table below.

As at the LPD, CMSB, AHL and MWE Holdings collectively hold directly 630,688,361 MPHB Shares, representing 44.2% equity interest in MPHB. Pursuant to the Undertakings, CMSB, AHL and MWE Holdings have undertaken to apply for the Offer Shares as follows:

Name of MPHB shareholders	Offer Shares to be purchased pursuant to the Undertakings		Additional Offer Shares to be applied under the Excess Application pursuant to the Undertakings		Total Offer Shares to be applied pursuant to the Undertakings	
	No. of Offer Shares	% of the total Offer Shares	No. of Offer Shares	% of the total Offer Shares	No. of Offer Shares	% of the total Offer Shares
CMSB	202,329,775	28.3	167,000,000	23.4	369,329,775	51.7
AHL	80,000,000	11.2	-	-	80,000,000	11.2
MWE Holdings	33,014,405	4.6	30,000,000	4.2	63,014,405	8.8
Total	**315,344,180**	**44.1**	**197,000,000**	**27.6**	**512,344,180**	**71.7**

CMSB, AHL and MWE Holdings have confirmed that they have sufficient financial resources to apply for and purchase in full their respective entitlements and/or additional Offer Shares which are made available vide the Excess Application, under the Offer for Sale as set out above pursuant to their respective Undertakings.

4.13 Underwriting

Pursuant to the Underwriting Agreement, the Underwriters have severally (but not jointly) agreed to underwrite an aggregate of 202,655,820 Offer Shares ("**Underwritten Shares**") for the underwriting commission as set out in Section 4.14 of this Prospectus. Subject to certain conditions precedent in the Underwriting Agreement, CIMB has agreed to underwrite 30,000,000 Offer Shares and A.A. Anthony (the business of which has been merged into UOB Kay Hian Securities on 4 May 2013) has agreed to underwrite 172,655,820 Offer Shares.

For the purposes of this Section 4.13:

(a) "Payment Date" means a date no later than 2 Market Days after an Underwriter's receipt of the underwriting notice (the written notice issued on the applicable number of Underwritten Shares not taken up or not duly applied for under the Excess Application) from the Managing Underwriter, which is also the date on which the Underwriters must pay or procure payment to the Selling Shareholder for the Shares that they are purchasing or procuring purchasers for, pursuant to the underwriting;

(b) "Settlement Date" means the date on which the Offer Shares are credited into the CDS accounts of the Entitled Shareholders (excluding the Excluded Parties) or their renouncees who have accepted their Offer Shares (and of those who have applied for and have been allocated Excess Offer Shares) and/or of the Underwriters (or their nominees or such persons as the Underwriters may have procured), which date shall be no later than 9 Market Days after the Closing Date; and

(c) "Trading Date" means the date of the listing of and quotation for the Offer Shares on the Main Market, which date shall be no later than 10 Market Days after the Closing Date, or such other date as approved by the SC, Bursa Securities and any other relevant authority, and mutually agreed upon by us, the Selling Shareholder, the Managing Underwriter and the Underwriters in writing.

The Managing Underwriter or any of the Underwriters shall be entitled to terminate the Underwriting Agreement by notice in writing to the Selling Shareholder and our Company if, in its reasonable opinion, any of the following circumstances ("**Termination Events**") has occurred and continues to subsist, and is not remedied prior to the close of business on the Settlement Date or the Payment Date (for the Termination Events other than that described in (ix) below), and on the Trading Date (in respect of the Termination Event described in (ix) below) (and such Managing Underwriter and/or Underwriter who exercises its termination rights be referred to as the "**Terminating Underwriter**"):

(i) non-fulfilment of any of the conditions precedent, including but not limited to such other obligations as set out in clause 3 of the Underwriting Agreement, such as failure by the Selling Shareholder or our Company to do all such acts and things as may reasonably be required on the part of the Selling Shareholder or our Company to enable the Offer Shares to be offered;

(ii) the occurrence of an event after the date of the Underwriting Agreement and on or prior to the Settlement Date or the Trading Date, as the case may be, which would render any of the representations or warranties given by our Company or the Selling Shareholder under the Underwriting Agreement untrue or incorrect in any material respect;

(iii) a breach of any of the representations, warranties and undertakings given by the Selling Shareholder and/or our Company, or the Selling Shareholder fails to provisionally offer for sale the Offer Shares in accordance with the terms and conditions of this Prospectus and any documents accompanying the same, including the NPO and the OAF or our Company fails to procure the delivery of the same to the Entitled Shareholders (excluding the Excluded Parties) within 2 Market Days after the Entitlement Date;

(iv) our Company and/or the Selling Shareholder has not performed or complied with any one or more of its other obligations under the Underwriting Agreement (other than those set out in (i), (ii), and (iii) above) and such non-performance or non-compliance would be materially and adversely prejudicial to the Underwriters or Managing Underwriter;

(v) if the registration of this Prospectus with the SC, or the approval of Bursa Securities required for the admission of the Offer Shares to the Official List and for the listing of and quotation for the Offer Shares arising from the Listing, is revoked or withdrawn; or if any of the conditions for such registration, consents or approvals has not been fulfilled to the satisfaction of the SC or Bursa Securities or waived by either of it;

(vi) if the obligations of the Underwriters to purchase and/or procure purchasers for the Underwritten Shares is or becomes prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction;

(vii) if there shall have occurred, happened or come into effect, any of the following circumstances, namely:

(a) any change in the condition (financial or otherwise), business, management, prospects, results of operations, properties or assets of our Group as a whole (whether or not arising in the ordinary course of business);

(b) any change in or introduction of any legislation, regulation, directive, policy, guideline or interpretation or application thereof by any court or other competent authority in any relevant jurisdiction in which any member of our Group conducts or carries on business;

(c) any change, or any development, in local, national or international monetary, financial (including stock market, foreign exchange market, inter-bank market or interest rates, or money market, in Malaysia or elsewhere), political, industrial, economic, legal or monetary conditions, taxation, or exchange controls (including any disruption to trading generally, on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls in any jurisdiction, or any event or series of events which is beyond the reasonable control of our Company, the Selling Shareholder or any of the Underwriters which prevents the parties from reasonably carrying out their obligations under the Underwriting Agreement, including but not limited to acts of government, acts of God (including but not limited to the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorders, declarations of a state of emergency, lock-outs, fire, explosions, flooding, landslides, civil commotions, sabotage, acts of war, diseases or accidents; or

(d) any suspension, moratorium or limitation on trading in shares or securities generally on Bursa Securities, or minimum or maximum prices for trading have been fixed, maximum ranges for prices for securities have been required by Bursa Securities or by order of any governmental authority or a general moratorium on commercial banking activities or foreign exchange rating or securities settlement or clearing services in or affecting Malaysia by the relevant authorities;

which, in the opinion of the Terminating Underwriter, would:

(aa) result in a material adverse fluctuation or material adverse conditions in the securities market in Malaysia;

(bb) materially prejudice the success of the IPO or the trading of the Offer Shares, specifically, and MPHB Capital Shares, in general, in the secondary market, after the Listing;

(cc) be likely to have a material adverse effect on the condition (financial or other), prospects, results of operations, properties or assets of our Company, the Selling Shareholder or our Group as a whole; or

(dd) be commercially impracticable for the Terminating Underwriter to proceed with the IPO on the terms and in the manner contemplated in this Prospectus and the accompanying documents and the Underwriting Agreement;

(viii) any of the undertakings given by us or the Selling Shareholder under the Underwriting Agreement becomes void or unenforceable, or the performance of the relevant party's obligations thereunder becomes unlawful, impossible or unenforceable for whatever reason;

(ix) if the Trading Date has not occurred within 10 Market Days after the Closing Date, or the Offer Shares are not being listed on the Main Market on or before 2 July 2013 or any other date to be mutually agreed upon between the Managing Underwriter, Underwriters, the Selling Shareholder and our Company in writing; or

(x) the FTSE Bursa Malaysia KLCI Index:

(a) on or after the date of the Underwriting Agreement; and

(b) prior to the Settlement Date;

is lower than 85% of the FTSE Bursa Malaysia KLCI Index as at the last close of normal trading on the relevant exchange on the business day immediately prior to the date of the Underwriting Agreement, and remains at or below that level for at least 3 consecutive Market Days.

4.14 Underwriting commission

As stipulated in the Underwriting Agreement, the Selling Shareholder will pay the Managing Underwriter an underwriting commission of 0.125% of the amount which equals to the Offer Price multiplied by the total number of Underwritten Shares. In addition, the Selling Shareholder will pay each of the Underwriters an underwriting commission of 1.625% of the amount which equals to the Offer Price multiplied by the total number of Underwritten Shares underwritten by each Underwriter.

4.15 Trading and settlement in secondary market

Upon our Listing, the Offer Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS (which is operated by Bursa Depository), which will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the purchasers of the Offer Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain the Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to the respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts shall not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate company restructuring process;

(iv) where a body corporate is removed from the Official List;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that our Group and to a large extent our operations, are governed by the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future. Additional risks, whether known or unknown, may in the future have a material and adverse effect on us or our Shares.

5.1 Risks relating to our businesses

5.1.1 Our general insurance business operates in a highly regulated environment and its continuity is subject to MPIB maintaining its licence and complying with all regulatory requirements

Our general insurance business, which is conducted by MPIB, operates in a highly regulated environment. Its ability to carry out our general insurance business is dependent on the licence issued by BNM under the Insurance Act. Although the said licence does not have an expiry date, under the Insurance Act, the MoF can withdraw the licence at any time under certain conditions including any non-compliance with the conditions attached to the licence, the requirements of the Insurance Act and the regulations, requirements or guidelines set by BNM from time to time or if the MoF decides, amongst other circumstances, that it is in the interest of the public to do so pursuant to the Insurance Act. In the event the licence is withdrawn, there would be a material and adverse impact on our Group's financial performance. Whilst we are not aware of the occurrence of any events or circumstances which may result in our general insurance licence being withdrawn, there can be no assurance that such events will not occur in the future. The regulations to which our general insurance business is subject include those that are set out in Section 7.8.1 of this Prospectus. In addition, following the approval of the MoF through BNM in respect of the Pre-IPO Reorganisation and Offer for Sale, the MoF had also imposed a condition which require us to rationalise our non-financial services businesses within 3 years from the date of completion of the restructuring of the MPHB Group, as set out in Section 10.1.2 of this Prospectus.

Insurance companies are also required to comply with BNM's CAR requirements and may be subject to other capital requirements which may be imposed by BNM from time to time. Under the RBC Framework, MPIB is required to comply with BNM's minimum supervisory CAR requirement of 130.0% and to maintain an internal target CAR which is above BNM's minimum supervisory CAR requirements. While, to date, MPIB has always complied with BNM's minimum supervisory CAR requirements, there is no assurance that MPIB will be able to comply with BNM's minimum supervisory CAR requirements at all times in the future. For example, a substantial underwriting loss may lead to a loss position for MPIB and reduce its retained profits, hence lowering its CAR. If MPIB is unable to comply with BNM's CAR requirements, it may be subject to increased levels of supervisory attention or action, including being imposed with business restrictions and/or restructuring measures. Non-compliance with BNM's CAR requirements as well as other circumstances set out in the Insurance Act, may enable the MoF, by order made under the Insurance Act, to provide for BNM to assume control of MPIB's property, business and affairs, as the case may be, or for BNM to appoint an appointed person to do so on its behalf. As at 31 December 2012, MPIB's CAR stood at 222.8%.

5.1.2 We are dependent on our key management and certain key employees

The success of our Group depends to a significant extent upon the abilities, experience and efforts of our key management. Our key management is as set out in Section 9.4 of this Prospectus. There can be no assurance that we will be able to retain our key management as well as to attract and retain suitable new key management in the future. Although continuous efforts are being made to retain our key management and to have a succession plan in place, there can be no assurance that we would be successful in retaining our key management or that a successor can be found should any of our key management leave such that our business will not be materially and adversely affected by any loss of our key management.

We rely significantly on certain of our key employees in the insurance business, who include the chief operating officer and the portfolio heads, who have extensive and in-depth experience in and knowledge of the insurance industry and strong relationships with agencies and brokers who distribute our insurance products. The experience and knowledge of our key employees have been and are expected to continue to be pivotal to our success in the insurance business. Although we strive to retain such key employees by offering attractive remuneration and benefits, there is no assurance that we can retain our key employees at all times. Should our key employees resign and join our competitors, our business, operating results and financial condition may be materially and adversely affected. There is also a risk that the loss of any of our key employees will result in the loss of agencies or the business of brokers who have relationships with such employees. We may be unable to replace such employees with persons who are equally able to attract agencies or brokers to our distribution network or to replace them expeditiously without experiencing a consequential adverse effect on our distribution channels.

5.1.3 Our ability to compete effectively in the general insurance industry depends on our distribution channels

We depend on our distribution channels such as agencies and brokers to distribute our insurance products and schemes. For the year ended 31 December 2012, approximately 67.3% of our total gross premiums were derived from agencies and brokers. We face intense competition in attracting and retaining our agencies and in developing and maintaining our business relationships with brokers. We may not always be successful in attracting and retaining agencies or establishing business relationships with brokers as other competitors may, among others, offer a more diverse range of products, better agency or broker terms, better customer service or may have bigger underwriting capacity or better relationships with agencies and brokers. If we are unsuccessful in doing so, our ability to effectively market and distribute our products and schemes may be negatively affected and this could have a material and adverse effect on our financial condition and results of operations. There can also be no assurance that our initiatives to retain and attract agencies (e.g. through our agency recognition club and by providing training) or to establish business relationships with brokers (e.g. by providing value added services to brokers and/or their clients such as insurance advisory services and seminars and training, and by jointly developing new products or schemes with brokers) will result in us gaining additional business or larger market share. Furthermore, even if we manage to grow and retain our agencies and brokers, there can be no assurance that they will be able to perform at the expected level at all times. Our financial position may be adversely affected by poor sales of our products and schemes by our agencies (including, a failure to meet sales targets by agencies) or through brokers with whom we have business relationships.

5.1.4 We may not be able to reinsure our risk with reinsurers at favourable terms or at all

Like all general insurance companies, we reinsure some of our underwriting obligations with reinsurers, especially for our high risk underwriting obligations. For the years ended 31 December 2010, 2011 and 2012, we have ceded 47.1%, 49.9% and 48.0% of our gross premiums to the reinsurers, particularly with respect to our exposure to the fire, contractor's all risks, marine hull insurance and liability insurance products.

Reinsurance apportions part of an insurance company's risks and helps it to manage its insurance risk exposure and capacity to underwrite other policies. There is no assurance that our reinsurers will be able to meet our reinsurance requirements at all times as the reinsurers themselves are exposed to risks relating to insurance business which include changes in political and economic conditions and the occurrence of a substantial amount of underwriting claims arising from global or major catastrophes. Accordingly, there can be no assurance that our reinsurers are able to meet our reinsurance claims at all times and in the event that the reinsurers are unable to meet our reinsurance claim, we remain liable to meet our claims obligations for the risks we have underwritten. Moreover, the aforementioned changes and occurrences may hamper a potential reinsurer's ability to accept reinsurance proposals which may in turn limit our ability to reinsure some of our risk exposure and accept proposals.

The Guidelines on General Reinsurance Arrangements issued by BNM ("**Reinsurance Guidelines**") set out the minimum standards which must be observed by insurers when drawing up their reinsurance programmes. The Reinsurance Guidelines cover 4 aspects in determining the adequacy of reinsurance arrangements, namely, appropriateness of retention level, security of reinsurers, spread of reinsurers and appropriateness of reinsurance contracts. While these may assist us in securing more resilient reinsurers, the requirements also limit our ability to source or select reinsurers with most appropriate terms.

Furthermore, the reinsurance market is cyclical, with periodic fluctuations in underwriting capacity in the market affecting the cost of reinsurance. Underwriting capacity and rates in the reinsurance market are determined largely by underwriting conditions in the international market, which may not be similar to those in Malaysia. Scarcity of underwriting capacity in the reinsurance market leading to increases in reinsurance rates could raise our reinsurance cost and potentially decrease our underwriting profit.

5.1.5 We face the risk of a decline in our policy holders' confidence in our financial strength

Insurance policy holders' confidence in the financial strength of an insurance provider such as ourselves can be an important factor in their selection of insurance providers. CAR serves as a key indicator of an insurance provider's financial resilience. Any actual or perceived reduction in MPIB's CAR or other indicators of MPIB's financial strength or an insured risk occurring could have a material and adverse effect on MPIB's financial position which may affect policy holders' confidence in us and our reputation as a general insurance service provider. Any such loss of confidence may materially and adversely affect our business, operating results and financial position, as we may lose our customers or be forced to review our pricing and terms in order to retain them.

5.1.6 We face insurance risk

Insurance risk is an inherent risk faced by all insurance companies including us. It refers to the uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to insurance companies by indemnifying its customers against adverse effects arising from the occurrence of specified uncertain future events. The principal risks our Group faces under insurance contracts are that the claim experience of the risks that we accept being different from our expectations, fluctuations in timing, frequency and severity of claims, and the adequacy of premiums and reserves.

Our financial performance depends on our ability to accurately assess the potential losses associated with the risks we insure and our ability to price our products and schemes accordingly. In the event that we are unable to do so, our operating results and financial position may be materially and adversely affected, the extent of which would depend on the size of the deviation in the actual claims from expectations.

In addition, like other insurance companies, we establish and carry reserves as balance sheet liabilities owing to policyholders for their claims. The process of establishing these reserves is a complex exercise involving many variables and subjective judgements. Due to the nature of the underlying risks and high degree of uncertainty associated with the determination of the liabilities for outstanding claims, we may not always be able to estimate the amount that we will ultimately pay to settle these liabilities with reasonable accuracy. Our operating results and financial position may be materially and adversely affected should the actual claims be significantly higher than our estimate of the liabilities.

5.1.7 Our general insurance business is subject to fire and motor insurance tariffs requirements which may limit our ability to price our policies based on the risk which we insure

Fire and motor insurance are subject to tariffs determined by PIAM with the approval of BNM which among others, specify the premium rate that can be charged by general insurance companies for fire and motor insurance products. The motor insurance tariff rates are being revised by BNM on a gradual basis commencing from 16 January 2012 with a view to the tariff being removed by 2016. The second revision which further increased the motor insurance tariff rates was implemented on 15 February 2013. The requirements of the fire insurance tariff have been last revised in 2000 and BNM is also moving towards removing the fire tariff. Pending the removal of tariffs, we are unable to adjust our premiums according to the individual risk profiles and the claims experience of the insured. Accordingly, our profitability may be adversely affected as the tariffs limit our ability to price our insurance risks effectively.

5.1.8 We are required to participate in the MMIP

All general insurance licence holders in Malaysia, including us, are collectively required to jointly share the losses incurred by the MMIP. MMIP, incepted in 1992, is an insurance pool formed by general insurance companies operating in Malaysia that underwrites insurance cover for vehicles whose owners are unable to obtain motor insurance from any individual insurer. These include motor vehicles which are more than 10 years of age and motorcycles, especially those which are no longer under a hire purchase arrangement. In recent years, the losses incurred by the MMIP have increased as more insurance companies have refused to insure vehicles of higher risk nature. For the years ended 31 December 2010, 2011 and 2012, our share of losses incurred by the MMIP were RM5.5 million, RM6.2 million and RM7.3 million respectively. Whilst such sums have not significantly affected our profitability as they have been offset by the service income which we receive from the MMIP which amounted to RM6.9 million, RM9.0 million and RM12.0 million for the years ended 31 December 2010, 2011 and 2012 respectively, there can be no assurance that our share of losses incurred by the MMIP will not have a material and adverse effect on our profitability in the future.

5.1.9 We operate in a competitive environment

In respect of our insurance business, we face significant competition from other general insurance service and Takaful providers in Malaysia. We expect competition to continue to intensify, especially with the recent easing of equity ownership restrictions, whereby the maximum shareholdings of foreign owners in insurance companies in Malaysia was increased from 49.0% to 70.0% (*Source: Independent Market Research report by Frost & Sullivan ("**IMR Report**")*).

According to the IMR Report, in 2011, our market share in the general insurance sector (excluding Takaful providers) was approximately 3.5% (3.2% in 2010) with total gross direct premiums of RM477.8 million (RM403.2 million in 2010). In 2010, we were ranked 15th among the 26 general insurance companies in Malaysia in terms of total gross direct premiums. Within the local-owned insurance company category which comprises 14 companies in Malaysia (excluding Takaful providers), our market share was 5.8% in 2010.

We compete on several fronts, including premiums charged, terms and conditions of coverage, product and scheme features and after sales service provided. Our ability to compete is dependent on, among others, our distribution network, financial strength, branding, market knowledge and experience. Some of the companies against which we compete, including those that may be substantially foreign-owned, may have greater financial, marketing, management and other resources than us. These competitors may be better positioned to attract more customers and agents and more business from brokers by being able to offer a wider range of products and schemes and provide better service. The general insurance industry also competes with the general Takaful providers. According to the IMR Report, from 2006 to 2011, the Takaful industry recorded a growth which reported CAGR of 15.8% in gross premium as compared to a CAGR of 7.1% for the general insurance industry.

The increased competitive pressure may require us to, among others, offer policy terms which are more favourable to our customers, thereby potentially adversely affecting our profitability. In addition, we could lose our employees, agencies and business from our brokers to competitors, hence reducing our market share in the general insurance industry. Accordingly, the increased competitive pressure and any inability to compete effectively on our part may materially and adversely affect our business and financial condition.

In respect of our credit business, we face competition from, among others, BAFIA-licensed financial institutions offering hire purchase and financing schemes, credit or leasing companies offering credit and leasing facilities and other money-lenders. In order to remain competitive, we may have to offer better financing rates or terms to our customers which may impact our business and profitability. There is no assurance that our credit business will be able to compete successfully against current and future competitors, or that competitive pressures will not materially and adversely affect the business and/or financial condition of our credit business.

5.1.10 We face risk relating to the adequacy of our risk management framework

We have established an Enterprise Risk Management Framework to manage our exposure to risks which are inherent in the general insurance business. The risks which are covered under our Enterprise Risk Management Framework include strategic risks, operational risks, financial risks, project risks and market risks. Whilst there has not been any materialisation of risk event that may have a material and adverse effect on our business, there can be no assurance that our risk management policies, procedures and internal controls will always be adequate or effective in managing our risk exposures, especially when the risk events are unidentified or unanticipated. Any occurrence of a risk event may have a material and adverse effect on our results of operations and financial condition.

5.1.11 We face investment risk

Our insurance business invests a certain portion of the premiums generated from our insurance products and schemes in private debt securities and Malaysian government securities as well as deposits with financial institutions to generate income and strengthen our financial position. Our insurance business' investment returns may be materially and adversely affected by conditions affecting our investments, including general economic conditions, asset value, market sentiments and interest rate fluctuations. Changes in interest rates may affect the level and timing of recognition of our gains and losses on debt securities and other investments held in the investment portfolio of our insurance business. A sustained period of lower interest rates would generally reduce the investment yield of our insurance business' investment portfolio over time as higher yielding investments mature or are redeemed and proceeds are reinvested in new investments with lower yields. Although our insurance business' investments are guided by our internal investment policy and BNM guidelines, there is no assurance that our investments will continuously generate income or will not result in a financial loss. There is no assurance that our insurance business and operations or our ability to meet certain regulatory requirements, such as CAR, will not be affected by investment losses that our insurance business may suffer in the future.

5.1.12 We face the risk of misconduct by our employees, agencies and brokers

Our financial position and reputation may be adversely affected if our employees, agencies and brokers misrepresent, mislead or act dishonestly or fraudulently in offering our products and schemes to our customers. Although we have taken measures to discover and prevent misconduct by our employees, agencies and brokers, there can be no assurance that the measures taken are effective and successful in detecting or preventing such misconduct at all times.

5.1.13 We are exposed to litigation and regulatory investigations

We face the risk of litigation, regulatory investigations and similar actions in the course of our business, including the risk of lawsuits and other legal actions relating to failure or delay in paying out claims, sales and underwriting practices and breaches of fiduciary or other duties. Any such action may include claims for substantial or unspecified compensatory and punitive damages, as well as civil, regulatory or criminal proceedings against our directors or employees, and the probability and amount of liability, if any, may remain unknown for significant periods of time. A substantial liability arising from a lawsuit judgment or regulatory action could have a material and adverse effect on our liquidity, business, financial condition and operations. Moreover, even if we succeed in defending a claim, regulatory action or investigation, we may still suffer from the consequential damage to our reputation, which could materially and adversely affect our prospects and future growth, including our ability to attract new customers, retain existing customers and recruit and retain employees.

In the case of our Group, SPSSB received on 11 April 2013 a summons dated 6 March 2013 in respect of the lack of a fire certificate for Plaza Flamingo, the penalty for which (if convicted) is a fine not exceeding RM5,000.00, imprisonment of the person whose actions led to the said offence for a term not exceeding 3 years, or both. SPSSB is presently taking steps to ensure compliance, and we are of the view that this summons has no material impact on SPSSB.

Save for the foregoing, we have not been the subject of any investigations by regulatory authorities. However, there can be no assurance that such investigations may not be initiated in the future. The litigation suits in which we are involved and which are material to us are set out in Section 15.5 of this Prospectus.

5.1.14 Our business operations are dependent on IT systems

Our insurance operations are mostly computerised. Policy M, our IT system, which supports our underwriting, reinsurance, claims and accounting and finance departments as well as our internet portal which supports our website and facilitates online business transactions, may suffer system failure and breakdown hence disrupting our business operations. Although we have a business continuity plan and disaster recovery programme, there can be no assurance that our business operations will not be affected by such IT system failure. We are currently in the process of replacing our core insurance system with a more advanced platform known as the Enterprise Insurance System ("**EIS**"). The EIS is expected to improve the overall operational efficiency and effectiveness of our insurance operations. The development of the EIS commenced on 3 February 2009 and is currently in the development and testing stage. Despite the system tests undertaken, there can be no assurance that the EIS will be implemented or will perform better than Policy M and that its implementation will not result in any disruption to our insurance business. There is also no assurance that any upgrades, enhancements or replacements to our IT systems which support our insurance operations will function in the manner expected and will not cause any disruptions to our daily operations leading to a loss of business and materially and adversely affecting our financial condition and performance.

In addition, we face the risk of security breaches, computer viruses and malicious attacks on our computer systems. These occurrences could cause system failure, interruptions in service, loss of data or information or reduced business capacity, which could have a negative impact on our business operations. Although we have implemented proper security protection and back-ups, there is no assurance that threats of security breaches, computer viruses and malicious attacks can be eliminated or eliminated indefinitely.

Whilst we have not suffered any IT system failure or threats of security breaches, computer viruses and malicious attacks in the past, there can be no assurance that such failures or breaches will not occur in the future. Any occurrences of such events may materially and adversely affect our business operations.

5.1.15 Our insurance and credit businesses are subject to fraud risks

Our insurance business faces the risks of our customers providing false information or making fraudulent claims. Whilst we have put in place safeguards and processes, to verify the information supplied by our policy holders, there is no assurance that we are able to detect or prove fraud at all times. Any failure to manage this risk may result in an escalation of fraudulent claims which may materially and adversely affect our results of operations and financial condition.

Our credit business depends on our ability to assess credit applications from credit applicants for loans. Similar to our insurance business, our credit business is subject to the risk of the credit applicants providing false or incomplete information, thereby affecting our ability to assess the risk relating to the loans which we extend. Any forged application, or any false or fraudulent information furnished by the credit applicants may cause credit losses to our credit business. Whilst we have in place processes and procedures to verify and assess the credit applications, there can be no assurance that we may be able to prevent all occurrences of fraud or that our operating results and financial conditions will not be materially and adversely affected in the event of any occurrence of fraud.

5.1.16 The return from our investment in properties is dependent on the performance of the Malaysian property market and our JV partners

The disposal of our investment in properties through JVs with property developers, may be a significant contributor to our revenue in the years in which the projects are implemented or completed. Our returns from such JVs depend largely on the performance and capabilities of our JV partners in completing the property development projects in accordance with the agreed terms of the JV. Whilst the current on-going projects, as set out in Section 7.3 of this Prospectus are expected to complete by 2023, there can be no assurance that the projects will be completed on time as a result of factors beyond our control, some of which are as discussed below.

Our current JVs involve lands in Selangor and Penang. Our success in the JVs is dependent on the continued growth of the economy and specifically the performance of the property sectors of Selangor and Penang as well as the performance of the Malaysian economy. The success of our JVs is also subject to the various risks faced by property developers such as risk of failure to complete or delay in completion of property development projects, failure by JV partners to secure external financing and fluctuation in construction costs which may have a material and adverse effect on the financial position or profitability of our Group.

In the event that a JV partner is unable to perform its obligations, for example, arising from insolvency or financial difficulties, we may have to locate another JV partner to complete the property development project. There can be no assurance that we will be able to do so at all times and we expect the substitution of the JV partner to be more difficult if the development on our land has commenced. The inability of a JV partner to perform its obligations may also result in legal complications, for example, arising from contracts with buyers of the development. Any such event or occurrence may result in an opportunity cost to our business and potential losses affecting our interest in the land which is being developed. Whilst we have not encountered any major disputes with our JV partners, there can no assurance that such disputes or issues will not occur in the future or that we may be able to resolve the disputes and issues amicably.

5.1.17 We may be liable to claims for specific performance and/or any actual losses or damages incurred by our JV partners

Our investment division has entered into various JVs for the development of our investment properties as part of our efforts to realise the value of our investment properties. Pursuant to the terms of certain JV agreements, we may be liable to, amongst others, claims for specific performance and losses/damages (excluding anticipated profits) incurred by our JV partners by reason of or arising from an event of default committed by us. Besides that, in certain JV agreements, the shareholders of our JV partners are also entitled to terminate the JV agreements and simultaneously require us to purchase from them, all of their shares in the JV partner at a consideration of 130% of the net tangible assets of the JV partner in the event of a breach by us. In the event that such claim or termination arises, we may have to incur a significant amount of liability in rectifying our default and this may have a material and adverse effect on our cash flow, profitability and financial position. There can be no assurance that we would be able to fully adhere to all terms and conditions throughout the tenure of the property development projects.

5.1.18 Our investment properties could be subject to compulsory acquisition

Under the Land Acquisition Act 1960, the State Authority has the power to acquire any land, whether in whole or in part, which is needed:

(i) for any public purpose;

(ii) by any person or corporation for any purpose which in the opinion of the State Authority is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or

(iii) for the purposes of mining or for residential, agricultural, commercial, industrial or recreational purpose or any combination of such purposes.

In the event of any compulsory acquisition of our investment properties, the amount of compensation to be awarded will be based on the fair market value of our investment properties, assessed on the basis prescribed in the Land Acquisition Act 1960 and other relevant laws. We may potentially lose the ability to recognise development potential from such compulsorily acquired lands.

For example, 7 pieces of our plantation land with a total acreage of 2,840.8 acres, all in Mukim Pengerang, Daerah Kota Tinggi, Johor, owned by our wholly-owned subsidiary, Kelana Megah were compulsorily acquired by the State Authority on 8 October 2012. Pursuant to this compulsory acquisition, our land, which is currently operated by a third party operator for oil palm plantation operations, has reduced from 4,644.0 acres to 1,803.2 acres. Whilst our profit-sharing partnership with the third party operator has continued, with the reduced acreage of plantation land, the profits that we derive from the land will be reduced accordingly.

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5.1.19 Some of our landed properties do not comply with the conditions imposed on their respective land titles

*Land held under PM 345, Lot 13501 in Mukim Hulu Kelang, District of Gombak, State of Selangor Darul Ehsan ("**Lot 13501**")*

Our wholly-owned subsidiary, SPSSB, is the registered proprietor of Lot 13501. A Tenaga Nasional Berhad sub-station and a network pumping station which serve, among others, the Hotel Flamingo by the lake, is situated on Lot 13501. However, the condition imposed on Lot 13501 is that the land can only be used for guards' and keepers' quarters. The breach of the above condition on Lot 13501 may result in Lot 13501 being forfeited by the Selangor State Authority and/or a fine (of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues, with the maximum fine to be determined by the Land Administrator, based upon the severity of the breach) being imposed on SPSSB, if the breach is not remedied.

SPSSB has undertaken to the SC pursuant to the Offer for Sale that it will ensure compliance of the aforesaid condition no later than 31 December 2013. Additionally, during this period, there can be no assurance that our Lot 13501 will not be forfeited and/or our financial position will not be materially and adversely affected by the imposition of the fines or land forfeiture as a result of the breach of the condition.

*Land held under PM 854, Lot 1048, Town of Kundang, District of Gombak, Selangor Darul Ehsan ("**Lot 1048**")*

Tibanis is the registered proprietor of Lot 1048. It is a condition endorsed on the issue document of title for Lot 1048 that the land shall be used for duck rearing. When Tibanis acquired Lot 1048, it was already tenanted and the tenant was and is still continuing to rear fish fry on the said land, in contravention of the aforementioned condition which may result in Lot 1048 being forfeited by the Selangor State Authority and/or a fine (of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues, with the maximum fine to be determined by the Land Administrator, based upon the severity of the breach) being imposed on Tibanis, if the breach is not remedied.

Lot 1048 is subject to a JV agreement as set out in Section 15.4(i) of this Prospectus whereby vacant possession is to be handed over by Tibanis to the JV partner, Pinggir Mentari Sdn Bhd, which is a wholly-owned subsidiary of BDRB ("**Pinggir Mentari**") by the third quarter of 2013 and the latter is responsible to comply with any regulatory requirements including land conditions (if applicable) for its development project. In any event, Tibanis has undertaken to the SC pursuant to the Offer for Sale that it will comply with the condition by 31 December 2013 or within the time frame as stipulated in the notice requesting for compliance or rectification of the breach of the condition as may be issued by the land office, whichever is the earlier. Prior to handing over vacant possession, the tenant has been allowed to remain on Lot 1048 in order to preserve the land and to also prevent any trespassers and/or squatters on the land. As at the LPD, Pinggir Mentari has yet to make such application for the variation of land use. Approvals of applications made to the land office to comply with the land conditions and the timing for the said approvals are determined by the land office.

There can be no assurance that the application for the variation of land use will be approved and that our Lot 1048 will not be forfeited and/or our financial position will not be materially and adversely affected by the imposition of the fines or land forfeiture as a result of the breach of the condition.

5.1.20 Our hotel operations may be affected by the outbreak of infectious diseases

The outbreak of infectious diseases such as severe acute respiratory syndrome ("**SARS**"), avian flu or swine flu has historically reduced the number of travellers in the affected region.

Outbreaks of such or new infectious diseases could lead to some countries including Malaysia implementing immigration policies to restrict travellers coming from affected countries or regions and airlines may reduce flights to and from such affected areas. For instance, in November 2002, Malaysia and the rest of Asia were affected by an outbreak of SARS, which caused a number of countries to implement restrictions on travellers and workers from, and traffic to, SARS-affected countries. Therefore, outbreaks of infectious diseases may materially and adversely affect the operations and profitability of our hotel operations due to the reduced number of tourist arrivals and cancellation of hotel reservations. If SARS, avian flu or swine flu were to re-emerge or any other outbreaks of similar potential hazardous nature were to occur, there can be no assurance that the operations and financial position of our hotel operations will not be materially and adversely affected.

5.1.21 We may need additional capital in the future which may not be available or may be available on terms not favourable to us

We may require additional capital in the future in order for us to meet regulatory capital adequacy requirements, remain competitive, enter new businesses, pay operating expenses, conduct investment activities, meet our liquidity needs, expand our base of operations and offer new products and schemes. If our existing working capital is not sufficient to satisfy our requirements, we may have to seek new external sources. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

(i) our future financial condition, results of operations and cash flows;

(ii) our ability to obtain the necessary regulatory approvals for capital raising on a timely basis;

(iii) any tightening of credit markets and general market conditions for debt and equity fund raising activities; and

(iv) economic, political and social conditions in the geographical markets which we operate and elsewhere.

Although we have not, in the past, encountered such difficulty, there can be no assurance that we will be able to obtain additional capital in a timely manner or on acceptable terms, if at all, in future. Future debt financing may include terms that restrict our financial flexibility, or our ability to manage our businesses or pay dividends. Besides that, additional capital raised through issuance of equity securities to third parties or which are not on a pro-rata manner to our shareholders may result in dilution to our shareholders' equity interests.

In addition, pursuant to the condition imposed by MoF through the BNM's letter dated 21 December 2012 (as varied by BNM's letter dated 20 March 2013), the prior approval of BNM is required before our Company provides any form of financial assistance (including loans, guarantees and indemnities) to the non-financial services business companies within our Group where such financial assistance exceeds such thresholds set out in Section 10.1.2 of this Prospectus. In view of the said restrictions, there can be no assurance that we would be in a position to provide financial assistance in a timely manner or at all, to our non-financial services subsidiaries. Our inability to provide such assistance could lead to the affected companies within our Group delaying or not fulfilling their financial obligations or result in the loss of business opportunities which may have a material and adverse effect on our Group's operations and financial position.

5.1.22 We face risks on growth and expansion through acquisitions

If the insurance industry is required to consolidate to strengthen the general insurance providers or in response to other regulatory requirements or government policies, we may be required to seek businesses or entities to acquire or merge with. As we aim to ensure that all acquisitions are to the best interest of our shareholders, there can be no assurance that we will be able to successfully identify, negotiate the terms for or finance such acquisitions.

Even if such targets can be found and that the acquisition is completed, any acquisition that we undertake is subject to acquisition risks, including operational, strategic, financial, accounting and tax risks, such as potential liabilities associated with the acquired business. As such, there is no assurance that we would be able to integrate such acquisitions with our current business, or to benefit from such acquisitions.

5.1.23 We are affected by changes in political, economic, regulatory and social conditions

Like any other businesses in Malaysia and foreign countries, changes in political, economic, regulatory and social conditions in Malaysia and elsewhere could materially and adversely affect our Group's business, prospects, financial performance and result of operations. Political, economic, regulatory and social uncertainties include war, terrorism, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, changes in law, regulations and political leaderships, debt and equity market volatility, inflation, taxation, interest rates and currency exchange control.

5.2 Risks relating to our Shares

5.2.1 There has been no prior public market for our Shares

There has been no prior public market for our Shares and it is uncertain whether a market will ever develop or, if a market does develop, whether it will be sustained. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

Our Shares could trade at prices that may be lower than the Offer Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to our Shares. There can be no assurance that the market for our Shares, if any, will not be subject to similar disruptions. Any disruption in such market may have a material and adverse effect on the holders of our Shares.

5.2.2 There may be a potential delay or failure of the Listing

The Listing may be potentially delayed or aborted upon the occurrence of certain events, including the following:

(i) we are unable to meet the public spread requirements as determined by Bursa Securities of having at least 25% of our Shares for which Listing is sought being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing; or

(ii) revocation of the approval of Bursa Securities for the Listing and/or admission to the Official List for whatever reason.

If the Listing is aborted, investors will not receive any Offer Shares and the Selling Shareholder will return in full, without interest, all monies paid in respect of any application for the Offer Shares. If any such monies are not returned in full within 14 days after the Selling Shareholder becomes liable to do so, the provision of sub-sections 243(2) and 243(6) of the CMSA shall apply accordingly.

5.2.3 We face the risk of our Underwriters terminating the Underwriting Agreement

The Underwriters may terminate the Underwriting Agreement upon the occurrence of any of the termination events set out in Section 4.13 of this Prospectus at any time before our listing on the Main Market. No assurance can be given that the Managing Underwriter or any of the Underwriters will not terminate the Underwriting Agreement if any of such situations occurs.

5.2.4 Our Share price and trading volume may be volatile

The market price of our Shares may fluctuate as a result of, among others, variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Offer Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to such fluctuations in the future.

5.2.5 We may not be able to pay dividends

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced. In addition, BNM's prior approval is required for the payment of dividends by our Company, MP Capital and MPIB pursuant to the condition imposed by MoF through BNM's letter dated 21 December 2012 (as varied by BNM's letter dated 20 March 2013). Please refer to Section 10.1.2 of this Prospectus for further details.

Any payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on our debt. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or may not be on favourable terms or at all. Further, in the event we incur new borrowings subsequent to the Listing, we may be subject to covenants restricting our ability to pay dividends.

We are an investment holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, and consequently an important factor to our ability to pay dividends on our Shares, is the dividends and other distributions that we may receive from our subsidiaries. Our subsidiaries' ability to pay dividends or make other distributions to us in the future is subject to them having sufficient funds and distributable profits after setting aside funds required for their operations, other obligations or business plans. Following the Debt Novation as set out in Section 6.2 of this Prospectus, there remains an amount of RM77.6 million owing by our Company to MP Capital, Kelana Megah and Mimaland. These amounts may be repaid by our Company following the declaration of dividends by MP Capital, Kelana Megah and Mimaland. In such an event, the amount of cash received by our Company from the dividends will be reduced by the amount owing to MP Capital, Kelana Megah and Mimaland until the entire amount of RM77.6 million has been repaid by our Company.

Besides that, our subsidiaries' ability to declare and pay dividends is subject to restrictions imposed on them in the financing facility agreements entered into between them and the respective financial institutions as well as BNM's prior approval for payment of dividends by MP Capital or MPIB. In addition, the ability of MPIB to pay dividends on its shares is also dependent on whether its CAR position is less than its internal target CAR level or if the payment of dividend would impair its CAR position to below its internal target as set out in Section 5.1.1 of this Prospectus. Further, as our Company is a shareholder of our operating companies, our claims as such will generally rank junior to all other creditors and claimants against our operating companies. In the event of an operating company's liquidation, there may not be sufficient assets for our Company to recoup our investment.

5.2.6 The sale or the possible sale of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares

Following the Offer for Sale and based on the Undertakings (excluding Excess Applications), approximately 32.9% of our issued and paid-up share capital will be held by the Promoters (other than the Selling Shareholder), and approximately 67.1% of our issued and paid-up share capital will be held by investors participating in our IPO. The Entitled Shareholders and/or their renouncees who apply for our Offer Shares will be able to trade on the Main Market without restriction immediately upon the Listing, save for the Promoters (other than the Selling Shareholder) whose shares are subject to a moratorium in accordance with the SC's requirements. It is also possible that the Promoters (other than the Selling Shareholder) and substantial shareholders may dispose of some or all of their Shares pursuant to their own investment objectives in the future. In addition, individual shareholders of our Company will have to reduce their Shares to a level of not more than 10.0% of our issued and paid-up share capital pursuant to the condition imposed by the MoF as set out in Section 10.1.2 of this Prospectus. If the Promoters (other than the Selling Shareholder) and/or substantial shareholders sell or are perceived as intending to sell a substantial number of our Shares, the market price for our Shares could be materially and adversely affected.

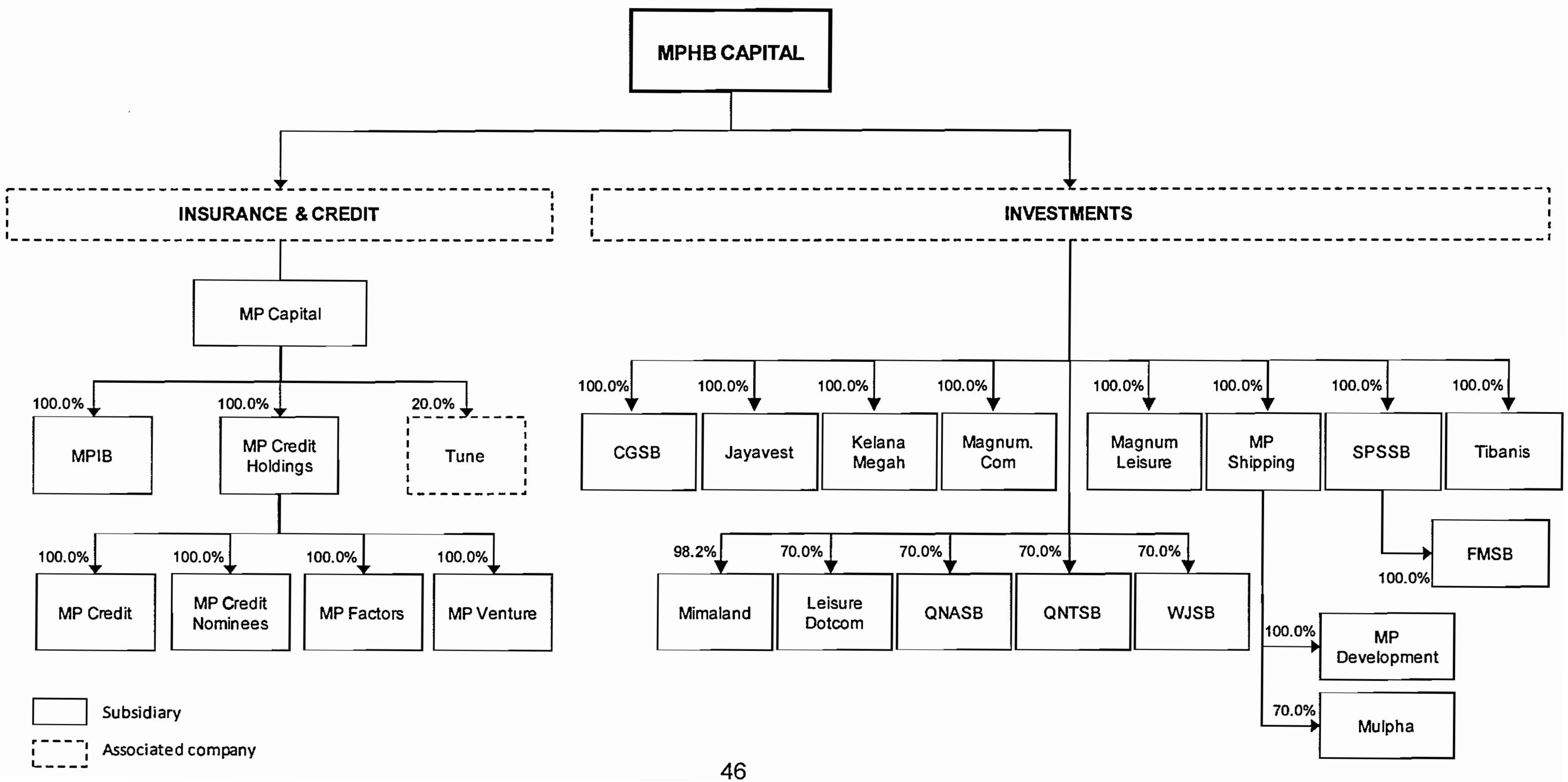
6. INFORMATION ON OUR GROUP

6.1 Our Company

Our Company was incorporated in Malaysia under the Act as a private company limited by shares on 17 July 2012 under the name of MPHB Capital Sdn Bhd. On 23 July 2012, our Company was converted to a public company limited by shares and assumed our present name.

We are principally an investment holding company whilst our subsidiaries are principally involved in general insurance business, credit business and investments.

Our Group structure, including our associated company (after completion of the Pre-IPO Reorganisation on 29 March 2013), is as follows:



6.2 Pre-IPO Reorganisation

On 15 August 2012 and 29 March 2013, our Company entered into share sale agreements with MPHB to acquire the following companies ("**Acquisitions**"):

Company	Ordinary share capital acquired[(1)]	Preference share capital acquired[(1)]	Purchase consideration	Satisfied via: No. of new Shares issued to MPHB	Satisfied via: Cash payable to MPHB
	%		RM 000	000	RM 000
CGSB	100.0	n.a.	[(2)]	[(3)]	-
Jayavest	100.0	n.a.	35,118	-	35,118
Kelana Megah	100.0	100.0	142,510	141,976	534
Magnum.Com	100.0	n.a.	30,036	30,036	-
Magnum Leisure	100.0	n.a.	40,874	40,874	-
MP Capital	100.0	n.a.	392,831	355,293	37,538
MP Shipping	100.0	n.a.	1,926	-	1,926
SPSSB	100.0	n.a.	75,746	-	75,746
Tibanis	100.0	2.0[(4)]	91,612	91,612	-
Mimaland	98.2	n.a.	94,711	55,209	39,502
Leisure Dotcom	70.0	n.a.	[(2)]	[(3)]	-
QNASB	70.0	n.a.	[(2)]	[(3)]	-
QNTSB	70.0	n.a.	[(2)]	[(3)]	-
WJSB	70.0	n.a.	[(2)]	[(3)]	-
Total			**905,364**	**715,000**	**190,364**

Notes:

(1) *Information on the number of ordinary shares and preference shares of the respective companies are set out in Section 6.4 of this Prospectus.*

(2) *Represents purchase consideration of RM2.00.*

(3) *Represents 2 new Shares issued.*

(4) *Represents 1 preference share held by MPHB prior to the Acquisitions out of the total of 51 preference shares. The remaining 50 preference shares are held by other third parties.*

n.a. *not applicable.*

The purchase consideration for the abovementioned companies were arrived at after taking into consideration, among others, the audited NA as at 31 December 2011 and the earnings potential of these companies and their subsidiaries.

In conjunction with the Acquisitions, MPHB had also entered into debt novation agreements whereby MPHB Capital had assumed from MPHB, the amounts owing by MPHB to MP Capital, Kelana Megah and Mimaland amounting to RM77.6 million in aggregate as at 30 June 2012 ("**Debt Novation**"). MPHB Capital had partly set-off the cash consideration due to MPHB of RM190.4 million arising from the Acquisitions against the amount due from MPHB pursuant to the Debt Novation of RM77.6 million. As a result, MPHB Capital owes MPHB a balance of RM112.8 million, which shall be payable within 18 months from the completion of the share sale agreements. The amount owing of RM112.8 million is intended to be paid using our Group's internally generated funds (for instance through realising the value of our investments in properties) and/or borrowings. Our Board will evaluate the various options available to us in ensuring that the repayment to MPHB is made without any material and adverse impact on our financial strength in the near future. For example, we can utilise some of the cash proceeds of RM115.0 million from the compulsory acquisition of our land bank in Pengerang, Kota Tinggi, Johor by the State Authority of Kota Tinggi, Johor. Following the Debt Novation, there is an amount of RM77.6 million owing by our Company to MP Capital, Kelana Megah and Mimaland. These amounts may be repaid by our Company following the declaration of dividends by MP Capital, Kelana Megah and Mimaland. In such an event, the amount of cash dividends received by our Company will be reduced by the amount owing to MP Capital, Kelana Megah and Mimaland until the entire amount of RM77.6 million has been repaid by our Company.

The Pre-IPO Reorganisation was completed on 29 March 2013.

6.3 Share capital

Our authorised share capital as at the LPD is RM1,000,000,000.00 comprising 1,000,000,000 Shares while our issued and paid-up ordinary share capital as at the LPD is RM715,000,000.00 comprising 715,000,000 Shares.

As at the LPD, neither our Company nor our subsidiaries and associated company has any outstanding warrant, options, convertible security or uncalled capital.

Details of the changes to our issued and paid-up share capital since our incorporation up to the LPD are as follows:

Date of allotment	No. of Shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
17.07.2012	2	1.00	Subscribers' shares (cash)	2.00
29.03.2013	714,999,998	1.00	Issued pursuant to the Acquisitions	715,000,000.00

6.4 Subsidiaries and associated company

As at the date of this Prospectus, our subsidiaries and associated company are as follows:

Name	Date and country of incorporation	Issued and paid-up share capital	Group's effective interest	Principal activities
		RM unless otherwise stated	%	
Subsidiaries				
Direct wholly-owned subsidiaries of MPHB Capital				
CGSB	21.11.2007 Malaysia	20.00	100.0	Investment holding
Jayavest	25.03.1981 Malaysia	50,000.00	100.0	Investment holding
Kelana Megah	22.05.1991 Malaysia	112,542,000.00*	100.0	Plantation and property holding
Magnum.Com	19.03.1997 Malaysia	34,296,002.00	100.0	Property investment
Magnum Leisure	27.01.1997 Malaysia	48,100,000.00	100.0	Operation of a hotel
MP Capital	09.04.1982 Malaysia	220,000,000.00	100.0	Investment holding
MP Shipping	08.03.1982 Malaysia	38,877,242.00	100.0	Investment holding and property investment
SPSSB	20.03.1972 Malaysia	47,936,000.00	100.0	Property investment and management and operation of hotel
Tibanis	02.01.2004 Malaysia	35,147,007.10*	100.0	Property investment
Direct partially-owned subsidiaries of MPHB Capital				
Mimaland	03.12.1971 Malaysia	48,750,000.00	98.2	Property investment
Leisure Dotcom	25.04.2000 Malaysia	100,000.00	70.0	Property investment
QNASB	17.11.1995 Malaysia	10.00	70.0	Property investment
QNTSB	13.05.1982 Malaysia	4,000.00	70.0	Property investment
WJSB	20.01.1972 Malaysia	200,000.00	70.0	Investment holding and property investment

Name	Date and country of incorporation	Issued and paid-up share capital	Group's effective interest	Principal activities
		RM unless otherwise stated	%	
Subsidiaries of MP Capital				
MP Credit Holdings	28.06.1995 Malaysia	15,000,002.00	100.0	Investment holding
MPIB	28.05.1973 Malaysia	100,000,000.00	100.0	General insurance business of all classes
Subsidiaries of MP Credit Holdings				
MP Credit	21.11.1978 Malaysia	15,000,000.00	100.0	Credit and leasing business, hire purchase and general loans financing
MP Credit Nominees	17.08.1994 Malaysia	2.00	100.0	Nominee services
MP Factors	03.05.1995 Malaysia	34,600,000.00	100.0	Business of factoring and property investment
MP Venture	14.09.1994 Malaysia	2.00	100.0	Dormant
Subsidiaries of MP Shipping				
MP Development	15.04.1977 Malaysia	1,154,506.00	100.0	Property development
Mulpha	03.06.1983 Malaysia	25,000.00	70.0	Property investment
Subsidiary of SPSSB				
FMSB	11.12.1993 Malaysia	100,000.00	100.0	Hotel management
Associated company				
Associated company of MP Capital				
Tune	27.03.2009 Malaysia	USD143,000.00	20.0	Reinsurance

Note:

* *Includes preference shares issued by the respective companies.*

The details of our subsidiaries and associated company are set out below:

6.4.1 Direct wholly-owned subsidiaries of MPHB Capital

(i) CGSB (Company No. 796653-M)

(a) History and business

CGSB was incorporated in Malaysia under the Act as a private limited company on 21 November 2007 under its present name and commenced its business on 28 April 2009.

As at the LPD, the principal activity of CGSB is investment holding. CGSB owns parcels of land in Kuala Lumpur. CGSB will continue to seek strategic partnerships with property developers to develop these parcels of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of CGSB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of CGSB as at the LPD is RM20.00 comprising 20 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of CGSB for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
20.04.2011	18	1.00	Cash, at RM1.00 per share	20.00

(c) Shareholder

As at the date of this Prospectus, CGSB is our wholly-owned subsidiary.

(d) Subsidiary or associated company

As at the LPD, CGSB does not have any subsidiary or associated company.

(ii) Jayavest (Company No. 68778-A)

(a) History and business

Jayavest was incorporated in Malaysia under the Act as a private limited company on 25 March 1981 under its present name and commenced its business in 1985.

As at the LPD, the principal activity of Jayavest is investment holding. Jayavest is the registered owner of the parcels of land in Minden Heights, Gelugor, Penang. It entered into a JV with PPM Realty Sdn Bhd for the development by PPM Realty Sdn Bhd of these parcels of land. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of Jayavest is RM20,000,000.00 comprising 20,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Jayavest as at the LPD is RM50,000.00 comprising 50,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of Jayavest for the 3 years preceding the LPD.

(c) Shareholder

As at the date of this Prospectus, Jayavest is our wholly-owned subsidiary.

(d) Subsidiary and associated company

As at the LPD, Jayavest does not have any subsidiary or associated company.

(iii) Kelana Megah (Company No. 217579-H)

(a) History and business

Kelana Megah was incorporated in Malaysia under the Act as a private limited company on 22 May 1991 under its present name and commenced its business in 1996.

As at the LPD, the principal activities of Kelana Megah are plantation and property holding. Kelana Megah owns plantation land in Johor, the operation of which is currently outsourced. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of Kelana Megah is RM200,000,000.00 comprising 195,000,000 ordinary shares of RM1.00 each and 5,000,000 preference shares of RM1.00 each. The issued and paid-up share capital of Kelana Megah as at the LPD is RM112,542,000.00 comprising 111,612,000 ordinary shares of RM1.00 each and 930,000 preference shares of RM1.00 each*.

Note:

* *The preference shares are Class 'A' 1.0% redeemable cumulative preference shares of RM1.00 each which were issued to MPHB which entitle the holder to a fixed cumulative preferential dividend at the rate of 1.0% per annum on the capital and are redeemable at any time by the company out of profits at RM100.00 per share.*

There has been no change to the issued and paid-up share capital of Kelana Megah for the 3 years preceding the LPD.

(c) Shareholder

As at the date of this Prospectus, Kelana Megah is our wholly-owned subsidiary.

(d) Subsidiary and associated company

As at the LPD, Kelana Megah does not have any subsidiary or associated company.

(iv) Magnum.Com (Company No. 423770-V)

(a) History and business

Magnum.Com was incorporated in Malaysia under the Act as a private limited company on 19 March 1997 under the name of Duta Cergas Sdn Bhd. It changed to its present name on 10 April 2000. It commenced business on 17 March 2004.

The principal activity of Magnum.Com is property investment. Magnum.Com owns parcels of land at the south west of Penang. It entered into a JV with Orion Vibrant Sdn Bhd ("**Orion**"), a wholly-owned subsidiary of BRDB, for the proposed development by Orion of these parcels of land into a residential development comprising bungalows, semi-detached houses and condominium. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of Magnum.Com is RM50,000,000.00 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Magnum.Com as at the LPD is RM34,296,002.00 comprising 34,296,002 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of Magnum.Com for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
03.05.2012	34,296,000	1.00	Cash, at RM1.00 per share	34,296,002.00

(c) **Shareholder**

As at the date of this Prospectus, Magnum.Com is our wholly-owned subsidiary.

(d) **Subsidiary and associated company**

As at the LPD, Magnum.Com does not have any subsidiary or associated company.

(v) **Magnum Leisure (Company No. 418682-V)**

(a) **History and business**

Magnum Leisure was incorporated in Malaysia under the Act as a private limited company on 27 January 1997 under the name of Syabas Jaguh Sdn Bhd. It changed to its present name on 31 March 1997. It commenced business on 11 August 2006.

The principal activity of Magnum Leisure is operation of a hotel. Magnum Leisure is the registered owner and operator of Hotel Flamingo by the beach, in Tanjong Bungah, Penang.

(b) Share capital

As at the LPD, the authorised share capital of Magnum Leisure is RM50,000,000.00 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Magnum Leisure as at the LPD is RM48,100,000.00 comprising 48,100,000 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of Magnum Leisure for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
03.05.2012	48,000,000	1.00	Cash, at RM1.00 per share	48,100,000.00

(c) Shareholder

As at the date of this Prospectus, Magnum Leisure is our wholly-owned subsidiary.

(d) Subsidiary and associated company

As at the LPD, Magnum Leisure does not have any subsidiary or associated company.

(vi) MP Capital (Company No. 83311-U)

(a) History and business

MP Capital was incorporated in Malaysia under the Act as a private limited company on 9 April 1982 under the name of Aslira Sdn Bhd. It changed its name to Mulpha Capital Holdings Sdn Bhd on 30 April 1985. It was subsequently converted to a public company on 7 April 1993 and further changed to its present name on 13 May 1993. It commenced business on 23 September 1982.

The principal activity of MP Capital is investment holding.

(b) Share capital

As at the LPD, the authorised share capital of MP Capital is RM1,000,000,000.00 comprising 1,000,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Capital as at the LPD is RM220,000,000.00 comprising 220,000,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Capital for the 3 years preceding the LPD.

(c) **Shareholder**

As at the date of this Prospectus, MP Capital is our wholly-owned subsidiary.

(d) **Subsidiaries and associated company**

As at the LPD, MP Capital has 2 wholly-owned subsidiaries, namely MPIB and MP Credit Holdings. As at the LPD, MP Capital also holds 20.0% of the issued and paid-up share capital in Tune.

(vii) **MP Shipping (Company No. 82073-X)**

(a) **History and business**

MP Shipping was incorporated in Malaysia under the Act as a public limited company on 8 March 1982 under its present name and commenced its business in 1984.

The principal activities of MP Shipping are investment holding and property investment. MP Shipping owns parcels of land at the south west of Penang. MP Shipping will continue to seek strategic partnerships with property developers to develop these parcels of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of MP Shipping is RM100,000,000.00 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Shipping as at the LPD is RM38,877,242.00 comprising 38,877,242 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Shipping for the 3 years preceding the LPD.

(c) **Shareholder**

As at the date of this Prospectus, MP Shipping is our wholly-owned subsidiary.

(d) **Subsidiaries and associated company**

As at the LPD, MP Shipping has 2 subsidiaries, namely Mulpha and MP Development. MP Shipping does not have any associated company as at the LPD.

(viii) SPSSB (Company No. 11920-A)

(a) History and business

SPSSB was incorporated in Malaysia under the Act as a private limited company on 20 March 1972 under the name of Sharikat Perniagaan Selangor Sdn Berhad. It changed to its present name on 24 January 1992. It commenced business on 1 March 1977.

As at the LPD, the principal activities of SPSSB are property investment and management and operation of a hotel. SPSSB is the registered owner and operator of Hotel Flamingo by the lake and Plaza Flamingo, an office building, both located in Ampang, Selangor. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of SPSSB is RM50,000,000.00 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of SPSSB as at the LPD is RM47,936,000.00 comprising 47,936,000 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of SPSSB for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
03.05.2012	45,936,000	1.00	Cash, at RM1.00 per share	47,936,000.00

(c) Shareholder

As at the date of this Prospectus, SPSSB is our wholly-owned subsidiary.

(d) Subsidiary and associated company

As at the LPD, SPSSB has a wholly-owned subsidiary, namely FMSB. SPSSB does not have any associated company as at the LPD.

(ix) Tibanis (Company No. 638536-A)

(a) History and business

Tibanis was incorporated in Malaysia under the Act as a private limited company on 2 January 2004 under its present name and commenced its business on 12 April 2004.

The principal activity of Tibanis is property investment. Tibanis owns parcels of land in the district of Gombak, Selangor. It entered into a JV with Pinggir Mentari Sdn Bhd, a wholly-owned subsidiary of BRDB, for the proposed development of these parcels of land. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of Tibanis is RM50,000,000.00 comprising 49,999,990 ordinary shares of RM1.00 each and 100 preference shares of RM0.10 each. The issued and paid-up share capital of Tibanis as at the LPD is RM35,147,007.10 comprising 35,147,002 ordinary shares of RM1.00 each and 51 preference shares of RM0.10 each*.

Note:

* *The preference shares are the Class 'A' 1.0% redeemable cumulative preference shares of RM0.10 each which entitle the holder to a fixed cumulative preferential dividend at the rate of 1.0% per annum on the capital and are redeemable at any time by the company out of profit at RM1.00 per share.*

Details of the changes to the issued and paid-up share capital of Tibanis for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
03.05.2012	35,147,000	1.00	Cash, at RM1.00 per share	35,147,007.10

(c) Shareholder

As at the date of this Prospectus, the entire ordinary shares of Tibanis are held by our Company. As at the LPD, the preference shares are held by 51 preference share holders, comprising 1 corporate preference share holder and 50 individual preference share holders.

(d) Subsidiary and associated company

As at the LPD, Tibanis does not have any subsidiary or associated company.

6.4.2 Direct partially-owned subsidiaries of MPHB Capital

(i) Mimaland (Company No. 11461-U)

(a) History and business

Mimaland was incorporated in Malaysia under the Act as a private limited company on 3 December 1971 under the name of Mimaland Sdn Berhad. It was converted to a public company on 2 December 1972 under its present name. It commenced business on 6 July 1975.

The principal activity of Mimaland is property investment. Mimaland owns parcels of land in Gombak, Selangor. It entered into a JV with Magna Senandung Sdn Bhd, a wholly-owned subsidiary of BRDB, for the proposed development by Magna Senandung Sdn Bhd of these parcels of land. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of Mimaland is RM50,000,000.00 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Mimaland as at the LPD is RM48,750,000.00 comprising 48,750,000 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of Mimaland for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
04.01.2011	33,750,000	1.00	Cash, at RM1.00 per share	48,750,000.00

(c) Shareholder

As at the date of this Prospectus, MPHB Capital owns 98.2% of the issued and paid-up share capital of Mimaland while the remaining 1.8% is held by 368 other shareholders, comprising 13 corporate shareholders and 355 individual shareholders.

(d) Subsidiary and associated company

As at the LPD, Mimaland does not have any subsidiary or associated company.

(ii) Leisure Dotcom (Company No. 512466-A)

(a) History and business

Leisure Dotcom was incorporated in Malaysia under the Act as a private limited company on 25 April 2000 under its present name and commenced its business on 21 June 2007.

The principal activity of Leisure Dotcom is property investment. Leisure Dotcom had on 21 June 2007 entered into a conditional sale and purchase agreement with Globesource Sdn Bhd to acquire a piece of freehold land and 2 leases in Kuala Lumpur ("**Properties**"). Leisure Dotcom commenced a legal proceeding at the High Court of Malaya at Kuala Lumpur against Globesource Sdn Bhd claiming for among others, specific performance for delivery of the Properties pursuant to the conditional sale and purchase agreement. Please refer to Section 15.5 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of Leisure Dotcom is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Leisure Dotcom as at the LPD is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of Leisure Dotcom for the 3 years preceding the LPD.

(c) Shareholders

As at the date of this Prospectus, MPHB Capital owns 70.0% of the issued and paid-up share capital of Leisure Dotcom while the remaining 30.0% is owned by ISM Sendirian Berhad ("**ISM**")*.

Note:

* *ISM was incorporated in Malaysia under the Act as a private limited company on 29 December 1983. Its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which RM350,000 are issued as fully paid-up. The principal activity of ISM is property investment. The directors and shareholders of ISM are Dato' Cheah Siong Lack @ Dato' Ray Cheah and Datin Teoh Lye Chan. ISM has no relationship with our Company, the Promoters and/or our substantial shareholders, other than being a shareholder of 30.0% of Leisure Dotcom, QNASB, QNTSB, WJSB and Mulpha.*

(d) Subsidiary and associated company

As at the LPD, Leisure Dotcom does not have any subsidiary or associated company.

(iii) **QNASB (Company No. 367638-A)**

(a) **History and business**

QNASB was incorporated in Malaysia under the Act as a private limited company on 17 November 1995 under its present name and commenced its business on 17 November 1995.

The principal activity of QNASB is property investment. QNASB owns a parcel of land in Kuala Lumpur. QNASB will continue to seek strategic partnerships with property developers to develop the parcel of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of QNASB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of QNASB as at the LPD is RM10.00 comprising 10 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of QNASB for the 3 years preceding the LPD.

(c) **Shareholder**

As at the date of this Prospectus, MPHB Capital owns 70.0% of the issued and paid-up share capital of QNASB while the remaining 30.0% is owned by ISM. Please refer to Section 6.4.2(ii)(c) of this Prospectus for further details of ISM.

(d) **Subsidiary and associated company**

As at the LPD, QNASB does not have any subsidiary or associated company.

(iv) **QNTSB (Company No. 84737-A)**

(a) **History and business**

QNTSB was incorporated in Malaysia under the Act as a private limited company on 13 May 1982 under the name of Queensway Nominees Sdn Bhd. It changed to its present name on 13 September 1995. It commenced business on 1 April 1983.

The principal activity of QNTSB is property investment. QNTSB owns parcels of land in Kuala Lumpur. QNTSB will continue to seek strategic partnerships with property developers to develop these parcels of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of QNTSB is RM25,000.00 comprising 25,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of QNTSB as at the LPD is RM4,000.00 comprising 4,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of QNTSB for the 3 years preceding the LPD.

(c) **Shareholder**

As at the date of this Prospectus, MPHB Capital owns 70.0% of the issued and paid-up share capital of QNTSB while the remaining 30.0% is owned by ISM. Please refer to Section 6.4.2(ii)(c) of this Prospectus for further details of ISM.

(d) **Subsidiary and associated company**

As at the LPD, QNTSB does not have any subsidiary or associated company.

(v) **WJSB (Company No. 11684-K)**

(a) **History and business**

WJSB was incorporated in Malaysia under the Act as a private limited company on 20 January 1972 under the name of Bovis Sdn Berhad. It changed its name to Bovis-Ene Sdn Bhd on 8 October 1973 and subsequently to its present name on 21 February 1981. It commenced business on 1 January 1974.

The principal activities of WJSB are investment holding and property investment. WJSB owns a parcel of land in Kuala Lumpur. WJSB will continue to seek strategic partnerships with property developers to develop the parcel of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of WJSB is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of WJSB as at the LPD is RM200,000.00 comprising 200,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of WJSB for the 3 years preceding the LPD.

(c) **Shareholder**

As at the date of this Prospectus, MPHB Capital owns 70.0% of the issued and paid-up share capital of WJSB while the remaining 30.0% is owned by ISM. Please refer to Section 6.4.2(ii)(c) of this Prospectus for further details of ISM.

(d) **Subsidiary and associated company**

As at the LPD, WJSB does not have any subsidiary or associated company.

6.4.3 Subsidiaries of MP Capital

(i) MP Credit Holdings (Company No. 348628-W)

(a) **History and business**

MP Credit Holdings was incorporated in Malaysia under the Act as a public limited company on 28 June 1995 under the name of Multi-Purpose Credit Holdings Berhad. It was converted to a private limited company on 22 August 1995 under its present name. It commenced business on 28 June 1995.

As at the LPD, the principal activity of MP Credit Holdings is investment holding.

(b) **Share capital**

As at the LPD, the authorised share capital of MP Credit Holdings is RM25,000,000.00 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Credit Holdings as at the LPD is RM15,000,002.00 comprising 15,000,002 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Credit Holdings for the 3 years preceding the LPD.

(c) **Shareholder**

As at the LPD, MP Credit Holdings is a wholly-owned subsidiary of MP Capital.

(d) **Subsidiaries and associated company**

As at the LPD, MP Credit Holdings has 4 wholly-owned subsidiaries, namely MP Credit, MP Credit Nominees, MP Factors and MP Venture. MP Credit Holdings does not have any associated company as at the LPD.

(ii) MPIB (Company No. 14730-X)

(a) History and business

MPIB was incorporated in Malaysia under the Act as a public limited company on 28 May 1973 under the name of KSM Insuran Berhad. It changed its name to Kompas Insurans Bhd on 7 September 1991 and further changed to its present name on 11 January 1995. It commenced business on 14 August 1973.

As at the LPD, the principal activity of MPIB is general insurance business of all classes.

(b) Share capital

As at the LPD, the authorised share capital of MPIB is RM100,000,000.00 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MPIB as at the LPD is RM100,000,000.00 comprising 100,000,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MPIB for the 3 years preceding the LPD.

(c) Shareholder

As at the LPD, MPIB is a wholly-owned subsidiary of MP Capital.

(d) Subsidiary and associated company

As at the LPD, MPIB does not have any subsidiary or associated company.

6.4.4 Subsidiaries of MP Credit Holdings

(i) MP Credit (Company No. 43310-W)

(a) History and business

MP Credit was incorporated in Malaysia under the Act as a private limited company on 21 November 1978 under the name of K.S.M. Credit & Leasing Sdn Bhd. It changed its name to KCB Credit & Leasing Sdn Bhd on 20 December 1990 and further changed its name to Multi-Purpose Credit & Leasing Sdn Bhd on 22 September 1993, before assuming its present name on 14 October 1994. It commenced business on 4 May 1979.

The principal activities of MP Credit are credit and leasing business, hire purchase and general loans financing.

(b) Share capital

As at the LPD, the authorised share capital of MP Credit is RM55,000,000.00 comprising 55,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Credit as at the LPD is RM15,000,000.00 comprising 15,000,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Credit for the 3 years preceding the LPD.

(c) Shareholder

As at the LPD, MP Credit is a wholly-owned subsidiary of MP Credit Holdings.

(d) Subsidiary and associated company

As at the LPD, MP Credit does not have any subsidiary or associated company.

(ii) MP Credit Nominees (Company No. 311917-X)

(a) History and business

MP Credit Nominees was incorporated in Malaysia under the Act as a private limited company on 17 August 1994 under the name of Potential Selection Sdn Bhd. It changed its name to Multi-Purpose Credit Nominees Sdn Bhd on 26 April 1995 and further changed to its present name on 15 September 1995. It commenced business on 31 October 1995.

The principal activity of MP Credit Nominees is nominee services.

(b) Share capital

As at the LPD, the authorised share capital of MP Credit Nominees is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Credit Nominees as at the LPD is RM2.00 comprising 2 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Credit Nominees for the 3 years preceding the LPD.

(c) Shareholder

As at the LPD, MP Credit Nominees is a wholly-owned subsidiary of MP Credit Holdings.

(d) Subsidiary and associated company

As at the LPD, MP Credit Nominees does not have any subsidiary or associated company.

(iii) MP Factors (Company No. 342341-H)

(a) History and business

MP Factors was incorporated in Malaysia under the Act as a private limited company on 3 May 1995 under the name of Constant Matrix Sdn Bhd. It changed to its present name on 4 July 1995. It commenced business on 31 October 1995.

The principal activities of MP Factors are business factoring and property investment. MP Factors owns parcels of land in Kuala Lumpur. MP Factors will continue to seek strategic partnerships with property developers to develop these parcels of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of MP Factors is RM50,000,000.00 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Factors as at the LPD is RM34,600,000 comprising 34,600,000 ordinary shares of RM1.00 each.

Details of the changes to the issued and paid-up share capital of MP Factors for the 3 years preceding the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Ordinary shares				
17.05.2012	19,600,000	1.00	Cash, at RM1.00 per share	34,600,000.00

(c) Shareholder

As at the LPD, MP Factors is a wholly-owned subsidiary of MP Credit Holdings.

(d) Subsidiary and associated company

As at the LPD, MP Factors does not have any subsidiary or associated company.

(iv) **MP Venture (Company No. 315749-P)**

(a) **History and business**

MP Venture was incorporated in Malaysia under the Act as a private limited company on 14 September 1994 under the name of Modern Venue Sdn Bhd. It changed to its present name on 5 January 1995. It commenced business on 14 April 1995.

As at the LPD, MP Venture is dormant. Our Board has not identified a business to be carried out by MP Venture.

(b) **Share capital**

As at the LPD, the authorised share capital of MP Venture is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Venture as at the LPD is RM2.00 comprising 2 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Venture for the 3 years preceding the LPD.

(c) **Shareholder**

As at the LPD, MP Venture is a wholly-owned subsidiary of MP Credit Holdings.

(d) **Subsidiary and associated company**

As at the LPD, MP Venture does not have any subsidiary or associated company.

6.4.5 Subsidiaries of MP Shipping

(i) **MP Development (Company No. 32312-U)**

(a) **History and business**

MP Development was incorporated in Malaysia under the Act as a private limited company on 15 April 1977 under the name of Multi-Purpose Development Sdn Bhd. It changed its name to Mulpha Tapah Maritime Carriers Sdn Bhd on 23 December 1988 and further changed to its present name on 6 July 2007. It commenced business in June 1988.

As at the LPD, the principal activity of MP Development is property development. MP Development is the registered owner of the parcels of land in Paya Terubong, Penang. It entered into a JV with Jiran Cergas Sdn Bhd for the development by Jiran Cergas Sdn Bhd of these parcels of land. The said development has been completed and the receipt of our entitlement pursuant to the terms of the JV is pending the release of the remaining sale proceeds. These sale proceeds are currently held by a stakeholder pursuant to the terms of the sale and purchase agreement entered into by MP Development (as the landowner) and Jiran Cergas Sdn Bhd (as the developer) with buyers of the properties contained in the said development. Please refer to Section 7.3 of this Prospectus for further details.

(b) Share capital

As at the LPD, the authorised share capital of MP Development is RM10,000,000.00 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MP Development as at the LPD is RM1,154,506.00 comprising 1,154,506 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of MP Development for the 3 years preceding the LPD.

(c) Shareholder

As at the LPD, MP Development is a wholly-owned subsidiary of MP Shipping.

(d) Subsidiary and associated company

As at the LPD, MP Development does not have any subsidiary or associated company.

(ii) Mulpha (Company No. 102146-K)

(a) History and business

Mulpha was incorporated in Malaysia under the Act as a private limited company on 3 June 1983 under the name of Multi-Purpose Hotels & Resort Development Sdn Bhd. It changed to its present name on 19 December 1988. It commenced business in July 1988.

As at the LPD, the principal activity of Mulpha is property investment. Mulpha owns parcels of land in Kuala Lumpur. Mulpha will continue to seek strategic partnerships with property developers to develop these parcels of land. In addition, it may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of its existing land bank. Please refer to Section 7.3 of this Prospectus for further details.

(b) **Share capital**

As at the LPD, the authorised share capital of Mulpha is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Mulpha as at the LPD is RM25,000.00 comprising 25,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of Mulpha for the 3 years preceding the LPD.

(c) **Shareholder**

As at the LPD, MP Shipping owns 70.0% of the issued and paid-up share capital of Mulpha while the remaining 30.0% is owned by ISM. Please refer to Section 6.4.2(ii)(c) of this Prospectus for further details of ISM.

(d) **Subsidiary and associated company**

As at the LPD, Mulpha does not have any subsidiary or associated company.

6.4.6 Subsidiary of SPSSB

FMSB (Company No. 283940-H)

(i) **History and business**

FMSB was incorporated in Malaysia under the Act as a private limited company on 11 December 1993 under the name of City Calibre Sdn Bhd. It changed its name to Tasek Ampang Hotel Sdn Bhd on 3 January 1994 and further changed to its present name on 4 October 2007. It commenced business on 1 January 1995.

As at the LPD, the principal activity of FMSB is hotel management.

(ii) **Share capital**

As at the LPD, the authorised share capital of FMSB is RM500,000.00 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of FMSB as at the LPD is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each.

There has been no change to the issued and paid-up share capital of FMSB for the 3 years preceding the LPD.

(iii) **Shareholder**

As at the LPD, FMSB is a wholly-owned subsidiary of SPSSB.

(iv) **Subsidiary and associated company**

As at the LPD, FMSB does not have any subsidiary or associated company.

6.4.7 Associated company of MP Capital

Tune (Company No. LL06997)

(i) History and business

Tune was incorporated in Malaysia under the Labuan Companies Act, 1990 as a private limited company on 27 March 2009 under its present name. It commenced business on 28 April 2009. Our subsidiary, MPIB, had provided accounting and record keeping support services to Tune from 2009 to June 2012.

As at the LPD, the principal activity of Tune is provision of reinsurance.

(ii) Share capital

Under the Labuan Companies Act, 1990, there is no requirement for a Labuan company to have an authorised share capital and par value for its shares. The issued and paid-up share capital of Tune as at the LPD is USD143,000.00 comprising 143,000 ordinary shares.

There has been no change to the issued and paid-up share capital of Tune for the 3 years preceding the LPD.

(iii) Shareholder

As at the LPD, MP Capital owns 20.0% of the issued and paid-up share capital of Tune while the remaining 80.0% is held by Tune Ins Holdings Berhad (formerly known as Tune Ins Holdings Sdn Bhd).

(iv) Subsidiary and associated company

As at the LPD, Tune does not have any subsidiary or associated company.

7. BUSINESS OVERVIEW

7.1 History and overview

Our Group is predominantly involved in the business of underwriting all classes of general insurance. We also have a credit business and investment in properties in locations such as Kuala Lumpur, Selangor, Penang and Johor with a total land area of 2,727.1 acres which include 2 hotels, namely, Hotel Flamingo by the beach and Hotel Flamingo by the lake, which are located in Penang and Selangor respectively.

The contribution of our businesses to our combined revenue and operating profit for the year ended 31 December 2012 is summarised as follows:

	Main business		Other undertakings			
	General insurance		Investments		Credit business	
	31 December 2012					
	RM 000 except percentages					
Revenue	247,220	75.9%	75,996	23.3%	2,386[(1)]	0.7%
Operating profit	60,016	68.8%	23,317	26.8%	3,850[(1)]	4.4%

Note:

(1) Comprises the MP Capital group excluding MPIB.

The net assets attributed to our general insurance business, investments and credit business as at 31 December 2012 (excluding investments in an associated company and unallocated corporate assets and liabilities) were RM280.1 million, RM619.5 million and RM183.4 million respectively.

Within our general insurance business, the fire and motor classes contributed 47.1% of our gross premiums for the year ended 31 December 2012. We derive returns on our investment in properties from our 4 ongoing JVs with property developers involving 682.2 acres of land, operation of 2 hotels, letting of an office building and profit sharing partnership with a third party operator for oil palm plantation operations in Johor. Our credit operations involve the provision of credit services such as term loan, project financing, hire purchase and other forms of credit.

Our businesses currently form part of the MPHB Group. On 23 May 2012, MPHB announced a proposal which includes the Pre-IPO Reorganisation and this Offer for Sale, to demerge the MPHB Group into 2 listed entities ("**Demerger**"). The Demerger is intended to, among others, improve the operational and financial efficiency of its businesses. The resulting groups are the post-demerger MPHB Group, which would be substantially involved in the gaming business and our Group. Whilst underwriting of all classes of general insurance is our main business, we believe that it may be more relevant and appropriate that investment in properties form part of our Group as opposed to the MPHB Group which is intended to be a gaming business after the Demerger. This is particularly so as the ownership of some of the properties arose from our credit business. The Demerger was approved by the shareholders of MPHB on 5 December 2012 and the Pre-IPO Reorganisation was completed on 29 March 2013. The Demerger is intended to allow our Group to pursue business strategies that are appropriate for our Group while enhancing the profile of our Company. Upon completion of the IPO, we will have our own Board and management team whose focus is to grow our businesses. We would also be able to directly access the equity capital market in the future which would provide us with the financial flexibility to pursue growth opportunities.

Under the Pre-IPO Reorganisation, our Company acquired our businesses from the MPHB Group. Following the completion of the Offer for Sale, the MPHB Group would have disposed of our Group and we will be separate from the MPHB Group.

7.2 Our insurance business

7.2.1 History

The history of our insurance business can be traced back to 1973 when MPIB (then known as KSM Insuran Bhd) was incorporated to primarily provide in-house general insurance services to the then MPHB Group. MPIB had then been issued a licence under the Insurance Act 1963 to underwrite general insurance products. MPIB was subsequently granted a general insurer's licence by the MoF under the Insurance Act (which repealed and replaced the Insurance Act 1963) on 27 June 1997 and was then involved in the underwriting of all classes of general insurance products and their distribution and marketing, through its distribution network. Following a restructuring of the MPHB Group in 2000 which scaled down the size of the group, the extent of general insurance services required of MPIB by the MPHB Group was correspondingly reduced. It was then decided by MPHB that MPIB should focus its general insurance business outside of the MPHB Group and to make that its core business. This culminated in a substantially new management team for MPIB in 2002.

The table below sets out the transformation of MPIB since the entry of its new management team in 2002 up to 2012:

	As at 31 December		
	2002		**2012**
Gross premiums	RM96.9 million	»	RM505.4 million
Market ranking of general insurance companies by gross direct premiums	26th out of 43 companies	»	13th out of 26 companies
Number of branches	4	»	12
Number of staff	212	»	461
Number of agents	236	»	1,120

The early development strategy adopted by MPIB in offering general insurance services outside of the MPHB Group in the Malaysian market was to focus on the business contacts of the then MPHB Group. Its objective at that time was to target corporate customers given its limited scale and resources. This enabled higher aggregate premiums to be derived from a smaller customer base with less resources being expended to service customers as compared to having to build a business with retail customers.

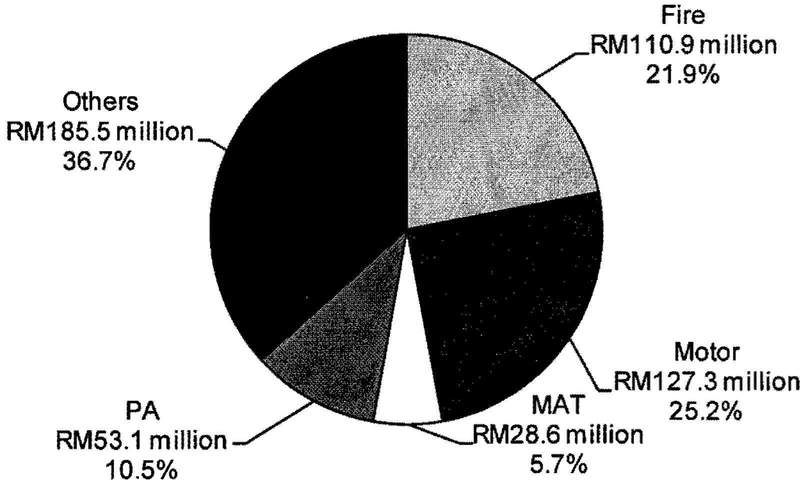
In 2003, we began expanding our business and introduced our personal line products such as Multi-PA Premier, Multi-PA Protector, Multi-Drive Protector, Multi-Medical Protector and Multi-Medi Plus. In addition, our commercial partnership with AirAsia began in February 2009. Under the partnership, we were the sole underwriter in Malaysia of the AirAsia travel personal accident insurance programme which offered PA products to passengers of AirAsia and this accelerated our retail customer base expansion. Although our partnership with AirAsia has ended on 3 September 2012, we have since leveraged on our experience from the said partnership to develop new retail oriented schemes that we view as having growth potential. These include schemes for golfers, association members, foreign workers as well as extension of the warranty period for certain products such as electrical/electronic appliances and motorcycles which we refer to as "extended warranty". Through our partnership with AirAsia, we have also built on our use of the internet as a distribution platform, which we plan to continue using to distribute our products.

The key milestones for our insurance business are as follows:

Year	Key milestones
1973	• MPIB was incorporated under the name of KSM Insuran Berhad which was granted a licence under the Insurance Act 1963 to underwrite general insurance products.
1979	• Our general insurance business opened its first branch in Ipoh, Perak.
1995	• Kompas Insurans Bhd was renamed under its present name. • Our credit business was acquired by MP Capital.
1997	• MPIB was granted a general insurer's licence under the Insurance Act by the MoF to carry out general insurance business.
2000	• MPHB Group implemented an internal restructuring which saw the entry of new major shareholders which included Tan Sri Dato' Surin.
2002	• MPIB shifted its focus to beyond the MPHB Group.
2003	• MPIB was selected to participate in the Petronas oil and gas insurance programme which covers off-shore and on-shore project assets as well as liability risks.
2011	• MPIB entered into a 'bancassurance' arrangement with Alliance Bank Malaysia Berhad to sell its insurance products and schemes to Alliance Bank Malaysia Berhad's customers.
2012	• MPIB was appointed as an insurance provider by POS Malaysia, the country's provider of mail services, that has an extensive network of more than 700 post offices and 300 POS-Mini outlets nationwide.
2013	• Pursuant to the Pre-IPO Reorganisation, the general insurance and credit businesses as well as the property related investments of MPHB were consolidated under our Company.

7.2.2 Insurance classes and customers

Our general insurance products include fire, motor, MAT, PA and other insurance policies. For the year ended 31 December 2012, the contribution by the respective classes of our insurance products to our total gross premiums are as follows:



For the year ended 31 December 2012, our total net earned premium of RM247.2 million represents 75.9% of our combined revenue, and comprises contribution from the fire class (18.2%), motor class (45.5%), PA class (6.6%), MAT class (3.7%) and other insurance classes (26.0%).

We believe that our diversified product portfolio enables us to capture demand from various segments, ranging from the mass market to high net worth individuals as well as from small companies to large multi-national companies.

An overview of the insurance products offered by us is set out below:

Fire

Our fire insurance policies cover against losses or damages to property due to an occurrence of a fire or lightning or explosion caused by gas used for domestic purposes. The policies may also be extended to cover against damages resulting from riot, strikes, malicious damages, subsidence and landslip.

The gross premiums recorded by us from the fire class grew from RM74.3 million for the year ended 31 December 2009 to RM102.9 million for the year ended 31 December 2011, which represents a CAGR of 17.7%.

Over the same period, the gross premiums recorded by the fire class in Malaysia grew from RM2.0 billion to RM2.2 billion, which represents a CAGR of 4.9% (*Source: Independent Market Research report by Frost & Sullivan*).

Motor

Our motor insurance policies provide financial protection against physical damage or loss to the policyholders' own motor vehicles as a result of accidental collision, overturning, impact damage, fire, theft, malicious damage and other accidental occurrences resulting from traffic accidents and/or bodily injury and property damage to third parties arising out of an accidental collision. The types of coverage provided are comprehensive, third party, and third party fire and theft. Motor vehicles covered by us include cars, motorcycles, omnibuses and lorries.

To increase the scope of coverage of these products, we also offer a range of riders which include coverage for legal liability to passengers, windscreen damage, vehicle accessories, flood, windstorm, landslip, strike, riot and civil commotion.

The gross premiums recorded by us from the motor class grew from RM95.2 million for the year ended 31 December 2009 to RM112.8 million for the year ended 31 December 2011, which represents a CAGR of 8.9%.

The increase was in line with the growth from the motor class in Malaysia whereby over the same period, the gross premiums recorded by the motor class in Malaysia grew from RM5.3 billion to RM6.3 billion, which represents a CAGR of 9.0% (*Source: Independent Market Research report by Frost & Sullivan*).

Additionally, we also derive income as a servicing insurer for the MMIP. The MMIP refers to a pooling arrangement between general insurance companies operating in Malaysia that underwrites insurance cover for vehicles whose owners are unable to obtain coverage from any individual insurer. These insurers jointly share losses incurred by the MMIP. Motor cover from the MMIP may be obtained from any general insurer or their branches as well as from POS Malaysia branches within Malaysia. As a servicing insurer, MPIB issues policies and settles claims on behalf of the MMIP. The income that we generated as a servicing insurer for the MMIP grew from RM3.6 million for the year ended 31 December 2009 to RM9.0 million for the year ended 31 December 2011 representing a CAGR of 58.1%.

PA

PA insurance is one of the common personal lines of insurance and can be segmented into individual PA, group PA, travel PA and driver and passengers PA. PA products basically cover an insured person against death, injury or disability caused by violence or accident.

Our ability to identify and respond quickly to market trends have also allowed us to enter niche markets through the introduction of new insurance products such as schemes for association members. PA for association members covers an insured person against death, injury or disability caused by violence or accident.

The gross premiums recorded by us from the PA class increased from RM60.8 million for the year ended 31 December 2009 to RM87.7 million for the year ended 31 December 2011, which represents a CAGR of 20.1%.

Over the same period, the gross premiums recorded by us from the PA and medical classes increased from RM79.1 million to RM111.6 million, which represents a CAGR of 18.8% (The gross premiums from our medical class have been included to facilitate comparison against the industry below).

The gross premiums for the PA and medical classes in Malaysia grew from RM1.5 billion in 2009 to RM1.9 billion in 2011, which represents a CAGR of 12.5% (*Source: Independent Market Research report by Frost & Sullivan*).

MAT

Under the MAT class, we predominantly offer cargo insurance policies which indemnifies the policyholder against the loss of cargo during transit, usually on a warehouse (of departure) to a warehouse (of arrival) basis caused by events specified in the policies. The insurance policy covers various modes of shipment including air, sea and inland transit.

The gross premiums recorded by us from the MAT class reduced from RM30.2 million for the year ended 31 December 2009 to RM16.7 million for the year ended 31 December 2011, which represents a compounded annual decline rate of 34.5%. The decline was mainly due to the non-renewal of some large aviation and marine hull insurance which were underwritten in 2009.

Over the same period, the gross premiums recorded by the MAT class in Malaysia grew from RM1.2 billion to RM1.4 billion, which represents a CAGR of 8.0% (*Source: Independent Market Research report by Frost & Sullivan*).

Other insurance

We also offer other types of general insurance policies such as medical, workmen's compensation, employer's liability, extended warranty, contractor's all risks, bonds, oil and gas, and liability insurance.

Our medical insurance product, Multi-Medical Protector, is a specially tailored hospital and surgical insurance which provides a range of coverage for surgery or treatment in hospitals for all the covered conditions, regardless whether it is a minor or major disability. In addition, it comes with a medical card that provides hospital admission in participating hospitals.

Workmen's compensation insurance policies indemnify the insured against all personal injury sustained by accident or disease arising out of and in the course of his employment. Employer's liability insurance covers the liability of an employer if an employee is injured in the course of his or her employment.

Contractor's all risks insurance policies are designed to cover engineering projects involving construction of buildings and other civil engineering works against material damage and third party liability. Bonds are insurance guarantees issued by us to a principal party to guarantee the performance of a contract or project by a contractor. Oil and gas insurance products cover the insured against damage to or loss of physical assets such as floating production facilities, sub-sea equipment, pipelines and supply vessels.

We also offer golfers and foreign workers schemes. The golfers scheme covers injury or damage to person or property caused by the insured whilst playing or practicing on the golf course. The foreign workers scheme covers foreign workers employed by the insured against any personal injury caused by accidents or disease in the course of his employment.

Our insurance products include the following:

Insurance products	General description
Fire	• Houseowner and householder insurance • Fire and fire consequential loss insurance • Industrial all risks insurance
Motor	• Private car insurance • Commercial vehicle insurance • Motorcycle insurance
MAT	• Goods in transit • Freight forwarders scheme • Marine cargo • Marine hull • Aviation
PA	• Multi-PA Protector • Multi-Drive Protector • Multi-PA Premier • Travel PA insurance • The Gladiator • MPI Active Shield Plan • MPI Family Accident Protector Plan • MPIB Super Shield Plan • Group PA • Multi Lucky PA @ Multi Family Care
Others	• Multi-Medical Protector • Multi-Medi Plus • MPI Hospital Income Plan • MPIB Hospital Income Plan • Employer's liability • Fidelity guarantee • Machine & equipment • Burglary • Money • Heavy equipment • Public liability • Foreign workers compensation • Immigration bond for foreign workers • Contractor's all risks • Product liability • Lawyers' professional indemnity • Workmen's compensation bond • Golfers scheme • Extended warranty

Additionally, we provide value added services such as road side assistance to our motor policyholders, technical advice on the insurance needs of our customers and risk management programmes to assist our customers to better manage their risks.

In addition, we believe in being "customer centric" where customer relationship is viewed as a very important asset. This has been instrumental in driving our growth thus far whereby a large part of our business has been contributed by our corporate accounts which include large local and government-linked corporations in various industries including oil and gas, power, real estate and construction. With our expansion into the retail insurance market, we have intensified our efforts in training our agents and business partners to develop stronger customer relationships and to deliver quality, efficient and timely service to our customers.

The contribution of our corporate accounts and retail accounts to our gross premiums for the years ended 31 December 2010, 2011 and 2012 are as follows:

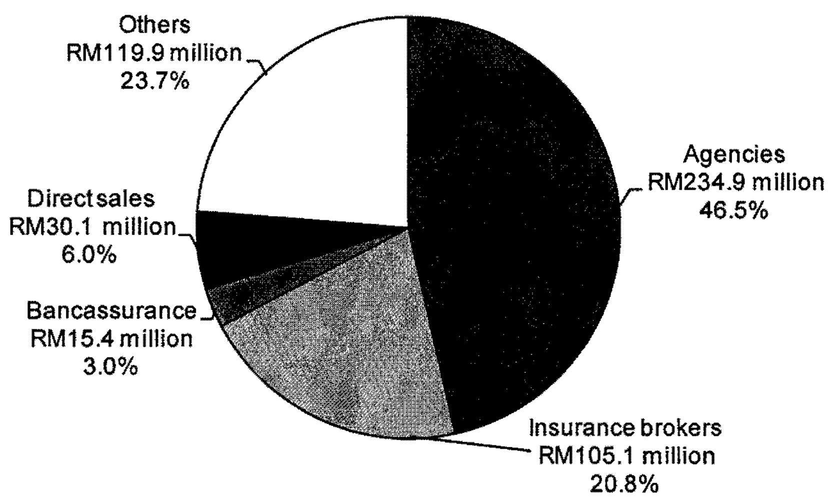
	Year ended 31 December					
	2010		2011		2012	
	RM 000 except for percentages					
Corporate	355,196	80.6%	390,413	81.7%	409,448	81.0%
Retail	85,586	19.4%	87,471	18.3%	95,936	19.0%

The decline in contribution from retail accounts as compared to corporate accounts for the year ended 31 December 2011 was partly due to our decision to manage our exposure to risks in certain segments within the motor class which is currently the largest contributor to our retail accounts. The increase in contribution from retail accounts as compared to corporate accounts for the year ended 31 December 2012 was mainly due to the increase in the number of motor policies sold as a result of our enhanced distribution capability through our appointment by POS Malaysia.

7.2.3 Distribution channels

We have a wide range of distribution channels which include agencies, insurance brokers, bancassurance, partnership with POS Malaysia (through its outlets), franchise holders and dealers and direct sales.

The contribution by distribution channels to our gross premiums for the year ended 31 December 2012 is as follows:



Agencies

An insurance agent is a person who acts for the insurer in soliciting, negotiating and procuring the issuance, renewal or continuance of a policy. Insurance agents include individual insurance agents and corporate agencies who promote and sell our insurance products for a commission but do not make underwriting decisions on our behalf.

Agencies are one of our most important distribution channels in terms of gross premium contribution. As at the LPD, we have an agency force of over 1,100 agents who are located across Malaysia. Our agents actively promote our insurance products in the market with the objective of increasing the awareness of our insurance products to prospective corporate and retail (individual) customers. At the same time, our agents are also responsible for building and maintaining relationships with our customer base. We target to grow our agency force by 10.0% annually for the next 3 years to boost our market penetration.

Insurance brokers

Insurance brokers are essentially independent contractors who are appointed by policyholders to solicit, negotiate or procure or renew a policy from an insurer.

Insurance brokers are an important distribution channel for us in terms of gross premiums contribution. As at the LPD, we maintain relationships with over 30 insurance brokers which include AON Insurance Brokers (M) Sdn Bhd, CIMB Insurance Brokers Sdn Bhd, Antah Insurance Brokers Sdn Bhd, Tradewinds International Insurance Brokers Sdn Bhd and MIT Insurance Brokers Sdn Bhd. For the year ended 31 December 2012, our top 5 insurance brokers contributed 57.0% of the total gross premiums from this distribution channel.

Direct sales

Our direct sales channel mainly comprises business that are developed by our own staff who are based at our head office in Kuala Lumpur and 12 branches which are located in major towns and cities within Peninsular and East Malaysia, namely in Klang, Penang, Kota Bahru, Ipoh, Johor Bahru, Kuantan, Malacca, Alor Setar, Kuching, Sibu, Kota Kinabalu and Sandakan. Our staff tap into and develop new business directly from corporate clients ranging from large corporate, small and medium sized industries and enterprises as well as individual customers. Our network of branches across Malaysia also allows us to tap into and service all walk-in customers who are seeking insurance coverage.

Bancassurance

Bancassurance broadly refers to the collaboration between banks and insurers to distribute insurance products to bank customers.

In 2011, we entered into a 'bancassurance' arrangement with Alliance Bank Malaysia Berhad to sell our insurance products to Alliance Bank Malaysia Berhad's customers. Financial institutions, such as Alliance Bank Malaysia Berhad, possess a strong database of individuals and corporate customers, which we may leverage on. Moreover, Alliance Bank Malaysia Berhad has about 88 branches throughout Malaysia as at the LPD, which provide an avenue for us to widen our reach in the Malaysian insurance market.

In addition, we have been a panel insurer of Bank of China (Malaysia) Berhad and India International Bank Malaysia Berhad since 2011 and 2012 respectively. As a panel insurer, we are allowed to provide insurance coverage for items that are required to be insured by a borrower pursuant to the terms of a credit facility granted by the abovementioned banks such as properties, motor vehicles and equipment.

Other distribution channels

Our other distribution channels include franchise holders, other financial institutions and corporate partnerships.

In February 2012, we were appointed as an insurance provider by POS Malaysia, the country's provider of mail services with a network of more than 700 post offices and 300 POS-Mini outlets nationwide. Under this arrangement, we offer our motor insurance and personal line products as well as renewal of such policies through post offices throughout the country. This enhances our reach to customers in both the urban and sub-urban areas of Malaysia.

We also have existing agreements with the franchise holders of Perodua and another local car manufacturer under which we offer our motor insurance products to new car buyers. The gross premiums contributed by the Perodua franchise holder for the years ended 31 December 2010, 2011 and 2012 were RM2.6 million, RM2.4 million and RM2.6 million respectively. The gross premiums contributed by the franchise holders of another local car manufacturer following our signing of the agreements with them in August 2011 and March 2012 were RM0.9 million for the year ended 31 December 2012.

In addition to directly underwriting insurance policies from the end consumer, we also underwrite insurance risks which are ceded to us by other insurers. We refer to this as inward reinsurance.

Our multi-channel network has allowed us to extend our market reach as well as enabled us to reinforce our presence in the insurance industry and capture the growing demand for insurance products in Malaysia.

7.2.4 Underwriting of insurance policies

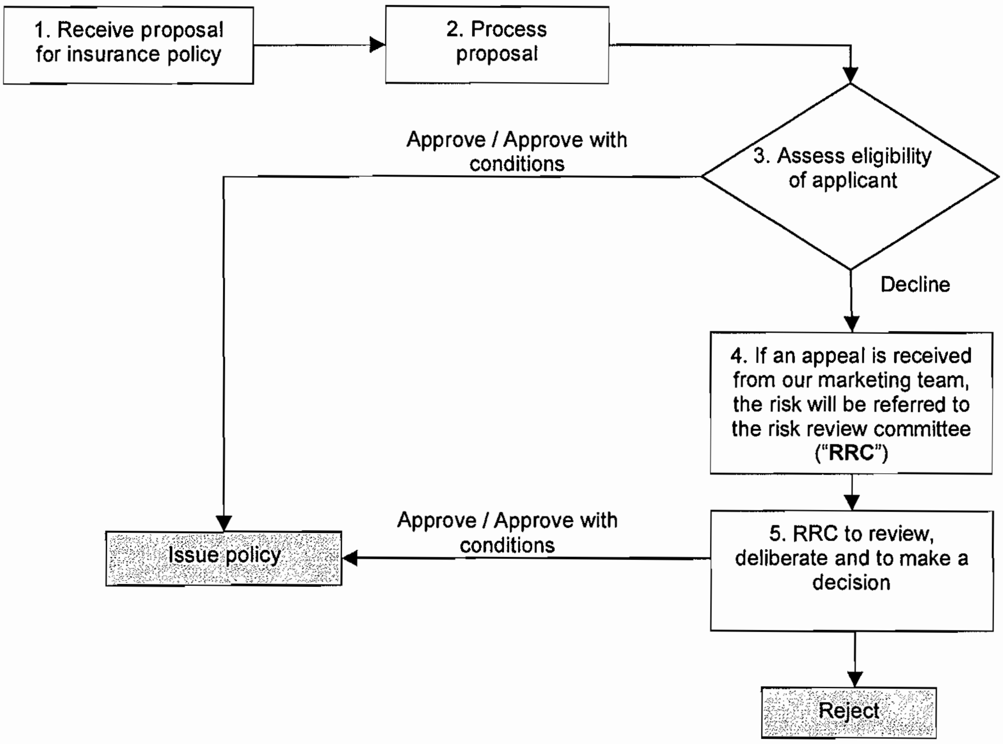
Underwriting refers to a process of assessing an insurance risk in order to decide whether to accept such risk and the terms and conditions on which the risks may be accepted.

We have a centralised control structure which includes a multi-levelled authorisation system and operating procedures for our underwriting operations. Depending on the type and amount of risk involved, underwriting decisions are made by underwriters based at the head office and the relevant branches, in accordance with their authorisation level. The underwriting authority for each underwriting personnel is reviewed, evaluated and adjusted, from time to time, based on their work experience and performance.

In cases involving underwriting of policies which are substantial, underwriting decisions are made through our risk review committee, which consists of the various portfolio heads. Major underwriting policies can only be issued after our reinsurance department has arranged for the appropriate reinsurance for the policy.

We have determined different underwriting guidelines for different lines of insurance products and review those guidelines as our business develops. Our underwriting personnel may also conduct site visits prior to making underwriting decisions, typically where the underwriting commitments are substantial or of a high risk nature.

Our underwriting process flow is illustrated below:



Our underwriting process entails the evaluation of proposals for our insurance products by our team of underwriters and the RRC, where required, who will determine the type and the amount of risk that we are willing to accept as well as the premiums to be charged. The steps involved in underwriting are set out below:

1. Once a proposal is received from applicants, the underwriters will assess and decide whether or not to accept the risks against our underwriting guidelines. The underwriter may make a request for more information or to seek further clarification on the information provided.

2. Thereafter:

   (i) If a proposal is accepted by the underwriters after assessing the risks, a policy will be issued on terms and conditions agreed with the policyholder; or

(ii) If a proposal is rejected by the underwriters and an appeal is received from our marketing team, the appeal will be forwarded to the RRC for a decision. The RRC may:

- Approve the appeal and a policy will be issued;
- Approve the appeal with attached conditions and a policy will be issued reflecting those conditions; or
- Reject the appeal.

7.2.5 Reinsurance

In order to manage and reduce the exposure to potential claims and to increase our underwriting capacity, we reinsure a portion of the risk that we assume under the insurance policies that we underwrite and cede part of the premiums that we receive to the reinsurers.

There are two methods of reinsurance that we use i.e. treaty and facultative reinsurance.

Our reinsurance treaty programmes provide us with automatic coverage against a pre-determined class of insurance and up to a maximum limit agreed under the treaty. These treaties are arranged with a tenure of 1 year and are entered into at the beginning of each year with a panel of reinsurers who participate by taking a certain percentage share of the treaty. These treaty programmes allow us to cede the portion of the risks that exceeds our limit of retention to the treaty reinsurers. The reinsurers are bound under the treaties to offer us their reinsurance protection for all risks that we have ceded within the scope of the treaty.

Our facultative reinsurance contracts are placed separately for each insurance policy that is reinsured. We normally enter into facultative reinsurance contracts for insurance policies underwritten by us that are not covered by our reinsurance treaty programmes or where we have exceeded the limit of our reinsurance treaty programmes.

Our facultative and treaty reinsurance contracts can be either proportional or non-proportional in nature. In proportional reinsurance contracts, the reinsurers will share on a proportionate basis the premium, commission and claims. On the other hand, under non-proportional reinsurance contracts, the reinsurers will be paid a lump sum premium for a period of 1 year and they will only be called upon to pay claims if such claims exceed the pre-determined amount agreed between us and the reinsurers under the non-proportional reinsurance contracts. Such situations normally arise when there is an occurrence of a catastrophic risk event such as floods or major fires which spread to neighbouring properties thus resulting in an accumulation of losses from various policies.

Our treaty reinsurance programmes are structured to meet the following objectives:

(i) to support our business development initiatives by enabling us to underwrite a broader range of insurance risks without unduly exposing our capital base;

(ii) to manage our exposure from catastrophic events or unforeseen accumulation of risks; and

(iii) to optimise the retention of risks that are within our risk appetite and to spread the balance to reinsurers.

We determine the amount of insurance risk that we intend to retain and the coverage limit under our reinsurance agreements based on a combination of factors namely our financial strength, the size of premium for that class of business, risk profile of the subject covered by the policy, our risk appetite, claims history of the different types of general insurance products and the cost for the treaty programme.

For insurance products with high risk concentration, such as special risk insurance and hull insurance products, we generally reinsure our risk exposure in excess of a certain insured amount or loss amount.

For insurance products with high loss event exposure, we enter into catastrophe excess of loss reinsurance treaties to limit our potential losses within acceptable parameters. Catastrophe excess of loss reinsurance treaty is a treaty that is intended to protect us against any major financial losses which arise from a catastrophic risk event and where the loss exceeds a fixed amount that has been agreed with the treaty reinsurers. Major catastrophic events which usually occur include flood, windstorm and fire. For such events, all the claims/losses insured by us will be accumulated and we will only bear the loss amount of up to a fixed amount beyond which we will recover from the treaty reinsurers up to the treaty limit. Our maximum net retained loss for any one risk event for year 2013 is as follows:

(i) RM500,000 for any one accident/loss involving motor vehicles;

(ii) RM1,000,000 for any one loss/claim arising involving fire/engineering and machine & equipment policies; and

(iii) RM500,000 for any one loss/claim involving PA and other miscellaneous classes including marine policies.

We apply stringent criteria in the selection of reinsurers which include, among others, the following:

Criteria	Remarks
Credit rating of reinsurers	For those with credit ratings: • Minimum rating of 'A' from S&P; or • Minimum financial strength rating of 'A' from A.M. Best Company
Internal credit assessment (for all reinsurers)	We use a point scoring system to rate and select the reinsurers that we use by taking into consideration, among others, the following factors: • Financial strength; • Service levels; • Promptness in response to claims; • Management of accounts; and • Value added services such as provision of training and sharing of knowledge

In addition to arranging reinsurance for our own risks, we also accept risks that are offered to us from other insurance companies on a facultative and proportionate basis. The premiums for the risks accepted by us are classified as reinsurance inward premiums and under such reinsurance contract we are responsible for our proportionate share of the claim if it arises. Generally, risks offered to us from other insurance companies are risks with high sum insured or high limits of liability and the insurance policies covered are normally fire, contractors all risks, marine cargo and hull, and high value motor vehicles. Whilst we also participate in some treaty programmes, these are not significant and are limited to certain classes such as MAT and oil and gas.

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7.2.6 Claims settlement

We have established a centralised control and verification mechanism, including a tiered authorisation system, for our claims settlement operations in order to help ensure effective claims control management and settlement. Claims processing and settlement procedures are also established and enforced to ensure that claims intimation are settled promptly. Our average claims settlement period by types of insurance products for the years ended 31 December 2010, 2011 and 2012 is as follows:

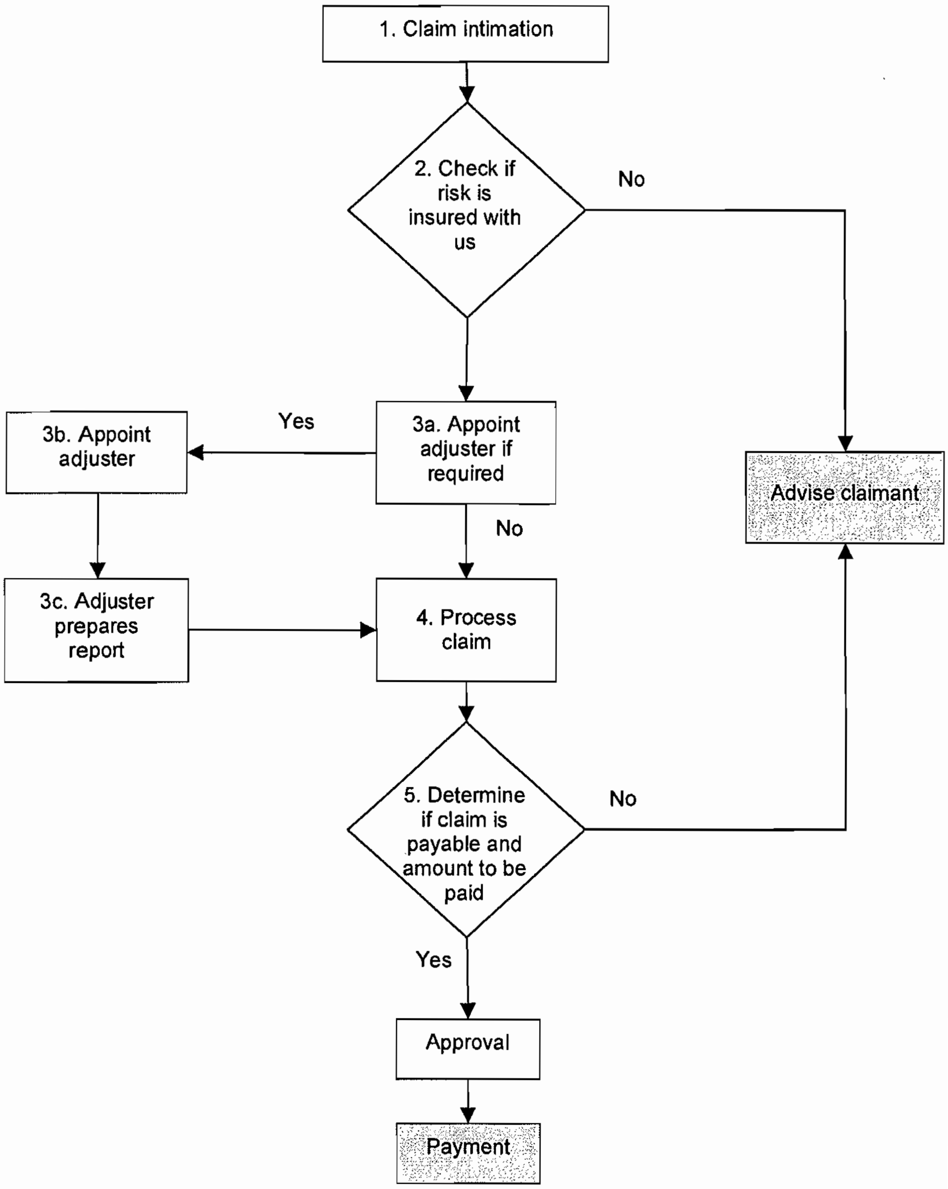
	Year ended 31 December		
	2010	**2011**	**2012**
		days	
Motor - Own Damages	15	16	16
Motor - Third Party Property Damages	104	82	58
Motor - Third Party Bodily Injury	415	385	350
Fire	58	60	69
Medical	43	35	63
Others	62	48	46

The settlement of a repair claims for a damaged vehicle made by a policyholder is usually shorter than a third party claim due to the nature of third party claims which involve death, bodily injury or damage to the third party vehicle. The documentation required to process a third party claim is usually more extensive than a typical vehicle repair claim as additional documents such as police photographs, police sketch plan, key witness statements, findings of police investigation and medical reports are essential to establish the liability of the parties involved in the accident as well as to establish the extent of injury and disability period of the third party. Furthermore, most third party claimants are also represented by lawyers and where cases are filed in the courts, the settlement period would be further extended due to the nature of court proceedings.

We believe that save for certain exceptional fire and medical insurance claims, our average claims settlement periods are in line with that of the industry. Our average claims settlement periods, save for fire and medical claims, have generally improved as a result of our strengthening of manpower in the claims department, tighter monitoring of our service levels as well as the re-engineering of our claims process by implementing the electronic claims notification and processing system for motor claims through the internet. The deterioration in claims settlement period for our fire and medical claims is due to the longer period required to settle complicated claims as well as the delays in receiving claims settlement documents from lead insurers.

Our claims adjustment function is mostly outsourced to independent loss adjusters to investigate insurance claims and to determine the total cost of a loss or damage.

Our claims management process flow is illustrated below:



Our claim settlement practices aim to promptly register as well as process all claims intimation in accordance with BNM's and our internal claims guidelines. The process for claims management is set out below:

1. Claims intimation will be received from agents, brokers, insured/insured's representative or third party/third party solicitors.

2. Upon receipt of claims intimation, the examiner will check in the computer system to determine whether the risk is covered.

   (i) If the risk is not covered, we will advise the claimant accordingly.

   (ii) If the risk is covered, we will determine whether an adjuster is required to investigate the claim reported.

      (a) If an adjuster is required, we will appoint an adjuster and register the claim upon the adjuster's preliminary loss advice.

      (b) Otherwise, we will proceed to register the claim and request for documentation to substantiate the claim.

3. Claims will be processed upon:

   (i) receipt of the adjuster's final report, if an adjuster is appointed.

   (ii) receipt of full documentation from the claimant, if no adjuster is required.

4. We will then determine if the claim is payable and the amount to be paid.

   (i) If the claim is payable the necessary approval will be obtained and an offer for settlement together with a discharge voucher will be made, prior to making payment to the claimant; or

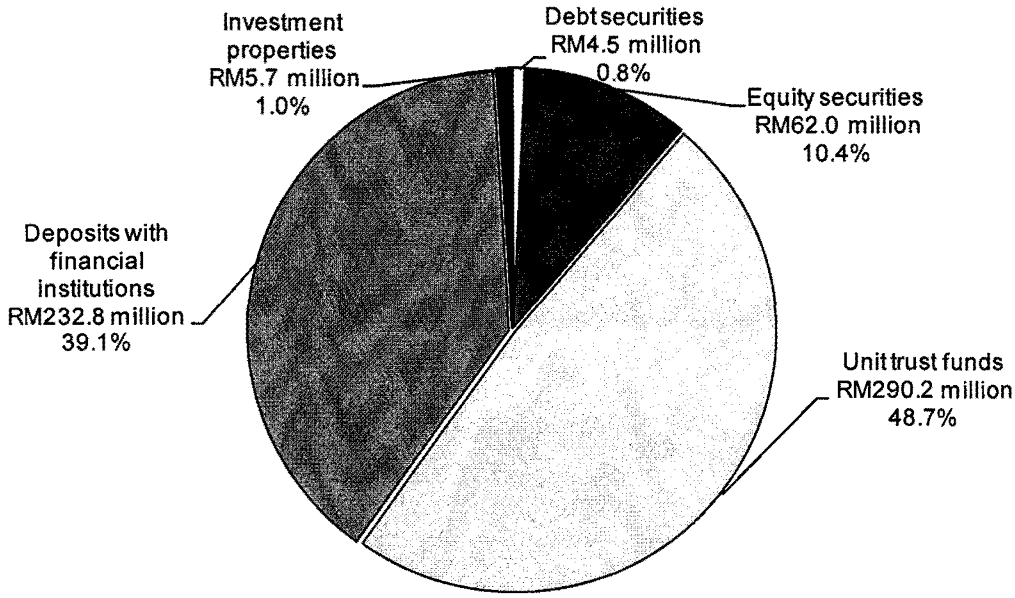
   (ii) We will advise the claimant accordingly if the claim is not admissible.

7.2.7 Investments of our insurance business

We invest the premiums and other funds received from our general insurance business, as well as our own surplus funds to maximise our returns. Our insurance business' investment assets have grown over the years in line with our sustained growth and profitability. The NBV of our insurance business' investment assets as at 31 December 2010, 2011 and 2012 were RM427.6 million, RM459.5 million and RM595.2 million respectively. The return on investment of our investment assets for the years ended 31 December 2010, 2011 and 2012 were 5.5%, 4.9% and 6.1% respectively.

7. BUSINESS OVERVIEW *(cont'd)*

The composition of our insurance business' investment assets as represented by their NBV as at 31 December 2012 is as follows:



The management of the investments relating to our insurance business is partially outsourced to Hwang Investment Management Bhd in respect of equity and fixed income investments and Opus Asset Management Sdn Bhd for fixed income investments. The appointment of fund managers is made on an annual basis. The fund managers are required to update the investment committee on their performance once every 6 weeks. The operations of the internally managed portfolio are carried out by our treasury/investment unit, which reports the portfolio's performance to the investment committee on a weekly basis. As at 31 December 2012, the NBV of investment assets managed by external fund managers stood at RM298.0 million representing 50.1% of the total NBV of our insurance business' investment assets on that date.

We have to comply with the investment requirements set out in the RBC Framework and our own internal policy. The investment policies comprise, among others, the following requirements:

(i) to use prudent and professional investment decision-making mechanisms and processes and to adopt a proactive investment management approach;

(ii) to use investment strategies that are formulated by our management taking into consideration the characteristics of our liabilities, operating targets, regulatory constraints and available investment channels; and

(iii) to diversify and optimise our investment portfolio and to manage our investment portfolio's exposure to market, interest rate, credit and liquidity risks as well as concentration risks.

The investment policies of our insurance business are determined by the Board of MPIB who also establishes its investment committee, appoints the members of the investment committee and determines the terms of reference of the committee. The roles of the investment committee are as follows:

(i) Drafting/updating investment policies, based on the RBC Framework;

(ii) Setting-up yearly investment plan and fund managers' mandate;

(iii) Appointing fund managers;

(iv) Reviewing the performance of our investments including the performance of our fund managers; and

(v) Making decision and monitoring the internally managed investment portfolio.

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7.3 Our properties

A summary of our properties and the corresponding audited NBV as at 31 December 2012 and market values are as follows:

I. Our non-JV properties

State	Location	Description	Independent valuer	Date of valuation	Land area	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[(1)]
					acres	RM 000	
Kuala Lumpur	Bukit Bintang	Land bank	Burgess Rawson	28.02.2013	4.2	206,313	275,421
Selangor	Ampang	Hotel Flamingo by the lake	Henry Butcher	28.02.2013	12.3	36,568	82,000
	Ampang	Plaza Flamingo office building	Henry Butcher	28.02.2013	2.7	39,012	48,000
Penang	Balik Pulau	Land bank	Raine & Home	28.02.2013	207.6	31,465	63,300
	Minden Heights	Link houses	Not applicable[(2)]	Not applicable[(2)]	0.2[(3)]	3,240	3,240[(4)]
	Tanjung Bungah	Hotel Flamingo by the beach	Henry Butcher Penang	28.02.2013	2.3	45,200	84,000
	Jalan Cantonment	MPIB's Penang office	Not applicable[(2)]	Not applicable[(2)]	Not applicable[(5)]	4,493	4,493[(4)]
Johor	Pengerang	Oil palm plantation which is outsourced to a third party operator	Henry Butcher Johor	28.02.2013	1,803.2	64,229	74,965
Terengganu	Penarik, Setiu	Land bank	Not applicable[(2)]	Not applicable[(2)]	7.7	2,200	2,200[(4)]
Malacca	Taman Melaka Raya	MPIB's Malacca office	Not applicable[(2)]	Not applicable[(2)]	0.04	124	124[(4)]
Kelantan	Kota Bharu	MPIB's Kelantan office	Not applicable[(2)]	Not applicable[(2)]	0.04	817	817[(4)]
Total (non-JV properties)					**2,040.1**	**433,661**	**638,560**

II. Our JV properties

State	Location	Description	Independent valuer	Date of valuation	Land area	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
					acres	RM 000	
Selangor	Rawang	Land bank	Burgess Rawson	28.02.2013	265.1	129,799	170,000
	Gombak	Land bank	Burgess Rawson	28.02.2013	324.1	117,632	150,000
Penang	Teluk Tempoyak	Land bank	Burgess Rawson	28.02.2013	83.0	55,501	76,900
	Minden Heights	Land bank	Not applicable[2]	Not applicable[2]	9.7	-[6]	Not applicable
	Paya Terubong	Land bank	Not applicable[2]	Not applicable[2]	5.1	-[6]	Not applicable
Total (JV properties)					**687.0**	**302,932**	**396,900**
Total (all properties)					**2,727.1**	**736,593**	**1,035,460**

Notes:

(1) Independent valuations were only carried out for our Group's material property assets for inclusion in this Prospectus for information purposes. The independent valuations have been prepared in conformity with the Malaysian Valuation Standard as laid down by the Board of Valuers, Appraisers and Estate Agents, Malaysia. The independent valuations are not subject to the approval of the SC and are consequently not submitted to and approved by the SC. In addition, the market values have not been incorporated in our financial statements as such is not required pursuant to our Group's accounting policies.

(2) No independent valuations were carried out for these lands or properties as they are deemed not material.

(3) This represents the land area of the link houses owned by MPIB. The land area of the link houses has not been taken into consideration for the calculation of the total land area as they have been developed on the lands in Minden Heights which are described under our JV properties in the table above.

(4) As no independent valuations were carried out for these lands or properties, the market values indicated assume that the market values of the relevant land or property are equivalent to their respective audited NBV.

(5) Land area is not applicable as these are strata-titled units.

(6) No values have been ascribed to these lands as they are deemed disposed pursuant to JV agreements that have been entered into.

Detailed information on the total land bank and properties owned by our Group (including land banks which are part of our JVs) can be found in **Annexure B**.

Land bank management

Our land bank in Kuala Lumpur is situated at the southern end of the Bukit Bintang area, a vibrant shopping and commercial district in Kuala Lumpur which includes prominent developments such as Pavilion KL, Sungei Wang Plaza and Berjaya Times Square. In addition, our land bank is also close to future projects such as the Tun Razak Exchange and UDA Holdings Berhad's ex-Pudu Jail redevelopment. There have also been plans by the Government to expand the public transportation in the Bukit Bintang area as part of the Economic Transformation Programme.

Our land bank in Selangor is located in Rawang and Gombak. Our land in Rawang is located within the locality of Sungai Bakau, Rawang which is accessible via the Rawang interchange of the North-South Highway which is located approximately 2.5 km away, following the Rawang-Batu Arang/Kuala Selangor trunk road. It is also accessible from the Latar Expressway. Property developments in the immediate neighbourhood include Bandar Tasik Puteri, Kundang Jaya and industrial schemes of Taman Velox and Rawang Integrated Industrial Park. Bandar Country Homes, an established residential cum commercial scheme, is also located within a short distance while the northern boundary of our Rawang land adjoins The Emerald Enclave and Anggun@Rawang mixed developments. Our Rawang land is also located close to the new AEON Rawang Anggun Shopping Centre. Our Rawang land has been committed to a JV with a developer. Please refer to the table below for further details.

Our Gombak land is located off the left side of the old Gombak/Bentong trunk road travelling from Batu Caves towards Bentong town. It is accessible from Jalan Genting Kelang via Gombak/Bentong trunk road and from the MRR2 via the Sri Gombak interchange and thereafter via the Gombak/Bentong trunk road. Our Gombak land is situated about 20 km to the north of the Kuala Lumpur city centre. The immediate neighbourhood is still agricultural in nature comprising mainly kampung type dwelling homes scattered among jungle vegetation. Also located nearby, are the Ulu Gombak Forest reserve, Sungai Pusu Malay Reservation and Gombak Malay Reservation areas. Our Gombak land has been committed to a JV with a developer. Please refer to the table below for further details.

Our land bank in Penang is located in Teluk Tempoyak, Paya Terubong, Minden Heights and Balik Pulau. Our Teluk Tempoyak land is within the locality of Teluk Tempoyak Village, off Jalan Teluk Tempoyak, and is about 14 km to the south-west and 7 km to the north of Georgetown and Penang International Airport respectively. It is accessible from Bayan Baru town via the Bayan Lepas expressway, Jalan Permatang Damar Laut and Jalan Teluk Tempoyak and commands a view of the south channel and the Straits of Malacca. Our Teluk Tempoyak land is also located close to South Bay development and the upcoming Penang Second Bridge. Our Teluk Tempoyak land has been committed to a JV with a developer. Please refer to the table below for further details.

Our land in Balik Pulau is located 8 km from the Balik Pulau town centre and is accessible from the Balik Pulau town centre via Jalan Balik Pulau, Jalan Sungai Pinang, Jalan Sungai Rusa, Jalan Kuala Sungai Pinang and a bund road leading to the land. Neighbouring developments are predominantly agricultural and residential in nature. Residential housing schemes located nearby are Taman Nelayan, Taman Jelita and Taman Kuala Sungai Pinang. Landmarks in the vicinity of our land are the Penshrimp Sdn Bhd prawn farm, Yu Chye primary school, a future development scheme by Lembaga Kemajuan Wilayah Pulau Pinang ("**PERDA**") and the Sungai Pinang Village Centre. Other notable landmarks in the Balik Pulau area include the Prince of Wales Island International School, Kolej Kemahiran Tinggi Mara as well as a new tourism university that is currently being developed.

Our land in Minden Heights, Gelugor, is located off Jalan Bukit Gambir and adjacent to Universiti Sains Malaysia, offering good access to both Georgetown and the Penang Bridge. Our land in Paya Terubong is located off Jalan Paya Terubong, halfway between Bayan Lepas and Air Itam. Our lands in Minden Heights and Paya Terubong land have been committed to JVs with developers. Please refer to the table below for further details.

The land bank that we own in Johor is located in Pengerang. It is currently utilised as an oil palm plantation which is operated by Bell Flower Sdn Bhd, a third party operator, under a profit sharing partnership. The land is accessible from Kota Tinggi town via Jalan Sungai Rengit leading to Sungai Rengit town and thereafter onto Jalan Tanjung Pengelih. The land is located about 200 metres off Jalan Tanjung Pengelih at around the 14-km mark from Sungai Rengit town. Part of this land bank is located adjacent to Petroliam Nasional Berhad's planned RM60 billion Refinery and Petrochemical Integrated Development, which is expected to be commissioned by the end of 2016. Several parcels of land which we originally owned in Pengerang had been compulsorily acquired by the Land Administrator of Kota Tinggi, Johor as they have been earmarked to be part of the Refinery and Petrochemical Integrated Development. Please refer to Section 5.1.18 of this Prospectus for further details.

The land bank that we own in Terengganu is located in Penarik, Setiu, next to the coast and close to the mouth of the Setiu River. This land bank is located at the north-western side of the 60.8-km post of the Kuala Terengganu/Penarik/Kampung Raja main road (Laluan Pantai), within a locality known as Kampung Mangkok. It is located 18.7 km to the north-east of Bandar Permaisuri, which is the administrative and commercial centre for the Setiu district, and 65.3 km to the north-west of Kuala Terengganu city centre. Located nearby, is the Terrapuri Heritage Village resort.

To realise the value of our land bank, we have entered into and will continue to explore opportunities to enter into JV with property developers to develop our land bank.

Throughout the financial periods under review, the total PBT contribution from our JV projects was RM13.1 million which was recognised by MP Development, during the year ended 31 December 2012.

7. BUSINESS OVERVIEW *(cont'd)*

The JVs which have been completed during the financial period under review and which are currently ongoing are as summarised below.

Subsidiary	Developer	Location	Particulars of development including GDV and status	Size of land bank committed to JV	Share of GDV or profit	Commencement of development or JV	Expected completion of development
				acres			
Ongoing JVs							
Tibanis	BRDB, through its wholly-owned subsidiary Pinggir Mentari Sdn Bhd	Rawang, Selangor	Housing development and commercial village with a projected total GDV of RM1.4 billion. Layout plans have been submitted to the relevant authorities	265.1	22% of total GDV	April 2011	2021
Magnum.Com	BRDB, through its wholly-owned subsidiary, Orion Vibrant Sdn Bhd	Teluk Tempoyak, Penang	Housing development with a projected total GDV of RM604 million. Layout plan is being prepared for submission to the relevant authorities	83.0	22% of total GDV	April 2011	2019
Mimaland	BRDB, through its wholly-owned subsidiary, Magna Senandung Sdn Bhd	Gombak, Selangor	Housing development with a projected total GDV of RM2.2 billion. Layout plan is being prepared for submission to the relevant authorities	324.1	22% of total GDV	April 2011	2023
Jayavest	PPM Realty Sdn Bhd, a property developer based in Penang	Minden Heights, Penang	Housing development with a projected total GDV of RM170.7 million. The development has been launched. The first phase of the development has been completed while the second phase is currently under construction	10.0[1]	70% of total PBT	August 2009	Phase 1: Completed Phase 2: June 2013
Total				**682.2**			

7. BUSINESS OVERVIEW *(cont'd)*

Subsidiary	Developer	Location	Particulars of development including GDV and status	Size of land bank committed to JV	Share of GDV or profit	Commencement of development or JV	Expected completion of development
				acres			
Completed JV							
MP Development	Jiran Cergas Sdn Bhd, a property developer based in Penang	Paya Terubong, Penang	Housing development with a total GDV of RM71.0 million. The development has been completed and is pending the release of the remaining sales proceeds. These sale proceeds are currently held by a stakeholder pursuant to the terms of the sale and purchase agreements entered into by MP Development (as the landowner) and Jiran Cergas Sdn Bhd (as the developer) with buyers of the properties contained in the said development	6.1[(2)]	50% of total GDV	September 2009	Completed in February 2012

Notes:

(1) *After we had entered into the JV agreement with PPM Realty Sdn Bhd, 0.3 acres from the parcels of land committed to the JV have been surrendered to Majlis Perbandaran Pulau Pinang ("**MPPP**"). The size of the parcels of land currently registered under Jayavest is 9.7 acres as set out in the summary of our properties above.*

(2) *After we had entered into the JV agreement with Jiran Cergas Sdn Bhd, 1.0 acre from the parcels of land committed to the JV has been surrendered to MPPP. The size of the parcels of land currently registered under MP Development is 5.1 acres as set out in the summary of our properties above.*

As property development is not our core business, we believe that by entering into JVs to develop our land bank, we are better able to unlock the value of our land bank whilst managing our risk exposure and capital expenditure requirements. In addition, JVs allow us the flexilibity to partner with different developers for different pieces of land, thus allowing us to leverage on the different niche capabilities of these developers.

Our role as a passive JV partner and land owner to the above JVs includes the following:

(i) approving the final development plan or concept plan and the supporting feasibility study of the relevant development prior to the commencement of further works as well as the approval of selling prices prior to the commencement of marketing and selling of the properties;

(ii) monitoring the progress of the JV by reviewing the progress reports submitted by our JV partners and attending periodic meetings with our JV partners; and

(iii) inspecting and viewing the state and progress of the project.

If we were to commit an event of default under the existing JV agreements with BRDB's wholly-owned subsidiaries, we may be liable to claims for specific performance of the said three JV agreements as well as any actual losses or damages (excluding anticipated profits) incurred by the JV partners under the said three JV agreements by reason of or arising from an event of default committed by us (where such event of default is capable of rectification by us but we have failed or refused to do so within the stipulated period). Alternatively, the JV partners are entitled to terminate the JV agreement applicable to them and simultaneously require us to purchase from the JV partner's shareholder(s), all of its shares in the JV partner at a consideration of 130% of the net tangible assets of the JV partner. For example, in the event that Mimaland commits an event of default under its JV agreement with Magna Senandung Sdn Bhd ("**Magna Senandung**"), a wholly-owned subsidiary of BRDB, Magna Senandung will be able to exercise its right to terminate the said JV agreement and compel Mimaland to purchase from BRDB, all of the shares that it holds in Magna Senandung at a consideration of 130% of the net tangible assets of Magna Senandung.

In addition, we have given an indemnity and agreed to keep the respective JV partners of the said 3 JV agreements, harmless from and against any damage, liability, expense, loss, claim or proceedings (unless the same arises as a consequence of a default on the part of the JV partner) due to our breach of any covenants, obligations, conditions and/or terms as stated in the said 3 JV agreements.

Before entering into a JV, we assess the commercial viability of the JV proposal by considering factors which include the development plan, total GDV, the reputation and track record of our JV partner or its shareholders and the time frame of the proposal. Once we have selected our partner, we will then negotiate and finalise the details of the JV and development to ensure that our expectations relating to the JV can be met.

During the course of the JV, we continue to work closely with our existing JV partners and monitor the progress of the JV to ensure that the delivery of the projects are in line with our objectives and expectations.

Our Group will continue to seek strategic partnerships with strong and established property developers with the aim of optimising returns on our remaining land bank.

In addition, as part of our initiatives to manage our land bank, we may consider acquisition opportunities of land bank or properties that may complement or enhance the potential value of our existing land bank or properties such as parcels of land or properties that surround our existing land bank or properties. To this end, we would normally evaluate the viability of the potential investment in terms of, among others, the acquisition price as well as the potential capital appreciation or yield generation of the investment.

We will assess periodically the various approaches that can be taken to realise the value of our land bank and properties which can be in the form of outright disposal, profit sharing partnerships or JVs with property developers. The evaluation will cover, among others, the potential returns on investment and the viability of the prospective project.

Property management

The investments assets that we currently manage are as follows:

(i) Hotel Flamingo by the beach, a 280-room, 4-star* hotel in Tanjung Bungah, Penang;

(ii) Hotel Flamingo by the lake, a 230-room, 3-star* hotel in Ampang, Selangor;

(iii) Plaza Flamingo office building, an office building located in Ampang, Selangor; and

(iv) Oil palm plantation in Pengerang, Johor, which is outsourced to a third party operator.

Note:

* *The hotels' ratings are accredited by the Department of Standards, Malaysia.*

For details on the book and market values of investment assets which we manage as indicated above, please refer to the summary of our properties in this section.

The Hotel Flamingo by the beach was refurbished in 2009 and is popular among local and foreign tourists especially during festive seasons due to its location by the beach along Tanjung Bungah, Penang. The Hotel Flamingo by the lake, which is located in Ampang, Selangor, is a popular venue for local visitors, ministries, government and semi-government bodies that utilise its accommodation, meeting and banqueting facilities. We promote our hotels through tie-ups with online booking portals, the hotel's website (which has been enhanced to include features such as room booking via the website and mobile devices) and collaboration with travel agents.

The Plaza Flamingo, which is adjacent to our Hotel Flamingo by the lake, has about 112,000 sq ft of lettable area and is 76.1% tenanted as at the LPD. Our top 3 tenants in terms of lettable area are Royel Departmental Stores Sdn Bhd, Flamingo Antarabangsa Sdn Bhd and Tiens Health Development (M) Sdn Bhd which currently occupy 44.8% of the total lettable area of Plaza Flamingo. The tenure of the tenancy agreed with our tenants range up to 3 years.

The occupancy rate, average room rate and average rental rate of Hotel Flamingo by the beach, Hotel Flamingo by the lake and Plaza Flamingo, where applicable, for the years ended 31 December 2010, 2011 and 2012 are as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
Hotel Flamingo by the beach			
Occupancy rate (%)	62.0	71.5	72.9
Average room rate (RM)	154.6	166.0	184.1
Hotel Flamingo by the lake			
Occupancy rate (%)	74.6	73.6	78.3
Average room rate (RM)	152.7	155.8	138.2
Plaza Flamingo			
Occupancy rate (%)	73.0	68.4	79.2
Average rental rate (RM/sq ft)	2.1	2.2	2.4

Kelana Megah, has entered into a profit-sharing partnership with Bell Flower Sdn Bhd, a third party operator to manage our oil palm plantation in Pengerang, Johor. The oil palm plantation consists of approximately 1,672.1 acres of plantable area. The plantation underwent replanting in stages starting from 2005 to 2011 and primarily consists of young and immature trees with an age profile of between 1 and 7 years with an average age of 4 years as at 31 December 2012. 97.1% of the planted trees have started yielding and have achieved a fresh fruit bunch yield of 5.7 metric tonnes per hectare for the year ended 31 December 2012. Kelana Megah shares 50% of the revenues generated from the sale of its harvests, after subtracting operating costs and windfall levy.

7.4 Our credit business

Our credit business is carried out by MP Credit which holds a moneylending business licence issued by the Registrar of Moneylenders, Malaysia pursuant to the Moneylenders Act 1951.

Our credit business is principally involved in the provision of credit services, secured or unsecured, such as term loan, project financing, hire purchase and other forms of credit.

We generate income from interest earned on the credit facilities extended, as well as from dividends or coupon paid on shares and loan stock held in our portfolio of assets recovered from previous debts.

Our credit business is limited to a small and select group of customers that we are familiar with and where bank financing might not be practicable or obtainable in a timely manner. Our knowledge of our customers enables us to mitigate risks associated with the provision of credit. Our current customer is involved in the oil and gas sector. As at 31 December 2012, the total loans extended by us amounted to RM10.4 million and the entire amount is fully collateralised. The total loans extended by us represent 0.5% of our total assets.

We have in place a system of processes and controls to monitor our credit business and undertake credit evaluation and assessment on all applicants. The assessment of creditworthiness encompasses the following:

(i) credit and trade checks, document verification and site visits to evaluate a proposal;

(ii) review of security coverage and strength or quality of the security;

(iii) review of financial standing of the guarantor and borrower;

(iv) review of repayment capability and source of repayment;

(v) review of business cycle, track record of the borrower and industry review; and

(vi) review of cashflow projections.

We have in place a credit team that evaluates an applicant's creditworthiness based on the factors above. The team carries out document verification and analysis of the financial standing of an applicant and the industry in which the applicant operates. Following the assessment, a decision is made by the principal officer as to whether the risk is acceptable before presenting the proposal to the credit committee of MP Credit for approval. The credit committee will make the final decision based on the principal officer's recommendation.

The credit committee presently comprises our chief operating officer, our general manager of finance and administration and a representative from our Board.

7.5 Our strengths

We rely on our following strengths to compete and grow our businesses:

7.5.1 Strong and experienced management team

Our Group is spearheaded by our Managing Director who has played a pivotal role in steering the growth of our insurance business and the realisation of the value of our investment in properties. He oversees the formulation of the business strategies and direction of our Group and is actively involved in the policy making aspects of the operations of our Group.

Our Managing Director is supported by an experienced and dedicated management team which include the chief executive officer and the chief operating officer of MPIB who have, on average, over 30 years of proven track record in the insurance industry. Their experience has provided them with in-depth knowledge of the insurance industry and this has allowed them to implement business strategies and respond promptly to the dynamic operating conditions of the Malaysian insurance market.

Our property related operations are helmed by Mr. Ng Kok Cheang who has over 30 years of experience in the property industry while our credit business is led by our Company's chief operating officer, who has over 25 years of experience in finance and operations.

We believe that the knowledge and experience of our management team is important to the continued growth and future development of our Group's businesses. For further information on our key management, please refer to Section 9.4 of this Prospectus.

7.5.2 Extensive agency network and multi-channel distribution platform

We have an extensive network of agencies totalling over 1,100 agents who are located across Malaysia. These agents are trained to sell our products in accordance with customers' requirements and in-line with market conditions and trends. This is aimed at enabling them to anticipate and respond to customer needs with the appropriate and relevant products. We target to grow our agency force by 10.0% annually for the next 3 years to boost our market penetration.

As at the LPD, we maintain relationships with over 30 insurance brokers which serve as an important source of our business with large corporate clients. Given the role played by insurance brokers who seek the best insurance package for their customers, we have benefitted from this channel due to our focus on building and maintaining relationships with these insurance brokers.

In addition, we have 12 branches located in major towns and cities within Peninsular Malaysia and East Malaysia to provide a greater reach and convenience to our agencies and customers.

Besides the agency and broking channels, we continue to expand our other distribution channels to enhance our multi-channel distribution platform to widen our reach. In February 2012, we were appointed as an insurance provider by POS Malaysia, which allows us to leverage on POS Malaysia's network of more than 700 post offices and 300 POS-Mini outlets in Malaysia to access prospective customers for our personal line products. The products are sold through counters at the post offices by POS Malaysia personnel. We also have a 'bancassurance' arrangement with Alliance Bank Malaysia Berhad which enables the sale of our insurance products to Alliance Bank Malaysia Berhad's customers and thus, further widening our reach in the Malaysian market. We also use the internet as a growing distribution channel for the future. For example, policies for motor, marine, immigration bonds and foreign workers insurance can be purchased and renewed online. In addition, we have launched our travel PA insurance using the internet as a distribution channel.

7.5.3 Market oriented and customer centric

We believe that being a locally-owned insurer, we have certain advantages as compared to foreign-owned general insurance companies. The close proximity of our management to our place of business allows us to have better control over and visibility of our operations. With less bureaucracy, we believe that we have a faster decision making process and have been able to respond to new market trends and customer demands more quickly.

Our market oriented nature is largely due to the extensive experience of our management team where its members have served a wide range of customers over the years in various businesses, and under different social and economic conditions. This has allowed us to anticipate evolving needs and demands of the local market as well as the dynamic environment of the general insurance market.

7.5.4 Stable financial position

The CAR is an indicator of financial strength which is an important factor affecting public confidence in general insurance businesses. MPIB's CAR has increased from 187.0% as at 31 December 2010 to 222.8% as at 31 December 2012. MPIB's CAR has exceeded BNM's minimum supervisory CAR of 130% as well as its internal CAR target which is above BNM's minimum supervisory CAR. The growth in CAR over the years was contributed by, among others, profits generated from its insurance operations.

In addition, our prudent approach to underwriting and effective cost controls have allowed us to register underwriting profits for the years ended 31 December 2010, 2011 and 2012.

7.5.5 Diversified portfolio of general insurance products

We have a diversified portfolio of general insurance products that ranges from fire, motor, MAT, PA to policies such as contractor's all risks, extended warranty and medical. We believe that our range of products positions us to not only capture shifting customer demands and market trends, but also reduces our exposure to concentration of insurance risks. For instance, should we only focus on the provision of motor insurance products, our underwriting results may be substantially affected by unanticipated shifts in key trends relating to the motor class, resulting in fluctuations in our year-on-year performance as we would not have other sources of premiums from other product classes to offset the losses arising from the shift in trends.

Given the diversity of our product range and services, we are able to serve as a one-stop-centre for our customers and cover the needs of individuals from different backgrounds as well as companies with various scale of operations. In addition, we believe that the experience and knowledge gained over the years has helped us keep pace with the changing needs of our customers.

7.5.6 Land bank and properties that are generally located in prime areas

Our investment properties and land bank are generally located in prime areas around Kuala Lumpur, Selangor, Penang and Johor.

We own several parcels of land totalling approximately 4.2 acres in Bukit Bintang, Kuala Lumpur, a vibrant shopping and commercial district in Kuala Lumpur which includes prominent developments such as Pavilion KL, Sungei Wang Plaza and Berjaya Times Square. There have also been plans by the Malaysian government to expand the public transportation in the Bukit Bintang area as part of the Economic Transformation Programme ("**ETP**"). Our land banks in Selangor are located in Rawang and Gombak. These land banks are currently being developed by BRDB through its wholly-owned subsidiaries, Pinggir Mentari Sdn Bhd and Magna Senandung Sdn Bhd, under 2 JV agreements. Please refer to Section 7.3 of this Prospectus for more information on our land bank and Section 15.4 of this Prospectus for more information on the JV agreements with BRDB's subsidiaries.

In Penang, our land bank measuring an aggregate of 290.6 acres (after deducting parcels of land that are deemed disposed of pursuant to JV agreements that we have entered into) stands to benefit from among others, the future economic growth of Penang, the upcoming second Penang bridge, Penang's status as the UNESCO World Heritage Site and the scarcity of land in the state. In addition, our land at Teluk Tempoyak, which is currently being developed via a JV with BRDB, through its wholly-owned subsidiary Orion Vibrant Sdn Bhd, is located near to the Penang Airport. Please refer to Section 15.4 of this Prospectus for more information on the JV agreements with BRDB's subsidiaries. Our Balik Pulau land is located near the Yu Chye primary school, Prince of Wales International School, Kolej Kemahiran Tinggi Mara and the Pernship Sdn Bhd prawn farm. Please refer to Section 7.3 of this Prospectus for more information on our land bank.

Our oil palm plantation land area of 1,803.2 acres is situated in Pengerang, which is located along international shipping routes and close to deep water port and petroleum production facilities in the state of Johor. Pengerang has also been identified as the site for the development of the Petroliam Nasional Berhad's planned Refinery and Petrochemical Integrated Development project which is part of the ETP.

We believe that the location of our land bank provides us with opportunities to realise our investments and/or development potential.

7.6 Business strategies, future plans and prospects

We intend to focus on building our general insurance business, whilst managing the realisation of value from our investment in properties via the following strategies:

7.6.1 Building on general insurance business by expanding our products and distribution network

We aim to position ourselves as one of the top 10 general insurance providers in Malaysia, based on gross premiums, by the end of 2015. We target to grow our general insurance business in Malaysia by focusing on expanding the classes of insurance where we retain a higher proportion of the premiums that we receive from underwriting an insurance policy, i.e. by not ceding a higher proportion of our premium to reinsurers. Our insurance products with higher premium retention levels generally encompass those with smaller insured amount, generally below RM5.0 million per policy. These products include PA, motor and fire products for small-medium enterprises and houseowners. However, as our exposure to the motor class is within our desired levels, we are currently not focusing on expanding this class.

We also aim to maintain a risk-balanced portfolio of products with a non-motor portfolio commanding at least 70% to 80% of our overall gross premiums. For the year ended 31 December 2012, our non-motor portfolio contributed 74.8% to our overall gross premiums. The objective of a risk-balanced portfolio is to minimise our concentration of risk so that any adverse result of a particular class of products would not materially affect our overall underwriting results. We therefore aim to contain our motor portfolio to be in line with our underwriting strategy and risk appetite.

To achieve the aforesaid future plans, we intend to undertake the following strategies:

(i) Introduce new insurance products and schemes

We expect the retail market to contribute to our insurance business' next phase of growth. Our expansion into the retail market will be driven by the products and schemes that we offer and develop from time to time. We are constantly developing new products and schemes such as the golfers' scheme, extended warranty scheme, freight forwarders' scheme, foreign workers' insurance scheme and PA schemes with associations, which we view as having growth potential. In addition, we also continuously develop and enhance new personal line products such as PA, health and surgical insurance, houseowner and household insurance to capture a wider market of customers.

We are registered with the Health Ministry of Malaysia to underwrite the Foreign Workers Health Insurance Protection Scheme through the offering of health insurance products which are tailored for the foreign workers market segment. The Foreign Workers Health Insurance Protection Scheme commenced in 2011 and contributed RM1.1 million and RM3.5 million of our gross premiums for the years ended 31 December 2011 and 2012 respectively.

We believe that our participation in this scheme has assisted us to further strengthen our market share not only through an increase in sales in the health segment, but also to increase the awareness of our product brand name in not only the retail market, but also the corporate market as our agents market this product to corporate clients and foreign workers recruitment agencies.

(ii) Expand our distribution channels

As explained in Section 7.2.3 of this Prospectus, we currently have a bancassurance arrangement with Alliance Bank Malaysia Berhad to sell our insurance products and schemes to their customers. Under this arrangement, a wide range of our insurance products are offered to their mortgage loan customers, small and medium enterprises as well as their corporate clients. We intend, not only to maintain our relationship and good rapport with Alliance Bank Malaysia Berhad, but to also enter into similar arrangements with other local and foreign banks. Currently, we are also a panel insurer of Bank of China (Malaysia) Berhad and India International Bank Malaysia Berhad.

We plan to expand our branch network to improve our reach to our current and potential customers in the retail segment. We intend to establish branches based on our requirements in cities and towns in Malaysia where we currently do not have a branch. The costs relating to these expansions are expected to be funded using internally generated funds. To maximise costs efficiency and to complement our branch network, we plan to grow our agency network by an additional 10.0% annually for the next 3 years and to equip our agencies with product knowledge, marketing and selling skills to increase their efficiency and productivity.

We are also planning to recruit experienced marketing personnel who have existing and sizeable business volume from their own network of customers or a group of agents which can expand our business. This would enable us to increase our market reach as well as heighten the awareness of our products and services.

(iii) Expand our presence in the bumiputera broking market

Our Group's general insurance business maintains a high concentration of broking business from the non-bumiputera insurance sector in Malaysia. Moving forward, we intend to expand our coverage of the bumiputera insurance sector. We believe that the bumiputera insurance sector has potential for future growth. Our target is to grow the gross premiums contribution from bumiputera brokers from RM35.3 million that was recorded for the year ended 31 December 2012 to RM50.0 million by the end of 2015. As part of our strategy to penetrate the Bumiputera broking sector, we have in 2012, recruited our chief broking officer, who has more than 20 years of experience in the industry, and he will lead our broking unit in developing new businesses from the various brokers in the industry. Some of the initiatives that are being undertaken by us to grow this channel include:

(a) providing value added services to brokers and/or their clients through advisory services such as risk management as well as providing insurance related seminars and training;

(b) improving support services to brokers relating to daily operations such as policy turnaround time, quotation response timelines and claims services;

(c) jointly developing new products or schemes as part of an exclusive arrangement with brokers;

(d) fostering closer relationship through social activities;

(e) developing closer relationship with identified key personnel in targeted broking firms;

(f) supporting the broker's tender participation for corporate accounts and government-linked companies portfolio; and

(g) continuing joint scheduled meeting with brokers and their clients.

(iv) Enhance our e-commerce channels

We recognise the importance of the internet as a medium of distribution for our products. We intend to enhance our e-commerce channel as an alternative distribution channel which would serve to expand our reach where consumers have become more technology-savvy as internet accessibility grows in Malaysia. In addition, this distribution avenue may potentially be more cost-efficient as compared to our other distribution channels. Some of our insurance products that can currently be purchased online include motor, marine, immigration bonds, foreign workers insurance and travel PA insurance.

7.6.2 Realising the value of our investment in properties

We plan to realise the value of our investment in properties through the development of our land bank with JV partners, profit sharing partnerships or outright disposal when suitable opportunities arise. After excluding the land bank that we have committed to our JVs as listed in Section 7.3 above, our remaining land bank, excluding our 2 hotels and office building are as follows:

State	Size
	acres
Kuala Lumpur	4.2
Penang	207.6
Johor	1,803.2
Terengganu	7.7
Total	**2,022.7**

On an ongoing basis, we plan to monitor the execution of our JV projects. In relation to our remaining land bank that are not committed to any JV, we intend to continue exploring new strategies to realise the value of our existing land bank located in Kuala Lumpur, Penang, Johor and Terengganu, to enhance our investment returns. These may include entering into profit sharing partnerships, strategic partnerships with property developers or outright disposals. Before entering into any property development partnerships, we will evaluate and assess our potential JV partners based on, among others, their track record and financial strength.

With regard to our hotels and office building, we intend to continue to manage the said properties based on their current use while at the same time pursue opportunities to increase our return on investment in these properties. This may include efforts to renovate and enhance the value of the said buildings or outright disposals of the said properties.

7.7 Risk management

7.7.1 Internal audit

Our Group's internal audit function is carried out by our Group Internal Audit Department ("**GIAD**"). It assists the Audit Committee to monitor the risk management, internal control and governance system of our businesses.

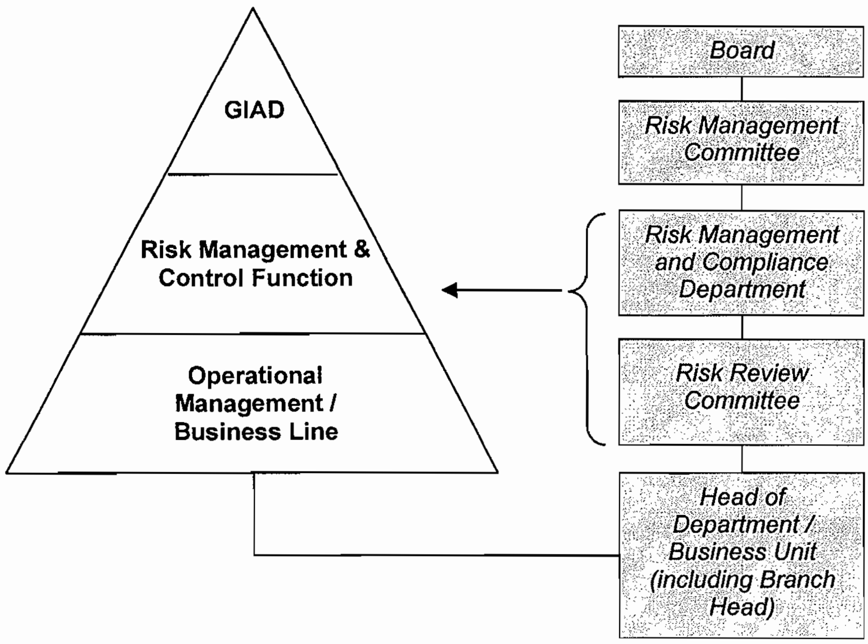
On an annual basis, an audit plan is presented to the Audit Committee for review and approval. The selection of the units or operations to be audited for the year is based on the risk assessment results and feedback from management and Audit Committee on their areas of concern. Areas which the Audit Committee considers as high risk are audited once every 12 months, whereas, areas which are considered as moderate and low risk are audited once every 2 and 3 years, respectively.

GIAD also performs special reviews or investigations on an ad-hoc basis, where required, for instance, when it receives such requests from the management and/or Audit Committee as a result of a change in business risks. In discharging the independent audits, GIAD places emphasis on a risk-based auditing approach which covers not only financial risks, but operational, technology and strategic risks as well.

The Audit Committee is responsible for the adequacy of the internal audit function and its resources, and ensures that recommendations raised in the internal audit reports are dealt with in an effective and timely manner, and that outstanding exceptions or recommendations are closely monitored. Where the result of an audit is unsatisfactory, a follow-up audit is conducted and reported to the Audit Committee.

7.7.2 MPIB's Enterprise Risk Management ("ERM") Framework

The Board of MPIB, with the assistance of the management of MPIB, has implemented risk management processes that set out the overall business strategies and the general risk management philosophy. The major areas of risk that the activities of MPIB are exposed to are operational risk, financial risk and general risk.



MPIB's 3-Tiered Risk Control

MPIB's ERM framework has a 3-tiered risk control structure. The lowest level is the operational functional units whereby the Head of Departments ("**HOD**") of the respective departments are responsible to identify and mitigate the risks within their department/business units. HODs are also required to manage the operational risks in the day-to-day operations and review the effectiveness of internal controls in order to mitigate the risks. The Strategic Operations Management Committee ("**SOMC**"), comprising the chief executive officer of MPIB (or his alternate) and the HODs, has an oversight role in relation to risk identification and risk mitigation measures presented by the managers of the respective departments and the risk management department.

The second level of control will involve the Risk Review Committee ("**RRC**") and the Risk Management and Compliance Department ("**RMCD**"). The RRC comprises at least 5 members who are mainly the operation heads of MPIB. This committee will formulate and formalise an effective risk management framework for approval by the Risk Management Committee ("**RMC**") and the Board of MPIB.

The RMCD is responsible to develop risk management policies, processes and limits to control risks, to review them and if necessary to make recommendation for changes in line with the changes in risk thresholds set by the Board of MPIB. The risk management and compliance officer ("**RMCO**") who is also a member of the RRC works closely with the RRC and the HODs. He is responsible to coordinate and monitor the implementation and compliance of the risk management framework. He will also assess the effect of the major risks and work together with an external actuarial consultant to assess the impact on earnings and capital. The RMCO reports directly to the chairman of the RMC, who is appointed by the Board of MPIB.

The RMC consists of at least 2 independent non-executive directors of MPIB whose roles are to review the effectiveness of MPIB's risk management framework and ensure that adequate risk control measures are duly implemented to mitigate risks that have been identified.

GIAD ultimately assesses the adequacy and effectiveness of the operational controls and risk management systems that have been put in place by MPIB as well as the level of compliance. GIAD highlights any deficiencies and/or breaches to the Audit Committee and recommends the appropriate remedial actions to be taken by MPIB. GIAD reports directly to the Audit Committee which is chaired by an independent non-executive director appointed by the Board.

The role of the Audit Committee, supported by GIAD, is to provide an independent assessment of the adequacy and reliability of the risk management processes and systems of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.

The Board of MPIB is responsible for the overall governance of MPIB, the attainment of its corporate plans and objectives, and risk management oversight.

The risk management policies are reviewed regularly to ensure that they remain relevant and effective in managing the associated risks due to changes in the market and regulatory environments.

Management of risks

After identifying the risks concerned, MPIB then segregates the risks into the following broad categories to determine the appropriate responses:

(i) Inherent risks – these are risks that exist in the business environment. These risks are generally beyond the management's control. However, the impact may be reduced to a certain extent through certain control actions.

(ii) Controllable risks – these are risks that may be detected and prevented by the management. Timely actions can then be taken to reduce the impact of such risks should they occur.

Thereafter, an analysis is made to determine the impact of each potential risk to its general insurance business in the following manner:

(i) identify the factors behind such risks and rate the probability of such risks occurring;

(ii) determine the consequence of such risks and rate the impact of such risks;

(iii) assess and categorise the degree of risk impact into 4 levels: very high, high, medium or low; and

(iv) based on the above analysis, determine either of the following actions:

(a) avoid the risk;
(b) transfer the risk;
(c) retain or accept the risk; or
(d) reduce the risk.

Business Continuity Framework

MPIB has established the Business Continuity Framework which is an integral part of the ERM Framework to mitigate reputation risks and loss of business opportunity. The Business Continuity Framework is undertaken according to guidelines issued by BNM to ensure that all stakeholders can rely on the continuation of essential services from MPIB even in times of crisis or in the event of disruption.

Compliance Management Framework

MPIB is obliged to comply with a number of legislative requirements, industry regulations and various other requirements. Failure to comply with such requirements, regulations and standards may result in financial and reputational damage, exposure to fines, civil and criminal penalties, suspension or revocation of licence. MPIB could also be subject to disputes and legal action arising from its transactions or business operations.

MPIB has established the Compliance Management Framework which is an essential component of the ERM Framework which is tasked to the RMCD to implement the policy and to reduce MPIB's exposure to legal and compliance risks.

Capital Management Plan ("CMP")

Pursuant to the RBC Framework, the Board of MPIB had approved and adopted a CMP for MPIB which is in-line with the requirements of the RBC Framework with effect from 1 January 2009. The objective of the CMP is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policyholders after taking into account events that can directly or indirectly impact the operations and financial resilience of the Group whilst complying with the rules and regulations issued by the relevant authorities.

The management of capital is guided by the CMP which is driven by the Group's business and strategies and organisational requisites which take into account the business and regulatory environment in which MPIB operates. In this respect, MPIB sets capital targets for both Tier 1 and Tier 2 as defined under the RBC Framework that is above the minimum regulatory requirements.

The management committee responsible for the oversight of MPIB's capital management is the SOMC. All proposals on any deviation from capital targets or capital raising exercises must be addressed to and approved by the SOMC prior to recommendation to the Board of MPIB for approval and implementation.

Stress Test

The CMP also includes a Stress Policy which requires a stress test to be conducted twice a year to systematically evaluate the extent by which MPIB's capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to exceptional but adverse plausible events and to determine the impact on the performance and financial conditions.

The stress tests results together with the counter measures are tabled to the RMC for deliberation and recommendation to MPIB's Board for approval prior to submission to BNM.

Asset/Liability Management ("ALM")

The primary objective of MPIB's ALM policy is to ensure that adequate liquid assets are held at all times and provide satisfactory and consistent earnings on these assets.

MPIB's ALM is integrated with the management of the financial risks associated with MPIB's other financial assets and liabilities not directly associated with reinsurance. MPIB's SOMC and investment committee are primarily responsible for the ALM based on the guidelines approved by the Board of MPIB.

Fraud Management Framework

MPIB has established the Fraud Management Framework which is an integral part of the ERM Framework to manage fraud risks arising from business transactions or operational activities.

7.7.3 Disaster recovery

The business operating system of MPIB is fully supported by a disaster recovery programme. MPIB carries out tests on its business operating system twice a year to assess the robustness and condition of its operating system.

7.7.4 Compliance monitoring of our investment properties

In relation to the properties that we own, we have implemented a compliance policy where, on a semi-annual basis, compliance checks are performed on the parcels of land that we own with regard to compliance with relevant conditions and regulations relating to the said parcels of land. When any relevant non-compliances are detected, we will assess and determine the appropriate course of action to be taken and implement them accordingly.

We also monitor the progress of our JVs on an ongoing basis and when we detect any non-compliance by our JV partners in relation to the terms of the JV agreement such as compliance with relevant regulations in relation to the land and property development activities, we will take the necessary actions to ensure that such non-compliances are rectified accordingly. Notwithstanding this, we will be indemnified and kept harmless by our JV partners from any damages, liabilities, expenses, losses, claims or proceedings arising from the failure of our JV partners to perform their responsibilities under the JV agreements.

7.8 Key regulations affecting our businesses

7.8.1 General insurance business

As with other insurance service providers operating in Malaysia, we are subject to, among others, the regulations and policies imposed by BNM as well as the provisions under the Insurance Act.

(i) Insurance Act

The general insurance industry in Malaysia is regulated by the Insurance Act. The Insurance Act provides that no person shall carry on an insurance business, insurance broking business, adjusting business or financial advisory business unless it is licensed under the Insurance Act. In respect of the insurance business, the MoF (through BNM) is responsible for issuing the licence authorising the holder to carry on insurance business whereas BNM is responsible for the issuing of licence in connection with the insurance broking business, adjusting business or financial advisory business. The MoF or BNM, as the case may be, may at any time impose any condition on a licence or amend any condition imposed.

(ii) Financial Services Act, 2013 ("**FSA**")

It is anticipated that the new FSA, which has been passed by Parliament but which, as of the date hereof, has not come into force, will consolidate the regulation of all financial services which were previously governed by BAFIA, the Exchange Control Act, 1953 ("**ECA**"), the Insurance Act and the Payment Systems Act, 2003 ("**PSA**").

The FSA deals with the regulation and supervision of financial institutions, payment systems and the oversight of the money market and foreign exchange market.

One of the significant changes that will be brought about by the FSA is the repeal of the BAFIA, the ECA, the Insurance Act and the PSA. Notwithstanding the repeal, any licence previously granted under (among others) the Insurance Act will be deemed to be a licence granted under the FSA, and will continue to authorise such person to carry on the insurance business that was covered under that licence.

In addition, when the FSA comes into force, our Company (being a company that obtained the prior written approval of the MoF to hold an aggregate interest in shares of more than 50% in MPIB) or such other corporation within our Group may be required to, among others, submit an application to BNM for it to be approved as a financial holding company ("**FHC**"). Once designated as a FHC, the said corporation is not permitted to carry on any business other than the business of holding investments (directly or indirectly) in corporations which are primarily engaged in financial services or in other services in connection with or for the purpose of such financial services, unless BNM otherwise approves. In addition, the FHC must comply with any prudential requirement specified by BNM. The FSA also empowers BNM to specify standards on prudential matters on a subsidiary of the FHC if BNM is of the view that the subsidiary poses a risk to a licensed person or its financial group and the subsidiary is required to comply with such standards.

(iii) BNM

BNM is a statutory body established under the Central Bank of Malaysia Act, 1958 (which has since been repealed by the Central Bank of Malaysia Act, 2009 ("**CBMA**")). Notwithstanding the repeal of the Central Bank of Malaysia Act, 1958, BNM shall continue to be in existence under and be subject to the provisions of the CBMA.

In addition to the functions of BNM (as provided under the CBMA), BNM is responsible for administering the Insurance Act and for regulating, among others, the conventional insurance industry. As a regulator, BNM has broad powers, which include the power to request for the submission by an insurer of documents or information as may be required by BNM, issue guidelines, circulars or notices relating to the conduct of the business and affairs of an insurer, make regulations with the approval of the MoF, direct an insurer to submit new products for review before the products may be offered, recall any products offered, compensate consumers who have suffered losses, modify the terms and conditions of any products offered, impose additional capital charges and publish details of corrective actions taken against an insurer.

(iv) PIAM

MPIB is a member of the PIAM. PIAM was formed in May 1979 in compliance with Section 3(2) of the Insurance Act, 1963. This provision has been superseded by Section 22 of the Insurance Act. PIAM constitutes a statutory association recognised by the Government for all registered insurers which transact general insurance business in Malaysia. PIAM's role includes, among others:

- to promote the establishment of sound insurance structure in Malaysia in co-operation and consultation with BNM;
- to promote and represent the interests of members in or connected with Malaysia by all means and methods consistent with the laws and constitution of Malaysia;
- to render to members, where possible, such advice or assistance as may be deemed necessary and expedient;

- to take note of events, statements and expressions of opinions affecting members, to advise them thereon and represent their interest by expression of views thereon on their behalf as may be necessary and expedient; and

- to make rules, regulations and bye-laws in accordance with these articles, in consultation with BNM.

Resolutions and circulars issued by PIAM relating to tariffs, policy guidelines and industry agreements are binding on the member insurance companies.

(v) Capital requirements

Under Section 18 of the Insurance Act and Regulations 3 and 4 of the Insurance Regulations, 1996 ("**Insurance Regulations**"), a licensed local insurer is required to maintain a minimum paid-up share capital of RM100,000,000.00, failing which, the licensed local insurer shall be liable to a penalty of RM3,000,000.00.

The RBC Framework is imposed by the MoF, pursuant to Section 23 of the Insurance Act as a licensing condition for insurers. This framework came into effect on 1 January 2009 and is a capital adequacy framework which is applicable to all insurers licensed under the Insurance Act. Under the RBC Framework, insurers are required to maintain a capital adequacy level that commensurate with their risk profiles. Each insurer is required to determine the adequacy of the capital available in its insurance and shareholders' fund to support the total capital required by the insurer. This will serve as a key indicator of the insurer's financial resilience and will be used by BNM to determine if any BNM supervisory intervention is required on the insurer. The framework also sets out the statutory valuation bases for the insurer's assets and liabilities and BNM's expectation of the investments and risk management policies of insurers.

Presently, all insurance service providers are required to have a minimum CAR of 130% and must maintain an internal target CAR which is above 130%. In computing the CAR percentage, factors such as the share premium, retained profits, general reserves are taken into account. An insurer which fails to comply with the minimum CAR will face strict supervisory action by BNM which may include business restrictions and/or restructuring measures.

Under Section 41 of the Insurance Act and Paragraph 5.1 on the Requirements on Margin of Solvency issued by the BNM, a licensed insurer is required to maintain, at all times, assets in its insurance fund which is of a value equivalent to or higher than the liabilities of that insurance fund. Where a deficiency arises, the licensed insurer shall rectify it by way of a transfer of assets from its shareholders' funds or from another insurance fund.

(vi) Restrictions on grant of credit facilities and transfer of funds

Under Section 49 of the Insurance Act, a licensed insurer shall not grant any credit facilities to (among others) the following entity/person, unless otherwise approved by the BNM:

(a) a company or firm in which it or any of its directors has any interest as director, partner, controller, manager or agent, or to an individual for whom or a company or firm for which any of its directors is a guarantor;

(b) a company in which it, or any one or more of its directors, has interest in shares of 20% or more;

(c) a company which has interest in shares of 20% or more in the licensed insurer or licensed insurance broker, as the case may be; and

(d) a company in which the company in subsection (c) above has interest in shares of 20% or more.

Under Section 93 of the Insurance Act, a licensed insurer can only pay out dividends if, all of its capitalised expenditure (including preliminary expenses, organisation expenses, share selling commission, brokerage, amounts of losses incurred, and any other item of expenditure not represented by tangible assets) has been written off or if the payment would not impair its margin of solvency.

This is further extended by the RBC Framework wherein, a licensed insurer shall not pay dividends if its CAR is less than the internal target CAR or if the payment would impair its CAR position to below its internal target. In addition, the BNM has the power to impose restrictions on insurers from making discretionary payments, including payment of interest or redemption of capital instruments.

In addition to the above, pursuant to the conditions imposed by MoF through the BNM letter dated 21 December 2012 (as varied by BNM's letter dated 20 March 2013) ("**MoF Conditions**"), the prior approval of BNM is required prior to any payment of dividends by our Company, MP Capital and MPIB while the prior approval of BNM is required before our Company provides any form of financial assistance (including loans, guarantees and indemnities) to the non-financial services business companies within our Group where such financial assistance exceeds the following thresholds:

(a) 50% of the proforma consolidated shareholders' funds of our Company (excluding shareholders' funds of MPIB) as at 30 June 2012 or 50% of the latest audited consolidated shareholders funds' of our Company (excluding the shareholders' funds of MPIB) which has been announced to Bursa Securities, whichever is the later; or

(b) MPIB having a CAR of not less than 180% at the time of provision of the said financial assistance.

Please refer to Section 10.1.2 of this Prospectus for further details on the MoF Conditions.

(vii) Reserve requirement

The RBC Framework requires the appointment of a suitably qualified actuary by an insurer to ensure that the value of insurance liabilities and the various components of the solvency computation are determined in accordance with the standard set out in the framework.

(viii) Reinsurance

An insurer's reinsurance arrangements must be consistent with sound insurance policies. The general principles to be observed in a reinsurance arrangement are the appropriateness of retention level, security of reinsurers, spread of reinsurers and appropriateness of reinsurance contracts. An insurer is required both to design its reinsurance programme in line with its exposure and portfolio of business, taking into account, among others, its insurance risk profile and the concentration of its business and to ensure that its reinsurance arrangements provide adequate protection for all classes of business underwritten to enable it to pay its liabilities as they come due. In placing reinsurance in respect of general insurance, an insurer must accord priority to local reinsurers up to such locally incorporated reinsurers' full retention capacity before securing reinsurance from Labuan incorporated insurers and subsequently foreign incorporated insurers.

(ix) Financial reporting requirements

In general, insurers are required to submit each of the following to BNM within a specified timeframe: (a) audited annual accounts; (b) auditor's report and certificate; (c) appointed actuary's report and certificate; (d) report on the action taken by the Board on the auditor's report; (e) the Board's report on its operations; and (f) monthly and quarterly returns of each fiscal year. BNM has also issued guidelines which require an insurer to submit additional reports which, among other things, relate to such insurer's investments, claims, reinsurance, solvency and capital adequacy.

(x) Management

The Insurance Act governs the appointment of directors and the chief executive officer of an insurance company. A director and/or chief executive officer of an insurance company must comply with the requirements imposed under the Insurance Act as well as obtain the approval of BNM prior to his or her appointment.

(xi) Investments

Insurance companies are required to comply with the investment risk and management policy spelt out under the RBC Framework. The RBC Framework provides that the oversight of and accountability for, the investment of insurance funds rests ultimately with the Board of the insurer. To ensure proper investment of insurance funds, insurers must put in place an investment and risk management policy that is in line with the risk appetite set by the Board of the insurer. The investment and risk management policy should be approved and reviewed regularly by the Board and cover overall investment strategy and proper risk management systems, including monitoring and control mechanisms.

BNM may however impose requirements on a particular insurer to invest in a specified manner, or restrict or prohibit an insurer from investing in certain asset classes or individual assets to safeguard insurance funds. Such requirements, restriction or prohibition will form part of supervisory actions as a result of BNM's assessment of an insurer's risk profile and investment risk management function.

(xii) Tariffs

Industry players in the domestic insurance sector are also affected by tariffs implemented by PIAM, subject to approvals from BNM. In view thereof, general insurance companies are unable to maximise their underwriting profits and at times, may suffer underwriting losses as tariffs limit their ability to price their insurance risks effectively. Nevertheless, BNM has recently introduced the new motor cover framework which is geared towards detariffing the motor insurance premium in which premium rates will be further differentiated in accordance to the risk profile of individual vehicles. Under this framework, motor insurance tariff rates are being revised by BNM on a gradual basis with a view towards the eventual abolishment of such tariffs by 2016.

(xiii) MMIP

All general insurance licence holders in Malaysia are collectively required to jointly share the losses of the MMIP. In recent years, the losses incurred by the MMIP have increased as more insurance companies have refused to insure vehicles of higher risk in nature. As such, an increasing number of vehicle owners have sought to obtain their insurance cover from the MMIP, as the insurer of last resort.

(xiv) Internet insurance

In view of the potential risks in internet insurance, BNM has formulated the Guidelines on Internet Insurance. The Guidelines serve to prescribe the minimum requirements which insurers should observe in the provision of internet insurance. Whilst the internet enhances the environment in which insurance products can be better advertised, purchased, delivered and serviced, the protection of policy owners' interests should not be compromised. Hence, any insurer who utilises the internet as a channel to transact with customers or as a platform for transmission of customers' information, is required to seek BNM's prior approval before conducting any activities online.

(xv) Anti-Money Laundering and Anti-Terrorism Financing Act, 2001 ("**AMLA**")

The AMLA which came into force on 15 January 2002 criminalises money laundering of proceeds from the predicate offence and provides for suspicious transaction reporting, record-keeping and the functions of a financial intelligence unit that could co-operate with domestic as well as foreign enforcement agencies. In this respect, the MoF has appointed BNM as the competent authority to carry out the functions of the financial intelligence unit. The law also provides for investigation into money laundering activities, law enforcement agencies to freeze, seize and forfeit proceeds from predicate offences as well as prosecution of money launderers.

As an insurance company, MPIB is categorised as a "reporting institution" pursuant to AMLA and is subject to the Anti-Money Laundering and Counter Financing of Terrorism Sectoral Guidelines 2 for Insurance and Takaful Industries. To ensure that all new insurance products or services as well as delivery mode does not create an avenue for money laundering and terrorism financing activities, we have to ensure that prior to the launch of any new insurance products or services or engagement of a new technology, controls to combat money laundering and terrorism financing practices are in place to address any risks these new products/services or technology may pose. As further required under the guideline, we have to verify and be satisfied with the identity of the policyholders and beneficiaries as well as the nature and legitimacy of the insurance transaction. We should not commence business relations or perform any transaction, or in the case of existing business relations with customers, we should terminate such business relations if the customer fails to comply with the customer due diligence requirements and consider lodging a suspicious transaction report with the financial intelligence unit in BNM.

7.8.2 Credit business

(i) Moneylenders Act, 1951

The moneylending activities of MP Credit are governed by the Moneylenders Act 1951 which came into force on 31 March 1952. Under the said legislation, a company carrying on moneylending business is required to obtain a licence from the Registrar of Moneylenders, Malaysia. Further, a moneylender who intends to lend money to a borrower shall enter into a prescribed moneylending agreement with the borrower. If a moneylender fails to obtain a licence to carry on moneylending business or to comply with the relevant legislations in the course of carrying out the moneylending business, such moneylender shall be liable to a fine and/or imprisonment under the Moneylenders Act 1951.

(ii) Hire Purchase Act, 1967

The hire purchase business of MP Credit is governed by the Hire Purchase Act 1967 which came into force on 11 April 1968.

(iii) AMLA

MP Credit, which conducts our credit business, is also a "reporting institution" pursuant to AMLA, and is required to report suspicious transactions to BNM.

7.8.3 Hotel operations

The hotel management business of Magnum Leisure and SPSSB are governed by, among others, the Local Government Act, 1976, which came into force on 1 January 1977 and the relevant by-laws passed by the respective municipal councils, namely the Municipal Council of Penang Island (Trades, Businesses and Industries) By-Laws 1991 and Hotels (Ampang Jaya Municipal Council) By-Laws 2007.

Details of the major licences, permits and approvals granted to and obtained by our Group are set out in **Annexure A** of this Prospectus.

7.9 Competition

Our general insurance business operates in a highly competitive environment in Malaysia and faces competition from local, foreign and takaful providers. As at the LPD, there are 24 general insurance companies and 7 general takaful providers that operate in Malaysia. 11 of the general insurance companies have majority foreign ownership, while the remaining 13 are locally-controlled.

Since 2009, in conjunction with the liberalisation of the financial sector in Malaysia, the limit on foreign equity ownership in local insurance companies have been increased to 70% from 49% previously. This appears to have resulted in a number of foreign insurance companies acquiring or merging with local insurance companies. These foreign-controlled insurance companies generally have stronger capital bases and expertise which enable them to underwrite risks which are larger and more specialised. Although the size of the general takaful market had increased from RM767.6 million in 2006 to RM1.6 billion in 2011, our general insurance business has not been materially affected by the growth of the general takaful market (*Source: Independent Market Research report by Frost & Sullivan*).

In addition, fire and motor classes, which presently contribute a significant portion of the gross premiums of our general insurance business, are subject to prescribed tariffs. As such, in these classes, we compete primarily on the basis of product offerings, as well as overall customer service levels.

We believe that there are significant barriers of entry for new players in the industry in the form of licensing and capital requirements. Each insurance company is required to have a general insurance licence to operate in Malaysia, and new licenses may be difficult to obtain as BNM is currently encouraging the industry to consolidate. General insurance companies will also have to comply with the capital requirements, which impose a minimum RM100 million paid-up capital requirement along with a minimum CAR requirement of 130%. Additionally, acquisitions of equity interest in insurance companies or their controllers are regulated whereby any party that intends to acquire an equity interest of more than 5% in an insurance company or its controller must obtain the prior permission of MoF.

7.10 Intellectual property

MPHB is currently registered as the proprietor of the "Multi-Purpose" trademark and logo and had on 8 August 2012 executed a deed of assignment to transfer the said trademark and logo to MPHB Capital. Please refer to Section 15.4(iv) of this Prospectus for more information.

Save as disclosed above, as at the LPD, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights.

7.11 Major customers

Our Group had no major customers that individually contributed 10.0% or more of our Group's combined revenue for the years ended 31 December 2010, 2011 and 2012.

7.12 Major suppliers

Our Group had no major suppliers that individually contributed 10.0% or more of our Group's combined cost of sales for the years ended 31 December 2010, 2011 and 2012.

7.13 Dependence on material contracts/agreements/other matters

As at the LPD, there are no material contracts, agreements, arrangements or other matters which had been entered into by us which we are highly dependent on.

7.14 Research and development

Our Group did not have any research and development policies for the years ended 31 December 2010, 2011 and 2012.

7.15 Interruptions to business for the past 12 months

There was no significant interruption to our business and operations in the 12 months preceding the LPD.

7.16 IT

Our IT infrastructure comprises integrated computer systems and software that are critical to our operations and business growth.

(i) Policy M

Policy M is a fully-integrated core insurance system which is designed to support our insurance business. It covers and links our various departments such as the underwriting, reinsurance, claims, accounting and finance departments of MPIB. Our core system supports the following functions:

(a) manage the insurance policy and underwriting process;

(b) register and process claims;

(c) handle billings and collections; and

(d) implement cover notes control.

In order to cater to new business requirements, the system is continuously upgraded to improve its capability from time to time as well as to enhance our operating efficiency.

We are currently in the process of replacing our core insurance system with a more advanced platform known as the Enterprise Insurance System ("**EIS**"). The EIS is expected to improve the overall operational efficiency and effectiveness of our insurance operations. The development of the EIS commenced on 3 February 2009 and is currently in the development and testing stage. The EIS was initially targeted to be rolled out by the end of 2012. However, the system test results were not satisfactory and as such the roll out has been delayed. We are still assessing the additional cost and time required to complete this project.

(ii) Electronic Agency Services Centre ("EASC")

We have implemented the EASC system to handle transactions for various insurance such as motor, foreign workers compensation, bonds and cargo. The EASC system reduces the need for agents to physically visit our office to obtain insurance notes and policy papers as these documents can be printed on a real-time basis.

(iii) Wide area network

All of our branches are linked to our head office by a protocol secured wide area network. This enables our employees and agents to access the computer system on a real-time basis, which also facilitates a more efficient means of communication between branches and the head office.

(iv) E-Merrimen

We have implemented the E-Merrimen system which is a web-based application that provides the link between our claims department to loss adjusters and motor repair workshops in order to establish real-time transmittal of documents, thus overcoming postal delays and documents going astray.

(v) Internet payment

We have implemented an e-Payment system which enables payments to be made via a secure on-line environment. This enables payments or transfer of monies to our suppliers, claimants, workshops, lawyers or other payees in a timely and efficient manner.

(vi) Business intelligence tool

We have developed a business intelligence tool to help us better dissect business data and make more strategic decisions on our portfolio of business to improve the loss ratio and to assist agents to identify the type of businesses to focus on.

7.17 Employees

The number of employees of our Group for the years ended 31 December 2010, 2011 and 2012 and as at the LPD is as follows:

	Total number of employees				Average year(s) of service as at the LPD		
Division/Section	**2010**	**2011**	**2012**	**As at the LPD**	**< 1 year**	**1 - 5 years**	**> 5 years**
General insurance and credit businesses							
General management, administration, human resource, risk management	19	22	25	26	4	7	15
Finance & credit control	31	32	30	32	9	14	9
Underwriting (non-motor)	58	61	67	67	14	30	23
Claims (non-motor)	25	24	25	27	4	13	10
Motor (underwriting & claims)	24	26	34	39	8	24	7
Marketing (headquarter)	109	106	127	128	27	61	40
Branches	134	139	153	155	31	69	55
Investments							
Property management	4	3	3	3	1	2	0
Executive office, administration & finance	22	23	22	21	1	16	4
Human resources	6	5	6	6	2	2	2
Training & development	1	1	1	2	1	1	0
Sales & marketing	22	21	16	17	7	9	1
Safety & security	18	17	18	17	3	9	5
Food & beverages	30	26	30	30	10	18	2
Kitchen	41	42	43	42	11	18	13
Engineering	21	23	23	22	6	16	0
Front office	44	39	47	48	14	31	3
Housekeeping	39	39	44	43	8	25	10
Total	**648**	**649**	**714**	**725**	**161**	**365**	**199**

As at the LPD, we have a total workforce of 725 employees including 76 direct contract employees, of which more than 95% are Malaysians. Under our hotel operations, we also have 31 contract personnel who are engaged by firms who manage certain services which have been outsourced by us.

None of our employees is represented by any union and we have not experienced any disruptions due to labour disputes in the past. We believe that labour relations within our Group and our relationships with our employees are good.

7.18 Training and development programmes

We recognise the importance of human capital as one of our critical success factors. We manage our talent and develop future leaders through the assessment of performance as well as through implementation of training and development initiatives. As such, we provide training from time-to-time to guide our employees and agents in achieving our aims and embracing our values.

The following are some of the training and career development programmes which MPIB provides to its employees and agents:

Training and career development programmes	Details
(i) Executive career development programme	• caters to young executives • 3-year programme • focuses on insurance technical knowledge and soft skills • training is provided regularly throughout the year
(ii) Young managers development programme	• caters to junior managers • 3-year programme • focuses on advance insurance technical knowledge and soft skills • training is provided regularly throughout the year
(iii) Competency Professional Development ("**CPD**") training	• caters to MPIB's agents, all of whom are registered with PIAM and professionally certified by the Malaysian Insurance Institute ("**MII**") where they are required to fulfil a minimum of 20 hours of CPD training hours annually • covers a range of insurance related areas to develop technical skills and knowledge • covers contemporary topics related to the insurance industry • conducted by MPIB's senior management personnel and insurance industry experts
(iv) AMII examination	• a professional examination tailored for the insurance industry • organised by the MII
(v) Product training programmes	• covers a range of insurance products and schemes offered by MPIB • caters to MPIB's agents and employees

Sponsorships

In 2012, we started providing sponsorships to our employees to pursue the MII certification as well as CPD training sessions to keep them up-to-date with the developments in the industry. As at the LPD, we have extended 4 sponsorships to our employees for the MII certification.

Retention of staff and agents

Our Group is committed to the continuing development of our employees to assist them in their career development as well as for our succession planning. In order to encourage agency retention and to motivate our agents, we are focused on increasing training programmes and allowing career development through promotion opportunities, agent recognition programmes as well as attractive performance oriented commission package.

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15 May 2013

The Board of Directors
MPHB Capital Berhad
39th Floor, Menara Multi-Purpose,
Capital Square,
No. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur, Malaysia

Dear Sirs,

Executive Summary of the Independent Market Research Report on the General Insurance Industry and An Overview of the Property Investment Industry in Malaysia for MPHB Capital Berhad ("MPHB Capital" or the "Company")

We, Frost & Sullivan Malaysia Sdn Bhd ("Frost & Sullivan"), have prepared the Executive Summary of the Independent Market Research report on the General Insurance Industry and An Overview of the Property Investment Industry in Malaysia ("Report") for inclusion in MPHB Capital's Prospectus dated 29 May 2013 ("Prospectus") in relation to the initial public offering and the listing of and quotation for the entire issued and paid-up share capital of MPHB Capital on the Main Market of Bursa Malaysia Securities Berhad.

We are aware that this Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under section 214 of the Capital Market and Services Act, 2007.

This research is undertaken with the purpose of providing an Independent Market Research Report of the General Insurance Industry and An Overview of the Property Investment Industry in Malaysia.

We acknowledge that if we are aware of any significant changes affecting the content of this Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this Report to be updated for the changes and, where applicable, cause MPHB Capital to issue a supplementary prospectus, or withdraw our consent to the inclusion of this Report in the Prospectus

Frost & Sullivan has prepared this Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this Report. This Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this Report or otherwise.

For and on behalf of Frost & Sullivan Malaysia Sdn Bhd:

Hazmi Yusof
Vice-President

The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in May 2013.

This report is prepared for inclusion in the Prospectus of MPHB Capital Berhad in relation to an initial public offering in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For further information, please contact:

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50480 Kuala Lumpur

ABBREVIATIONS

General Definitions

ASEAN	Association of Southeast Asia Nations
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
ETP	Economic Transformation Programme
FSBP	Financial Sector Blueprint
FSMP	Financial Sector Masterplan
GNI	Gross National Income
IFRS	International Financial Reporting Standards
M&A	Mergers and Acquisitions
MAT	Marine, Aviation and Transit
NBFI	Non-Banking Financial Intermediaries
NKEA	National Key Economic Area
PA	Personal Accident
RBC	Risk-Based Capital
SPIKPA	Hospitalisation and Surgical Scheme for Foreign Workers
TRX	Tun Razak Exchange

Companies, Authorities and Organisations

BNM	Bank Negara Malaysia
JPPH	Valuation and Property Services Department
MII	Malaysian Insurance Institute
MMIP	Malaysian Motor Insurance Pool
MOF	Ministry of Finance
MPHB Capital	MPHB Capital Berhad
PEMANDU	Performance Management & Delivery Unit
PIAM	General Insurance Association of Malaysia
PIDM	Perbadanan Insurans Deposit Malaysia

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1 ECONOMIC OUTLOOK

(Extracted from "The Economic and Financial Developments in Malaysia in the Fourth Quarter of 2012, Bank Negara Malaysia (BNM)")

Despite the challenging global economic environment, the Malaysian economy recorded a higher growth of 6.4% (3Q 12: 5.3%), supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. The growth during the quarter also benefited from a significantly lower negative contribution from net exports. On the supply side, most economic sectors recorded improvements in growth during the quarter. For the year as a whole, the Malaysian economy expanded by 5.6%.

Domestic demand continued to expand at the pace of 7.5% (3Q 12: 11.4%) with gross fixed capital formation remaining strong, registering double-digit growth of 15% in the fourth quarter (3Q 12: 22.7%). Private sector investment advanced by 20.2% (3Q 12: 22.9%), supported by capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunications, real estate and aviation and the on-going implementation of projects in the oil and gas sector. Investment was also supported by capacity expansion in the primary-related manufacturing cluster and capital spending in new growth areas such as medical and communications equipment. Public investment expanded by 11.1% (3Q 12: 22.4%), driven by capital spending by public enterprises in the transportation, utilities, oil and gas and communications sectors.

Private consumption registered a growth of 6.1% in the fourth quarter (3Q 12: 8.5%), supported by stable labour market conditions and improved consumer sentiments. The stronger growth in the first half of the year reflected the effects of the various government transfers to households disbursed during the period. Public consumption grew by 1.1% (3Q 12: 2.3%), attributable to continued spending on emoluments amidst lower spending on supplies and services.

On the supply side, growth in most economic sectors improved in the fourth quarter. Growth was led by the manufacturing and services sectors, supported by domestic demand and a gradual improvement in the external environment. The agriculture sector expanded at a faster pace amidst higher crude palm oil output and production of poultry, while growth in the mining sector rebounded following a recovery in the production of natural gas. Meanwhile, growth in the construction sector continued to be robust, driven by the civil engineering and residential sub-sectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), continued to moderate to 1.3% in the fourth quarter (3Q 12: 1.4%), reflecting lower inflation in the food and non-alcoholic beverages category.

In the external sector, the current account surplus increased in the fourth quarter to RM22.8 billion, equivalent to 6.6% of GNI, due to a larger goods surplus, a lower services deficit and net income payments. Meanwhile, the financial account sustained an outflow of RM9.0 billion, as net inflows of FDI and portfolio investments were offset by an increase in direct investment abroad. Consequently, the overall balance of payments turned around to record a surplus of RM5.9 billion (3Q 12: -RM7.5 billion).

The international reserves of Bank Negara Malaysia amounted to RM427.1 billion (equivalent to USD139.7 billion) as at 31 December 2012. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 31 January 2013, the reserves position amounted to RM428.6 billion (equivalent to USD140.2 billion), sufficient to finance 9.5 months of retained imports and is 4.6 times the short-term external debt.

Interest rates remained stable

The Overnight Policy Rate (OPR) was maintained at 3.00% during the fourth quarter of 2012. At this level of the OPR, monetary conditions remain supportive of economic activity.

Reflecting the unchanged OPR, the average interbank rate of all maturities was relatively stable. In terms of retail interest rates, the average quoted fixed deposit (FD) rates of commercial banks were relatively unchanged. The average base lending rate (BLR) of commercial banks remained unadjusted at 6.53%, while the weighted average lending rate (ALR) on loans outstanding moderated slightly to 5.52% as at end-December (end-September: 5.55%).

Total gross financing raised by the private sector through the banking system and the capital market was sustained at RM262.5 billion (3Q 12: RM272.9 billion). On a net basis, banking system loans and PDS outstanding expanded at an annual growth rate of 12.4% as at end-December (end-September: 12.8%).

Net funds raised in the capital market were higher at RM37.7 billion during the quarter (3Q 12: RM28.7 billion). The bulk of funds were raised by the private sector through new issuances of private debt securities. After adjusting for redemptions, net funds raised by the private sector amounted to RM20.1 billion (3Q 12: RM18.3 billion). Net funds raised by the public sector were RM17.6 billion in the fourth quarter (3Q 12: RM10.4 billion).

Financial stability continued to be preserved

Financial stability was sustained throughout the quarter amidst continued challenges in the global environment. Stable financial conditions were underpinned by sound and well-capitalised financial institutions, orderly financial market conditions and sustained confidence in the financial system, which provided continued support for effective financial intermediation.

With strong level of capitalisation as core capital ratio and risk-weighted capital ratio improved to 13.4% (3Q 12: 13.2%) and 15.2% (3Q 12: 14.9%) respectively, the banking sector is well poised to withstand economic and financial shocks. The insurance sector also maintained a sound capital adequacy ratio of 222.3% (3Q 12: 218.6%) with excess capital buffer of RM22.5 billion.

Domestic economy to register growth, supported by firm domestic demand amidst gradual improvement in external environment

Going forward, there are emerging signs of improvements in the global economy. Latest economic indicators also suggest further stabilisation in the growth performance in Asia. Notwithstanding these improvements, considerable structural challenges remain in the advanced economies, which would constrain the prospect for a stronger economic recovery. In particular, several advanced economies will continue to address the issues relating to fiscal sustainability and persistently weak labour market conditions. In the emerging markets, the highly accommodative monetary policy sustained in the major advanced economies requires close surveillance given the potential impact of excessive global liquidity on asset price inflation.

For the Malaysian economy, the sustained expansion in domestic activity is expected to continue to drive growth, supported by the sustained private sector expansion. The stabilisation of external conditions is also expected to lend support to our economic growth prospects.

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2 BACKGROUND OF THE FINANCIAL SERVICES SECTOR IN MALAYSIA

2.1 Introduction

The financial sector in Malaysia is a highly regulated sector. Under the Central Bank of Malaysia Act 1958 (revised in 2009), the financial sector is under the direct supervision of the central bank, BNM. The primary functions of BNM are as follows:

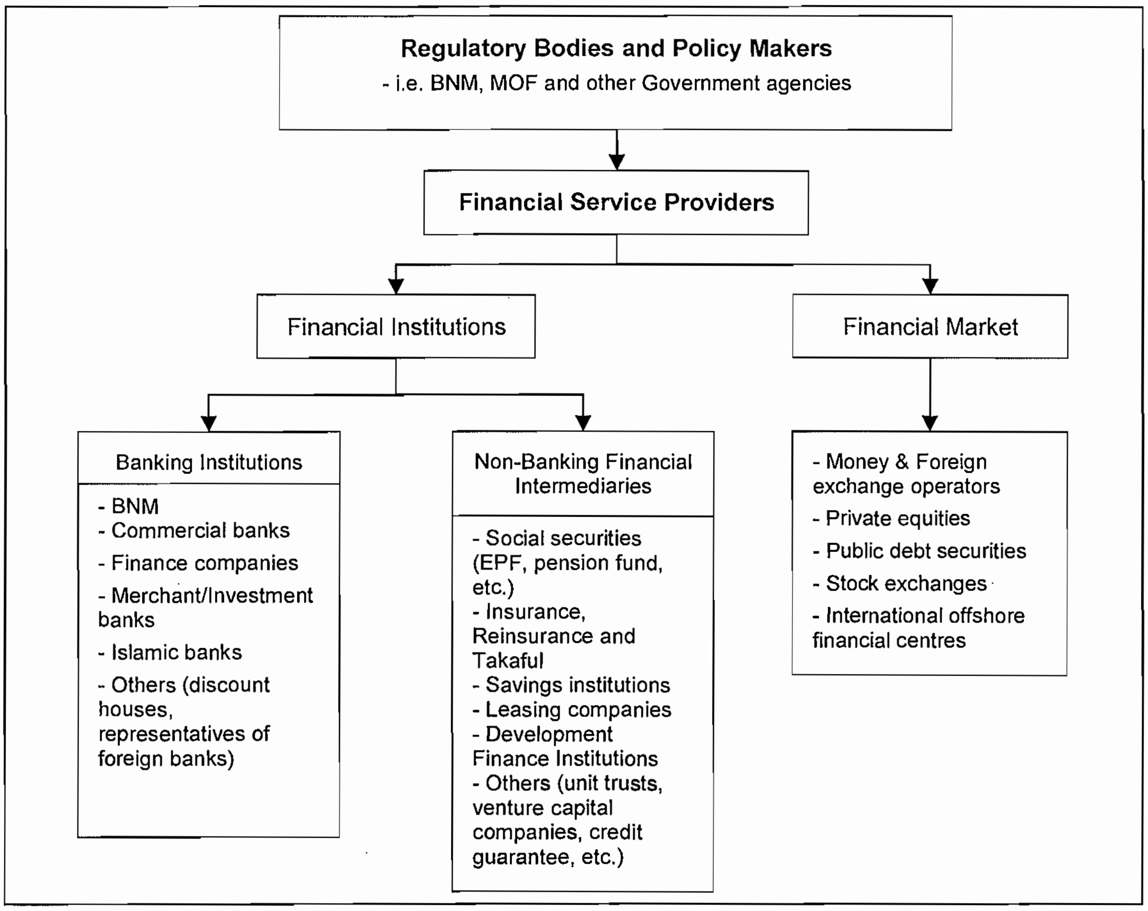
a) to formulate and conduct monetary policy in Malaysia;
b) to issue currency in Malaysia;
c) to regulate and supervise financial institutions which are subject to the laws enforced by BNM;
d) to provide oversight over money and foreign exchange markets;
e) to exercise oversight over payment systems;
f) to promote a sound, progressive and inclusive financial system;
g) to hold and manage the foreign reserves of Malaysia;
h) to promote an exchange rate regime consistent with the fundamentals of the economy; and
i) to act as financial adviser, banker and financial agent of the Government of Malaysia (Government)

Source: Extracted from the IMR Report prepared by Frost & Sullivan

The key policymakers for the financial sector are the Ministry of Finance (MOF), BNM, other key statutory regulatory bodies or agencies such as Securities Commission Malaysia and General Insurance Association of Malaysia (PIAM).

Financial service providers in Malaysia comprise banking institutions, non-banking financial intermediaries (NBFI) (i.e. social securities, insurance/reinsurance and takaful operators, savings institutions, leasing companies, etc.) and operators in the financial market (i.e. money exchange market, equity, etc).

The Financial System Structure in Malaysia



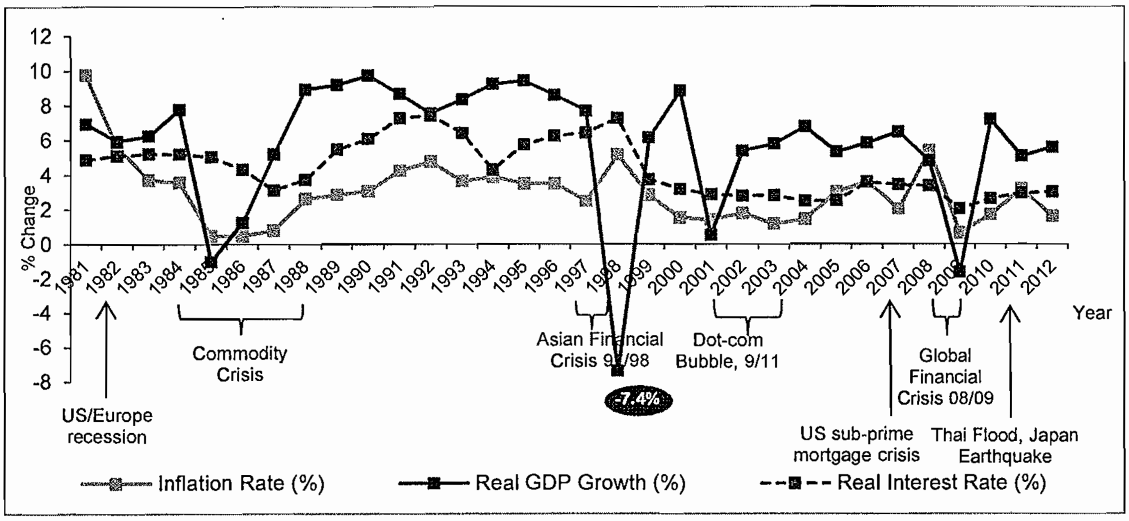
Source: Extracted from the IMR Report prepared by Frost & Sullivan

2.2 Government Policies and Measures

Malaysia has reached the state of financial sophistication, on par with many developed countries in the world today. The Government is known for its cautious approach on fiscal and monetary policies, to ensure healthy and sustainable growth of the economy as well as resilience to market shocks. In 2009, the Government announced its financial sector liberalization measure as a catalyst to propel the economy further during the transition from developing into the developed economy status.

The financial liberation measure started since the 1970's but was temporarily rescinded during the global economic crisis of 1985-86 (Commodity Crisis). Having learned the lesson from the series of events that led to the Commodity Crisis, Malaysia since embarked on adopting prudent fiscal and monetary measures that helped the country to pull through during the adverse economic conditions of 1997-98 (Asian Financial Crisis), 2001-03 (Dot-com Bubble and Post-9/11) and 2008-09 (Global Financial Crisis) with shorter recovery periods.

Malaysia: Inflation Rate, Real Gross Domestic Product (GDP) and Real Interest Rate (1981-2012)



Source: Extracted from the IMR Report prepared by Frost & Sullivan

During the oil price peaks in the late 1970's early 1980's, Malaysia had enjoyed vibrant economic growth and a booming property sector, fuelled by the availability of bank credit at a time when the country's regulatory controls in the financial sector were still developing. Since the 1970's the Government had been reliant on external borrowing to finance public expenditure on infrastructure development. Being a major exporter of commodities such as crude oil, natural gas, tin, palm oil, rubber and cocoa, Malaysia was highly sensitive to changes in global commodities prices. This dependency followed by the deterioration of commodities prices starting early 1980's had a drastic effect in Malaysia's terms of trade, propelling Malaysia into a deficit in balance of payment.

By the mid-1980's global commodity prices experienced a sharp decline and Malaysia descended into severe financial crisis, as reduced total export on top of weak domestic demand resulted in huge losses of total income. This had also left many cash-strapped companies unable to service their loans. During this severe debt crisis, the Government embarked on a structural adjustment programme in order to control Malaysia's balance of payment deficits, by cutting back public expenses and establishing strict monetary and fiscal policies. At the same time, BNM provided cash injections to ailing cooperatives and rolled out rescue packages to keep financial institutions from slipping into bankruptcy. Stricter regulatory measures were applied for better supervision of the financial institutions and to curb problems of fraud and excessive risk-taking in the financial sector. The recently gazetted Financial Services Act 2013 (FSA) which is expected to come into effect by mid-2013 will replace the Banking and Financial Institution Act 1989 (BAFIA), the Insurance Act 1996 and the Payment Systems Act 2003. The

FSA aims to provide a more uniformed framework in regulating the conventional banking sector *(including NBFI)*, insurance and payment systems, resulting in an effective and transparent regulatory and supervisory framework which is expected to contribute to an efficient financial system that is resilient to future stresses.

Prior to this, the BAFIA had replaced the Banking Act 1973 and Financial Companies Acts 1969. Under BAFIA, only individual banking entities such as commercial and investment banks are regulated by BNM. However, with the implementation of FSA, BNM will have greater oversight over holding companies of banks and insurance companies and NBFI to ensure that the activities of financial groups do not pose undue risks to the safety and soundness of financial institutions. The new framework would impose prudential standards on such holding companies requiring them to retain more capital, similar to the regulatory requirements as the banks under them.

Financial Sector Masterplan (FSMP) 2001-2010

The Asian Financial Crisis which hit the region circa 1998-99 had severely impacted the financial sector and caused extreme volatility to the Malaysian financial markets. During the peak of the crisis, the stock market value fell by almost 70% whilst the Ringgit currency devalued by approximately 40%. In 1998, the GDP growth for Malaysia contracted by approximately 7.4%. The Government took extreme fiscal and monetary measures which helped Malaysia to sustain its economy despite the recession. In preparation for future shocks, the FSMP was launched in March 2001, which tabled the broad strategies for the financial sector reformation to be executed over a ten-year period from 2001 to 2010. The main objectives were to propagate domestic financial institutions to be more effective and competitive in the open market, through the removal of outsourcing barriers, strengthening the regulatory and supervisory framework, promoting a safe and efficient payments system as well as developing the framework on consumer education and protection[1].

For the insurance industry, consolidation of industry players, in particular the fragmented general insurance segment remained as priority. This is one of the main strategies deployed to increase competitiveness of insurance companies through better economies of scale. Following the increase in minimum paid-up capital from RM50 million to RM100 million in 2001, the general insurance segment saw approximately 15 mergers and acquisitions (M&A) involving a total of 28 general insurers between 1999 and 2003[2]. The increased capacity as a result of the M&A enabled insurance companies to support the development of the private bond

[1] *BNM, Chapter 4:The Financial Sector, Economic Annual Report 2001*

[2] *BNM, Annual Insurance Report 2003*

market. In the life insurance segment, which has the highest potential for growth due to its lower penetration rate, the emphasis given was on market scaling through the development of new growth areas, Bancassurance[3] as well as non-credit related products. Furthermore, in response to the global financial crisis 2008-09, the risk-based capital framework was introduced in 2009. (Refer to Section 3.1.1 for explanation on the risk-based capital framework)

Financial Sector Blueprint (FSBP) 2011-2020

The FSBP was revealed in June 2012 and charts the future direction of the financial sector over a ten-year period of implementation. As Malaysia transitions towards the high value-added and high-income economy, the role of the financial sector becomes more predominant, as the key driver of economic growth. The main aim of the FSBP is to prepare the financial sector to be "*...more competitive, dynamic, inclusive, diversified and integrated, with the ability to offer world class financial services, in terms of breadth, depth and quality to serve the needs of Malaysia*"[4].

The FSBP has nine focus areas as follows:

Focus Area	Details
Effective intermediation for a high value-added and high-income economy	• Mobilisation of diverse savings to productive investments • Development of a risk-capital ecosystem to support innovation-driven economic activities and start-up • Enhancement of large and long-term project financing for infrastructure development • Enhancing the provision of financial services for wealth management, retirement and long-term healthcare. • Development of a private pension industry
Developing deep and dynamic financial markets	• Enabling more effective intermediation, transfer of risks and management of liquidity through the improvement of the liquidity, depth and participation in the money, foreign exchange and Government securities markets in Malaysia • Progressive liberalisation of the foreign exchange administration rules to raise efficiency in the financial market transactions

[3] *Bancassurance is the selling of insurance through a bank's established distribution channel, usually to complement the banking products such as the Payment Protection Insurance (PPI), Mortgage Reducing Term Assurance (MRTA) and Mortgage Level Term Assurance (MLTA).*

[4] *BNM Press Release, June 2012.*

Focus Area	Details
	• Development of the domestic foreign exchange and money markets to ensure sound risk management and compliance to corporate governance practices by financial market players.
Financial inclusion for greater shared prosperity	• Enabling all members of society, including the underserved, to have access to and usage of quality, affordable and essential financial services • Development of innovative delivery channels to enhance the outreach of financial services in a cost-efficient manner • Expansion of products and services to cater to distinct financial needs of all segments of society
Strengthening regional and international financial integration	• Strengthening international financial linkages through establishing prudential investment policies that is at the best interest of Malaysia • Catalysing new high value-added activities that can impact on financial stability and increase Malaysia's competitiveness. • Ensuring the continued presence of strong and well-managed domestic banking groups that continue to mobilise a significant share of resident deposits
Internationalisation of Islamic finance	• Enhancement of the Islamic financial ecosystem that is conducive for the mobilisation of higher volumes of international Islamic financial flows • Strengthening of the legal and Shariah frameworks through establishing a single legislated authority on Shariah matters in Islamic finance
Regulatory and supervisory regime to safeguard the stability of the financial system	• Establishment of a comprehensive legislative framework for effective regulation and supervision • Enhancement of the capital and liquidity standards of financial institutions to be in line with international standards • Raising governance and risk management standards of financial institutions • Increasing cross-border collaboration with other supervisory authorities
Electronic payments for greater economic efficiency	• Encouraging the migration to electronic payments (e-payments) through facilitating a wider outreach of e-payments infrastructure, such as point-of-sale terminals and mobile phone banking.
Empowering consumers	• Collaboration with various stakeholders to promote consumer protection education and financial literacy

Focus Area	Details
	• Development of a consumer protection support infrastructure through establishing single consumer credit legislation, integrated dispute resolution system and an enhanced credit information framework
Talent development to support a more dynamic financial sector	• Establishment of a Financial Services Talent Council to drive, oversee and coordinate talent development efforts in the financial sector

Source: Extracted from the IMR Report prepared by Frost & Sullivan

2.3 Prospects of the Financial Services Sector

In 2012, Malaysia's financial sector was jointly assessed by the International Monetary Fund and the World Bank under the Financial Sector Assessment Program. The outcome of this assessment affirmed the strength and resilience of the Malaysian financial sector, the high level of compliance of the domestic regulatory and supervisory framework in the banking, insurance and securities sectors, as well as the deposit insurance system, with international standards and robustness of the financial market infrastructure.

The financial services sector is one of the fastest growing sectors in Malaysia, registering an average growth of 7.1% between 2006 and 2009. The financial sector's contribution to the GDP is expected to grow from 8.6% in 2011 to 12.0% by 2020[5]. Since 2012, Malaysia's financial sector has fully complied with the International Financial Reporting Standards (IFRS)[6] which require higher disclosure and degree of transparency in financial reporting. Through the harmonizing of financial reporting standards, led by a strong support structure that comprise legal, regulatory and supervisory systems, as well as strong institutional backing, the financial sector is expected to continue to gain market confidence and be in better position to withstand any uncertainties that may arise due to the prevailing global financial and economic conditions. The implementation of recommendations under the FSBP is also expected to contribute positively to the financial stability in Malaysia.

Furthermore, with the implementation of the FSA in mid-2013, the financial services sector is expected to grow further especially since foreign banks is anticipated to be allowed to expand their branches more freely, similar to the domestic banks. Currently, foreign-owned banks

[5] *BNM Press Release, June 2012. http://www.bnm.gov.my/index.php?ch=8&pg=14&ac=2373*

[6] *The IFRS is a globally accepted financial reporting standard developed by the IFRS Foundation, a not-for-profit private sector organization working in the public interest, and its standard setting body, the International Accounting Standards Board (IASB).*

which accounts for approximately 27.0% of the market share in 2012 in the banking sector may only expand their network through expansion of electronic channels, agent banking, and increasing the establishment of physical branches.

2.4 Brief Overview and Prospects of the Credit Business for the NBFI Segment

In general, the credit business in Malaysia includes financial services such as loan, trade financing, hire purchase, factoring, leasing facility or similar facility. Credit facilities such as letter of credits are generally used by small and medium enterprises (SME) to finance trade transactions. Other credit facilities include term loan, overdraft facility and revolving credit facility.

Banks are the main institutions that provide a majority of the core financial services. Banks generally provide loans to sectors such as industrial, trade and commerce which are targets for large scale financing opportunities. Banks' relatively higher administrative costs may make it unproductive for them to provide small scale financing services. NBFI credit service providers such as MPHB Capital, complement the banking institution in the provision of these financial services by targeting specific market segments that are underserved by the banks. Previously, under BAFIA, NBFI credit service provides were not governed by BNM's stricter credit tightening guidelines. However, with the expected implementation of the FSA in mid-2013, BNM will have greater oversight over NBFI to ensure that the safety and soundness of financial institutions.

Industry Prospects

Since 2010, BNM has been increasing the overnight policy rate to tighten credit facilities to consumers in order to reduce household debt in Malaysia by targeting credit cards, housing loans as well as car loans. This has resulted in the decline of loan growth for the banking industry in these segments during 2011 and 2012. SME are finding it difficult to access credit facilities from banks. NBFI credit service providers benefited from this market conditions by providing credit services with less stringent terms to these consumers and SMEs where the demand for credit services remain robust. For example, in 2012, overall credit on all facilities extended by the three largest NBFI have grown at a faster rate of 23.1% (2011: 17.1%)

3 ANALYSIS OF THE GENERAL INSURANCE INDUSTRY IN MALAYSIA

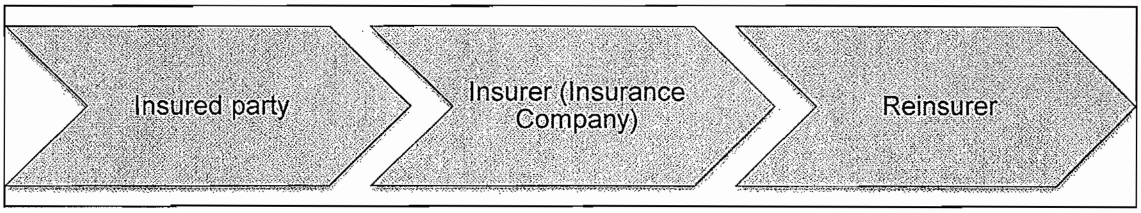
3.1 Overview of the General Insurance Industry

General insurance is a contractual agreement between the underwriter (*also known as the insurer*) and the individual or an entity that purchase the insurance policy (*known as the insured or policyholder*). The underwriter agrees to assume the risks of an insured loss event from the insured in exchange for an agreed amount of monetary payment *(known as premium)*. In turn, the insured receives an insurance policy; a binding contract which details the scope of coverage, terms and conditions of the insurance policy.

The equitable transfer of the risk of a loss from one entity to another allows insurance to be used as a form of risk management to hedge against uncertainty and loss. Since insurance provides the necessary protections against financial losses that might arise from unforeseen events, companies and individuals who are risk-averse may generally purchase some form of insurance policies to protect themselves from the risk of unforeseen losses.

Insurance companies that sell insurance policies may sometimes find themselves assuming too much risk, especially in the ever changing environment. As such, they may in-turn purchase reinsurance[7] policies from another insurance company as a means of risk management.

Risk Transfer Flow for General Insurance Industry in Malaysia



Source: Extracted from the IMR Report prepared by Frost & Sullivan

Reinsurance

The purpose of reinsurance is to spread risk amongst a number of insurers or reinsurers. The insurer may pay reinsurance premium to the reinsurer to protect against the insurer's losses.

[7] *Reinsurance is an insurance policy purchased by an insurance company from another insurance company or reinsurer to reduce their risk exposure.*

There are two types of reinsurance arrangements, namely facultative reinsurance and treaty reinsurance.

Under the facultative reinsurance arrangement, the reinsurers will consider each risk offered by the insured separately, and is free to accept or reject each offer. This arrangement allows the reinsurers to assess and decide whether or not to accept the risk based on the price and terms offered by the insurer in respect of the risk. However, the process of placing facultative reinsurance for each risk is time consuming and costly.

Under the treaty reinsurance arrangement, the insured and reinsurer will enter into a reinsurance contract agreement, usually at the beginning of the insured company's financial year, whereby the reinsurers agree to cover all the insurance policies issued by the insured within the scope of the contract. In addition, the reinsurers also agree to cover any of the risks accepted by the insurer as long as they are within the scope of the contract.

Generally, the insurance companies in Malaysia may reinsure their risk among each other or to professional reinsurers[8] to manage their risk portfolio. Currently, professional reinsurers who are licensed are Asia Capital Reinsurance Malaysia Sdn. Bhd, Malaysian Reinsurance Berhad, Munchener Ruckversicherungs-Gesellschaft, Swiss Reinsurance Company, The Toa Reinsurance Company Ltd. and Hannover Rueckversicherung AG.

3.1.1 History and Development of the General Insurance Industry in Malaysia

The insurance industry was first introduced to the then Malaya by British trading companies and agencies. In the 1950s, the market was primarily controlled by British and American firms with very few locally incorporated insurance companies. After the country gained its independence in 1957, the Government of Malaya implemented several policies to encourage domestic insurance companies to grow their market share. In 1963 (the year of the formation of the New Federation of Malaysia), the Government introduced the Insurance Act 1963 to set out the rules and regulations governing the life and general insurance businesses in Malaysia.

In 1988, BNM was given the mandate to supervise the insurance industry in Malaysia. Under the supervision of BNM, the insurance industry made significant inroads and has been

[8] Professional reinsurer is a term used to designate a company whose business is confined solely to reinsurance. This is in contrast to insurers, which exchange reinsurance or operate reinsurance departments as adjuncts to their business of general insurance.

substantially strengthened by a series of measures that were implemented by BNM over the years to protect public interest, promote fairness and equity, and foster a viable and competitive industry.

In 1996, BNM introduced the Insurance Act 1996, which superseded the Insurance Act 1963, to provide for the licensing and regulation of insurance business, insurance broking business, adjusting business, financial advisory business and for other related purposes. In mid-2013, the FSA is expected to replace the Insurance Act 1996. The new legislation is expected to enhance the regulatory regime governing the operations of the insurance industry by raising the accountability of insurers as custodians of public funds and strengthening their respective financial positions, which in turn provide better protection to policyholders by ensuring that the insurance operations are conducted professionally and in accordance with sound insurance principles.

Risk-Based Capital (RBC) Framework

In 2009, the MOF imposed the RBC framework to align individual insurer's solvency and capital position according to their respective individual risk profiles. In line with the evolving global best practices in insurance regulation, the framework was expected to strengthen the standards of regulation in the insurance industry. This may also enable the deployment of more transparent risk-adjusted capital and valuation requirements within the industry and promote the rationalisation of underwriting businesses as well as augment risk management standards.

Under the RBC framework, the insurers are required to maintain a Capital Adequacy Ratio[9] (CAR) above the pre-determined internal CAR. The internal CAR is decided by both the regulated insurance company and BNM, and must not be less than the minimum regulatory CAR of 130%. The implementation of the RBC framework is expected to increase the insurers' capital requirements which will place the insurers in a better financial position to absorb any future shocks. This in turn is expected to instil confidence in the industry.

Liberalisation of the Insurance Industry in Malaysia

Despite significant improvements in the last decade, the insurance industry in Malaysia remains relatively small by international standards. In response, BNM liberalised the domestic insurance sector in 2009 by increasing foreign equity participation threshold in insurance companies from 49% to 70% as well as allowing locally-incorporated foreign insurance companies to establish branches nationwide without restrictions.

[9] CAR measures the adequacy of the capital available in the insurance and shareholders' funds of the insurer to support the total capital required. CAR is computed as a percentage of total capital available over total capital required.

The implementation of the RBC framework and the liberalisation plan by BNM has made domestic insurance companies become more attractive as M&A targets. As a result, the general insurance industry in Malaysia has become less fragmented. Since the liberalisation, there have been numerous M&A as set out below.

M&A in General Insurance Industry in Malaysia, 2010-2012

Year	Description
2010	• AXA Affin General Insurance Berhad acquired BH Insurance (M) Berhad • Overseas Assurance Corporation (Malaysia) Berhad acquired Tahan Insurance Malaysia Berhad's general insurance business • The general insurance arm of Hong Leong Assurance Berhad was acquired by MSIG Insurance (Malaysia) Berhad. • Canada's Fairfax Financial Holdings acquired The Pacific Insurance Berhad.
2011	• ACE Group merged two of its units, Ace Synergy Insurance Berhad and Ace Jerneh Insurance Berhad into one – Ace Jerneh Insurance Berhad. • Japan's Sompo acquired 40% stake in Berjaya Sompo Insurance Berhad for RM496 million. • Zurich Insurance Group acquired Malaysian Assurance Alliance Berhad and renamed it to Zurich Insurance Malaysia Berhad. • AmG Insurance Berhad, the local affiliate of Insurance Australia Group (IAG) acquired Kurnia Insurans Malaysia Berhad.
2012	• Tune Group acquired 80% stake in Oriental Capital Assurance Berhad and renamed it as Tune Insurance • Sanlam Ltd. concluded agreement to acquire 49% of Pacific Orient Insurance Co. Berhad.

Source: Extracted from the IMR Report prepared by Frost & Sullivan

Malaysian Motor Insurance Pool (MMIP)

MMIP was established in 1992 as a special-purpose entity that offers insurance coverage to vehicles which fail to obtain motor insurance cover from the normal commercial insurance market. In 2009, there were 2.7 million passenger vehicles that were 10 years or older on the road. Due to the unprofitability of this segment as the premium for motor insurance in Malaysia is regulated by a tariff system, which has remained unchanged since 1978 by imposing a limit on the premium chargeable for motor insurance in Malaysia, many insurers were unwilling to provide motor insurance coverage to these vehicles which are considered as "high risk".

To address the above issues, all insurers licensed by BNM are required by law to issue MMIP policies with effect from May 2011[10]. In addition, with effect from 16 January 2012 the tariff is to be revised upward on a gradual basis over the next four years. The revision in motor tariff premium rates was part of the New Motor Cover Framework that is aimed at addressing the structural issues within the motor insurance sector to ensure continuous and sustainable motor

[10] http://www.piam.org.my/annual/2011/002.htm

protection to users. The New Motor Cover Framework will pave the way towards the Government's policy of de-tariffing the motor insurance premium by 2016. Moving forward, this will allow general insurance company to vary the premium rates based on the risk profile of individual vehicles owners.

3.1.2 Market Segmentation

The insurance industry in Malaysia is categorised into two main categories: Life insurance and General insurance.

Life insurance is interpreted to mean a contract by which payment of policy moneys is insured on death or survival, including extensions of cover for personal accident, disease or sickness and includes an annuity.

General insurance means all insurance business other than life insurance. The major categories are marine, aviation and transit insurance (MAT), fire insurance, medical and personal accident insurance (PA) and motor insurance. Other miscellaneous insurance schemes include, among others, bonds[11], liabilities[12], contractor's all risk and engineering risk insurance[13], workmen's compensation and employers' liability insurance[14] as well as other types of miscellaneous insurance not falling within any of the classification mentioned.

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[11] *Bonds refers to all types of bonds which insurers are permitted to underwrite, including contract bonds, advance payment guarantees, immigration bonds, customs bonds, administration bonds and other types of bonds.*

[12] *Liabilities refers to all insurances of liabilities such as Public Liability or General Third Party Liability, Products Liability, Professional Indemnity, Errors and Omissions Cover, Directors' and Officers' Liability and other forms of liability insurance.*

[13] *Contractor's All Risks and Engineering refers to all business underwritten in the Engineering Insurance Department including Contractor's All Risks, Erection All Risks, Advance Loss of Profits, Machinery Breakdown, Boiler Explosion, Related Loss of Profits, Computer All Risks and Storage Vessels but excluding contract bonds.*

[14] *Workmen's Compensation and Employers' Liability refers to all insurances indemnifying employers in respect of their liabilities to workmen either under Workmen's Compensation Act or under common law.*

MAT

MAT insurance schemes include insurance coverage for the marine hull[15], aviation[16], cargo[17] and offshore oil and gas related[18].

Fire

Fire insurance schemes cover losses or damages to properties caused by fire, lightning, or explosion of domestic boiler or domestic gas cylinder not forming part of any gas work. It may also be extended to protect against damages resulting from riot, strike, malicious damage/vandalism, subsidence[19], landslide, flood, earthquake, volcanic eruption, aircraft damage, impact damage, and leakage of sprinkler system.

Medical and PA

Medical and health insurance schemes provide coverage on the cost of medical treatment at private clinics or hospitals, especially for hospitalisation and surgical procedures.

PA schemes provide personal compensation in the event of injuries, disabilities or death caused by accidental means. Additionally, PA schemes also include travel insurance which provides coverage against travel related accidents, losses or interruption.

Motor

Motor insurance provides financial protection against physical damage and/or bodily injury resulting from moving vehicle accidents and against liability that could result from it. In Malaysia, the Road Transport Act 1987 requires that all vehicle owners to have at least a minimum third

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[15] *Marine Hull refers to all business underwritten in the Marine Hull Department including Marine Hull Loss of Profits, Loss of Hire and Builder's risk.*

[16] *Aviation refers to all insurances underwritten in the Aviation Department including Aviation Hull and Liabilities, Satellites, Airport Operator's Liabilities, Aircraft Refuelling Liabilities, and Pilot's Loss of Licence insurance.*

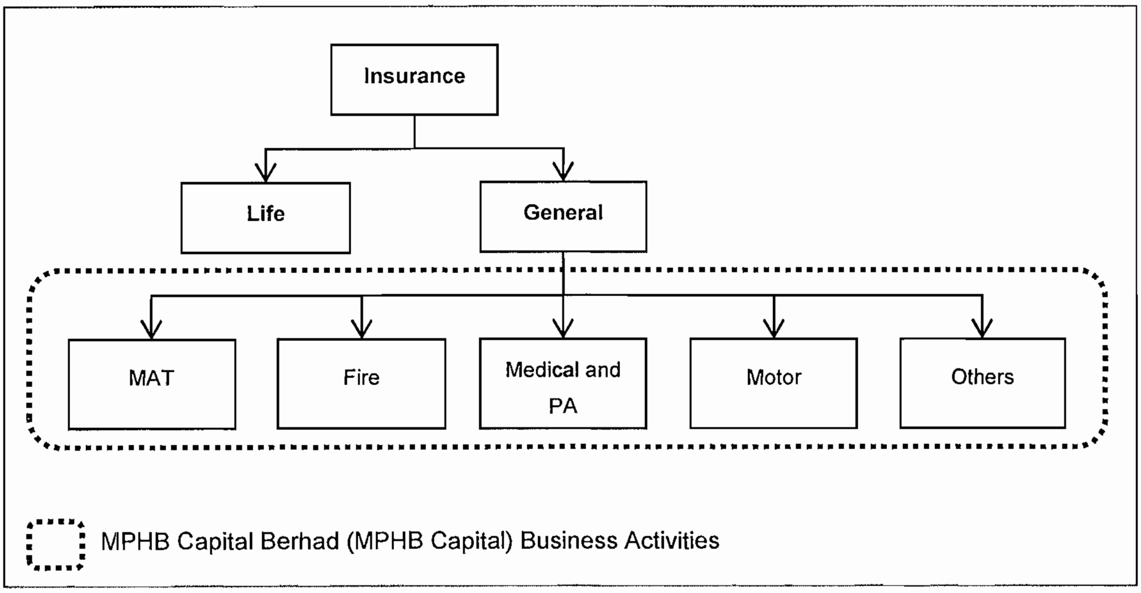
[17] *Cargo refers to all business underwritten in the Cargo Insurance Department including Marine Cargo, Air Cargo, Land Transit, Marine Cargo Loss of Profits, Cargo Throughput Policies, Port Operator's Liability, Freight Forwarder's Liability and etc. Freight insurance shall be included under this item.*

[18] *Offshore Oil and Gas related refers to insurances of oil and gas exploration, development (including construction) and production risks, offshore or onshore, for account of owners or operators of such risks, or offshore oil and gas contractors.*

[19] *Subsidence is defined as the downward movement of the soil on which a building rests.*

party liability coverage. This policy provides liability coverage against the injury or death of other people caused by an accident.

Segmentation of Insurance Industry in Malaysia, 2013



Source: Extracted from the IMR Report prepared by Frost & Sullivan

3.1.3 Emerging Trends and Markets

In line with the commitment under the Association of Southeast Asia Nations (ASEAN) Framework Agreement on Services (AFAS), the Government has undertaken steps to liberalise the insurance industry in Malaysia to enhance the efficiency of the insurance industry. For example, Malaysia has committed to allow insurance companies regulated in ASEAN countries to provide cross-border service for insurance broking of international MAT risks. Under the framework, insurance companies originating from ASEAN without any presence in Malaysia are allowed to provide cross-border insurance broking services to Malaysian risk owners for the placement of international MAT risks[20].

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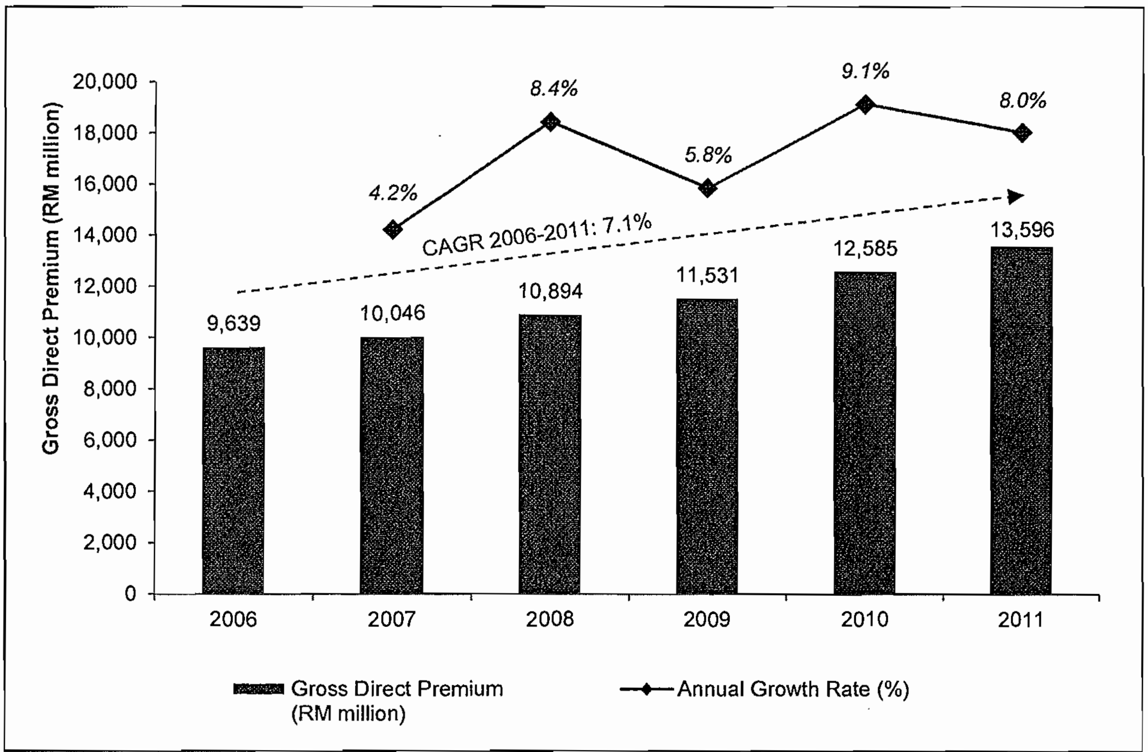
[20] BNM, "ASEAN Insurance Brokers are Now Allowed to Provide Cross-border Services as Approved International MAT Insurance Brokers in Malaysia", 16th August 2012

http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement_all&ac=178&lang=en

3.2 Historical Market Size and Growth Trends

The general insurance market in Malaysia has sustained a robust growth trend, recording a CAGR of 7.1% for the period 2006 to 2011 despite the 2008-09 global financial crises. In 2011, the size of the general insurance market in Malaysia as measured by gross direct premium was approximately RM13.6 billion, having grown by 8.0% from the previous year. In 2009, the year-on-year growth was recorded at 5.8%.

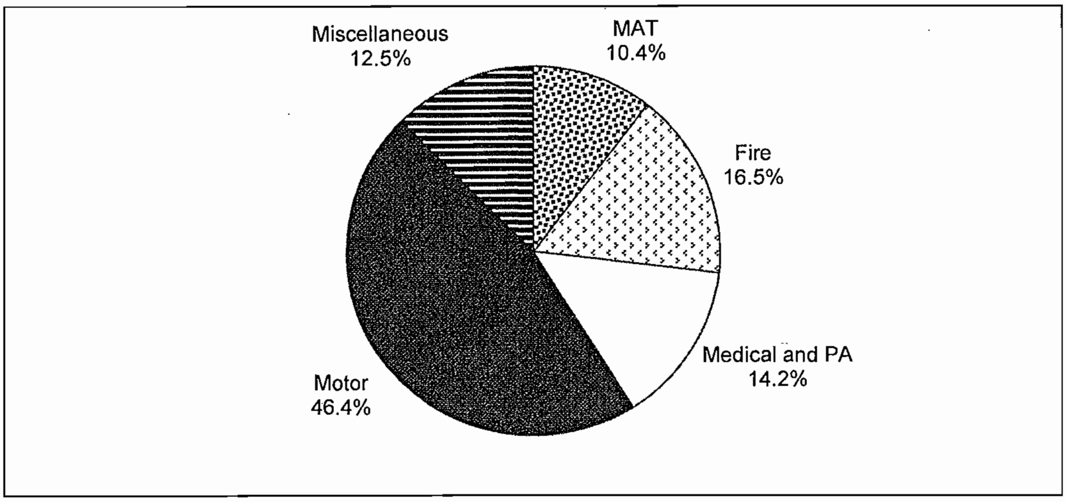
General Insurance Market Size and Growth Rate in Malaysia, 2006-2011



Source: Extracted from the IMR Report prepared by Frost & Sullivan

The motor insurance segment continued to be a key segment for the general insurance industry in Malaysia due to the growing number of vehicles in the country and the mandatory regulatory requirement for all vehicles to have insurance coverage. In 2011, the motor insurance market segment accounted for RM6.3 billion or 46.4% towards the total general insurance market size *(based on total gross direct premium)*. This was followed by the fire insurance segment of RM2.2 billion (16.5%), medical and PA insurance segment of RM1.9 billion (14.2%), and MAT insurance segment of RM1.4 billion (10.4%). Other miscellaneous segment contributed RM1.7 billion, or 12.5% towards the total gross direct premiums as shown below.

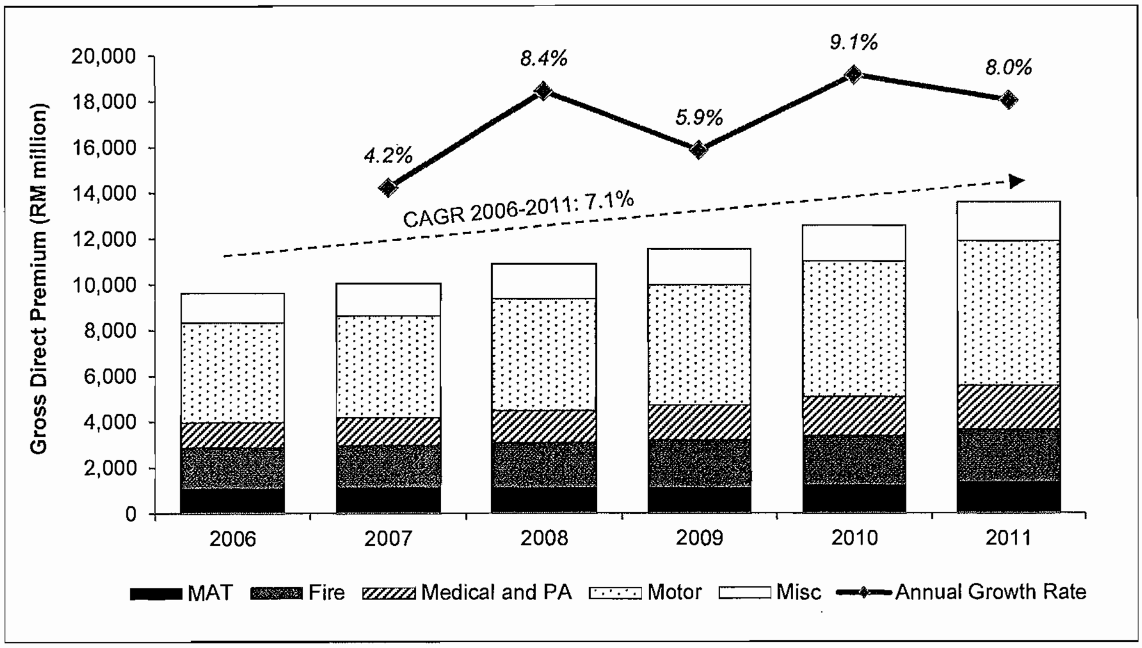
Breakdown of the General Insurance Segments in Malaysia, 2011



Source: Extracted from the IMR Report prepared by Frost & Sullivan

Between 2006 and 2011, the medical and PA insurance segment experienced the highest growth, with a CAGR of 12.1%. The strong growth is largely driven by a number of factors such as population growth, rising medical costs, rapid urbanisation and GDP growth. This was followed by the insurance segments for motor, fire and MAT with CAGR of 7.7%, 5.1% and 4.3% respectively during the same period. Meanwhile, other miscellaneous segments recorded a CAGR of 5.4%.

General Insurance Segment in Malaysia, 2006 – 2011



Source: Extracted from the IMR Report prepared by Frost & Sullivan

3.3 Supply Conditions

3.3.1 Key supply materials and sources

Trained Agents

General insurance companies generally rely on insurance agents to market their products and to reach out to the wider market. Trainings are usually provided to the insurance agents regularly to enhance their technical competency and product knowledge. Malaysia does not have a supply shortage of trained personnel in the insurance sector. BNM reported in its insurance annual reports that there were 35,609 registered agents in 2011 as compared to 35,236 in 2010. In 2011, there were approximately 60,000 candidates who registered with the Malaysia Insurance Institute (MII) [21] for the Pre-Contract Examination for Insurance Agents (PCEIA), which is a prerequisite examination for a person to become an insurance agent in Malaysia. This is a positive indication that there should be a sufficient supply of new insurance agents that can be sourced by the industry players.

3.3.2 Factors affecting supply

Distribution Channels

Aside from insurance agents, insurance policies are also sold via other distribution channels such as telemarketing, the Internet, POS Malaysia branches and banks.

In 1999, BNM allowed insurance companies to sell motor policies and collect premiums payment through the Internet. In 2000, the scope was expanded to allow for the purchase and/or renewal of full range of policies on the Internet[22]. Most of the online transactions are made up of motor insurance policies.

Motor insurance can also be offered through POS Malaysia branches. This service allows POS Malaysia branches to become a one-stop centre for motorists to fulfil most of the regulatory requirements such as renewing driving license, purchasing motor insurance, and paying road tax. In 2013, there were 7 general insurance companies that offer their motor insurance through POS Malaysia branches namely Allianz General Insurance Berhad, Etiqa Insurance & Takaful,

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[21] *MII is a recognised insurance education and training institution that offers a wide range of quality education and training programmes for professionals in the insurance and financial services industries.*

[22] *BNM "Internet Insurance in Malaysia", 2000: http://www.bnm.gov.my/files/publication/dgi/en/2000/10.Box3.pdf*

Kurnia Insurans Berhad, MMIP, Multi-Purpose Insurance Berhad (MPIB) (a wholly-owned subsidiary of MPHB Capital), Syarikat Takaful Malaysia and Zurich Insurance Berhad.

Bancassurance is an alternative method for insurance companies to distribute their products. Distribution is done through banks by focusing primarily on the banks' customers. This channel allows insurance companies to leverage on the banks' branches and their relationship with their customers to achieve higher insurance sales. This relatively low risk method of establishing a presence is encouraging insurers to explore new partnership with banks to expand their reach.

3.4 Demand Conditions

3.4.1 Drivers

Industry drivers are demand conditions that encourage positive growth of the industry. Industry drivers for the general insurance industry are set out below:

Rising Income Per Capita

According to the FSBP, for the period 2011-2020, the annual income per capita for the middle income population (20th to 80th percentile) is expected to reach RM36,000 (2007: RM20,400) by 2020. This expected increase is expected to translate into growth in the middle and high income class populations in Malaysia. A wealthier population would generally have higher disposable income and greater ability to spend on items such as cars and properties as well as greater aspiration for better quality healthcare. For the entrepreneurs, this may provide opportunities for them to set up new businesses. Furthermore, Malaysia has a national savings ratio of approximately RM298.7 billion or 33.0% of the Gross National Income (GNI) in 2012.[23] The overall increase in wealth is expected to provide an opportunity for the general insurance companies to cater for the middle and high income class population.

Increasing Awareness

Under the Economic Transformation Programmes (ETP), the Government is undertaking efforts to educate the public on financial planning and the importance of having insurance protection. For example, Perbadanan Insurans Deposit Malaysia (PIDM) has implemented an education

[23] *BNM Annual Report 2012*

programme on financial literacy known as PIDM Project MoneySmart to educate 300,000 secondary school students and 100,000 students in institutions of higher learning. The increase of financial literacy and awareness is expected to translate to greater demand for insurance, especially for medical and PA insurance and fire insurance.

In addition, there are other drivers that can affect a specific insurance segment as highlighted below:

Marine, Aviation and Transit

Implementation of ETP: Under the ETP, the Performance Management & Delivery Unit (PEMANDU) has identified eight strategic reform initiatives, including reinvigorating private investment, and 12 national key economic areas. These initiatives are expected to boost the local economic growth which in turn may spur trading activities and improve business sentiments in the country. Increasing business activities may also provide insurance opportunity for general insurance companies especially in the MAT insurance segment.

Medical and PA

Increased number of outbound travellers: In 2012, there were 33.4 million passengers departing from Malaysia's airport[24], an increase of 5.4% from 2011. The strengthening of the Malaysian currency, the introduction of tourism initiatives such as the Malaysian Association of Tour and Travel Agents (MATTA) Fair, availability of affordable / budget airlines and the ease of purchasing flight and travel packages via the Internet are among key contributors towards this trend of increasing outbound travel activities. This has contributed to the increased purchase of travel insurance.

Regulatory Requirement: Under the ETP recommendation, all foreign workers are required to have medical insurance coverage effective from 1st January 2011 under the Hospitalisation and Surgical Scheme for Foreign Workers (SPIKPA). According to PEMANDU, this initiative is expected to deliver RM171.0 million in GNI by year 2020.

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[24] *Include both domestic and international flights*

Motor

New Motor Cover Framework: The New Motor Cover Framework is intended to provide a holistic approach especially towards the settlement of issues such as pricing distortions and inefficiencies in the claims settlement process. The new framework allows for gradual adjustments of motor tariff premium rates over a four-year period beginning January 2012 until 2016. The Government intend to liberalise the motor insurance industry by 2016, thus allowing general insurance companies to vary the premium based on the risk profile of individual vehicle owners. This would allow individual vehicle owners to pay premium which is reflective of their respective risk profile whereby higher premium would be charged to individuals who are categorised in the "high risk" bracket.

Sales of Vehicles: The combined sales of passenger, commercial and 4x4 vehicles, have risen along with GNI at current prices over the past 20 years. In 1980, the annual sale of vehicles was recorded at 97,262 units and this has since increased to 627,753 units in 2012, registering a CAGR of 6.0% for the said period. This positive trend is expected to persist and is expected to benefit the general insurance industry especially after the implementation of the New Motor Cover Framework from 2012 to 2016.

Fire

Growing Property Market: According to the Valuation and Property Services Department (JPPH), the Malaysian property market strengthened from 430,403 transactions worth RM137.8 billion in 2011 to 427,520 transactions worth RM142.8 billion in 2012. The incoming supply of residential units increased by 11.9% from 553,884 units in 2011 to 619,950 units in 2012. Regulatory requirement such as the Strata Titles (Amendment) Act 2013 requires the management corporation to provide sufficient insurance coverage against fire for buildings under their care is a key driver for the uptake of fire insurance. The increasing number of property units in Malaysia provides an opportunity for general insurance companies to provide fire insurance coverage for these property owners.

3.4.2 Restraints

Global Economic Slowdown Resulted in Decline of Import and Export Activities

The growth of the MAT insurance segment is tied closely to the development of the country's economy. Any slowdown in the economy would result in the decline of import and export activities. During the 2008/2009 global financial crisis, the revenue for MAT insurance segment decreased by 0.6% and 0.9% in 2008 and 2009 respectively. Furthermore, during the economic slowdown, most companies would reduce their inventories which in turn reduce the value of goods that are stored in the warehouses. This is expected to have a negative impact on the fire insurance segment since the premium rates are charged based on the total value insured. Given that the uncertain financial situation and the looming recession in some of the EU countries may lead to reduced global trade activities, the growth of the general insurance market particularly in the MAT insurance segment and to some degree, the fire insurance segment may be impeded.

Heavily Subsidised Public Healthcare System

Public healthcare system in Malaysia is heavily subsidised by the Government, making public healthcare available to majority of the public at very low costs. Under the public healthcare system, civil servants, old-age pensioners, school children, and the very poor enjoy free medical and dental services in public healthcare facilities. Hence, they are among the major groups that seek public healthcare treatment. Others pay Government-subsidised fee when seeking treatment and medication in public healthcare facilities. In 2011, the public healthcare expenditure contributed to approximately 42.2% or RM18.3 billion of the total healthcare expenditure. The heavy subsidies of public healthcare services may result in lower uptake of medical and PA insurance. Nevertheless, the growing middle and high income class population may still seek treatment and medication from the private healthcare facilities to avoid longer waiting time in public hospitals in addition to enjoying better services and treatments.

Competition from Takaful Products

The general takaful insurance scheme provides general insurance coverage catered to Muslims in conformity with Islamic principles. Due to the nature of the scheme, the popularity of takaful scheme may impede the market growth of general insurance industry in Malaysia, especially since majority of the population in Malaysia are predominantly of Muslim faith. The general takaful insurance market size, based on gross contributions grew at a CAGR of 15.8% from RM767.6 million in 2006 to RM1.6 billion in 2011. The recorded CAGR was much higher as compared to the CAGR for the general insurance of 7.1% during the same period, proving that the popularity of takaful products is gaining traction in the country.

3.5 Relevant Laws and Regulation

FSA

FSA which is expected to come into effect by mid-2013 will replace the BAFIA, the Insurance Act 1996, the Exchange Control Act 1953 and the Payment Systems Act 2003. The new Act provides for the regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market.

Insurance Act 1996

BNM regulates the insurance industry under the Insurance Act 1996. The act provides new laws for the licensing and regulation of insurance business, insurance broking business, adjusting business and financial advisory business and for other related purposes. The act also provides for but not limited to the following:

- licensing of insurer, insurance broker and adjuster,
- the requirement for insurers to maintain a minimum capital adequacy ratio under the RBC framework
- compulsory provision of motor insurance and participation in MMIP

Guidelines on Internet Insurance

The guidelines on Internet Insurance were issued by BNM to promote the orderly development of the use of Internet in the Malaysian insurance industry. The guidelines serve to identify potential risks of offering insurance using the Internet as a distribution channel and prescribe the minimum requirements which insurers must observe in the provision of insurance through the Internet.

RBC Framework

The RBC framework requires all insurance companies in Malaysia to maintain a capital adequacy level that reflects their respective risk profiles. This framework serves to improve transparency and allow greater flexibility in the general insurance industry by allowing insurance companies to operate at different risks level in line with their business strategies, as long as the companies hold sufficient capital levels determined in proportion to their risks and observes the safeguards set by BNM.

PIDM Act 2011

PIDM is a statutory body established under the Malaysia Deposit Insurance Corporation Act 2005 to administer the national deposit insurance. It complements BNM's role as the primary regulator and supervisor of the financial system, by providing incentives for sound risk management in the financial system and promoting and contributing to the stability of Malaysia's financial system. Under this legislation, PIDM's role has been expanded to provide protection to Takaful beneficiaries and insured persons from loss of part or all of their Takaful and insurance benefits certificates and insurance policies. It is also compulsory for all Takaful operators and insurance companies to join PIDM. In addition, PIDM will take over the role of maintaining the Insurance Guarantee Scheme Fund (IGSF) for general insurance business and life insurance business from BNM. IGSF was established with the aim of building up a readily available pool of funds to meet the claims of policy owners of failed insurance companies. It is funded by the insurance companies to minimise the need to utilise public funding for resolving claims of failed insurance companies.

3.6 Reliance and Vulnerability to Imports

The general insurance industry is primarily a service industry and relies primarily on skilled insurance agents and local brokers to distribute the insurance products to the local market *(Kindly refer to section 3.3.1 for further details on insurance agents).* Generally the industry is neither reliant nor vulnerable to imports due to the nature of the industry.

3.7 Substitution of Products or Services

Insurance is a form of risk management whereby the risk of a loss is generally transferred from one entity to another, in exchange for payment of premium. As such, there is no service that may substitute for insurance services. Nevertheless, the general Takaful insurance may be considered as a substitute for the conventional general insurance due to the nature of the scheme. *(Refer to section 3.4.2 for further detail on the nature of Takaful insurance)*

3.8 Industry Risks and Challenges

Insurance Cycle

The insurance industry is cyclical and generally has two market conditions, the soft market condition and the hard market condition. When market condition is soft, the insurers may tend to ease their policies to increase their revenue and market share. As such, the premium rates is expected to decrease during this period, which leads to lower profit margins as insurance companies are forced to compete or risk losing out their market share in the long term. During this period insurers may provide risky insurance coverage at unrealistic low premiums. This trend is expected to continue until the claims experience turned adverse or there is a major claim or catastrophe event that results in significant losses from the resulting payments to meet the huge claim. When this occurs, less stable companies may be driven out of the market while larger insurance companies may face a reduction in their capital base resulting from the payment of large claims. When this happens, the insurance cycle enters into the hard market condition as insurance companies are more averse to risk taking. The underwriters may tighten their insurance policies and charge higher premium to filter out risky insurance coverage. However, after a few years of financial stability, these higher premiums may appear very profitable and attract more companies to join the market which then forces existing players begin to lower their premium to compete with the new entrants. Hence, the insurance cycle repeats itself.

Competition from Foreign Insurance Companies

Since 2009, the liberalization of the financial sector in Malaysia has attracted many foreign companies to participate in the insurance industry, resulting in a number of foreign insurance companies acquiring or merging with local companies. Foreign insurance companies with a large capital base would have the ability to undertake a higher risk portfolio, which usually requires a much higher capital base. Hence, the entrance of these cash-rich foreign owned insurance companies is expected to make it more difficult for the smaller local companies to compete in the local market.

Regulatory Requirement for Motor Segment

In Malaysia, the motor insurance premiums and the scope of coverage under the motor insurance policies are determined by the Malaysian motor tariff which has not been revised since 1978. However, the increasing frequency and escalating costs of motor accidents have changed the risks profile associated with motor insurance. As such, the motor insurance segment has become the least profitable segment due to high claims ratio and fixed tariff premium rates. Nonetheless, the introduction of the New Motor Cover Framework which will pave the way towards de-tariffing of the motor insurance premium by 2016 is expected to mitigate this issue by allowing general insurance company to vary the premium rates based on the risk profile of individual vehicles owners.

Fraudulent Cases Difficult to Prove

Insurance fraud is defined as any deliberate deception or dishonesty committed for unjustified financial gain. The nature of these frauds may vary from an exaggerated value of a legitimate claim to a completely fabricated claim where losses never occurred. During economic downturns, the tendency for insurance fraud would generally increase. Most of the fraudulent claims are difficult to prove. General insurers would need to continually upgrade their skills and improve their fraud-detection capabilities, while at the same time collaborate with loss adjusters and forensic scientists to detect fraud cases.

3.9 Barriers to Entry

Barriers to entry are obstacles that make it difficult for new players to enter into the industry.

High initial investment

Insurance industry is a capital intensive sector. In Malaysia, BNM sets a minimum RM100 million paid up capital and a CAR requirement of 130%. The requirements would generally make it harder for smaller new entrants to achieve profitability especially if it takes a long period before the actual gains can be obtained. This high initial investment is often a barrier and may prevent many new entrants from entering the industry.

Operating License

The insurance industry in Malaysia is regulated by BNM and insurance companies are required to apply for a license in order to operate. Currently, BNM is encouraging insurance companies to strengthen by mergers. As such, new entrants may face difficulties in applying for new licenses during this consolidation phase.

3.10 Competitive Analysis

3.10.1 Competitive Landscape

There are 26 licensed general insurance operators in Malaysia, out of which 12 companies have majority foreign ownership and 14 are categorised as local-owned. Several of these companies may also provide life insurance.

3.10.2 Industry Players

Other than the motor insurance segment which is required to be provided by law, most of the industry players operate in all four of the main sectors namely MAT insurance, fire insurance, medical and PA insurance as well as other miscellaneous insurance. Nevertheless, there are some industry players that predominantly operate in a dominant class of business within their insurance portfolio such as motor, medical and PA or MAT whereby the segment contributes more than 40% revenue to the company's portfolio.

Licensed General Insurance Operators in Malaysia, 2013

Insurance Company	Profile	Key Business Focus*	Ownership
ACE Jerneh Insurance Berhad	ACE Jerneh Insurance Berhad was formed on 4th January 2012 with the successful merger between ACE Synergy Insurance Berhad and Jerneh Insurance Berhad. Ace Jerneh Insurance is a subsidiary of ACE Group.	General	Foreign
Allianz General Insurance Company (AGIC)	AGIC is a wholly owned subsidiary of Allianz Malaysia Berhad (AMB). AMB acquired Commerce Assurance Berhad in 2007 and transferred its general insurance business to AGIC in 2009.	Motor	Foreign
American International Assurance Berhad (AIA Berhad)	AIA Berhad, a member of the AIA Group, started its operations in Malaysia in 1948.	Medical and PA	Foreign
AmG Insurance Berhad (AmG)	AmG is a joint venture between AmBank Group and Insurance Australia Group. On 12th April, 2012, AmG acquired Kurnia Insurance (M) Berhad for RM1.6 billion. Post-acquisition, both AmG and Kurnia brands will be retained.	Motor	Local
AXA Affin General Insurance Berhad (AXA)	AXA is a joint venture between AXA SA and Affin Holding Berhad. It was incorporated on 12th July, 1975 as a licensed general insurance company. In 2010, AXA acquired BH Insurance (M) Berhad, and operate as a single entity under AXA brand starting from 1st January 2011.	Motor	Local
Berjaya Sompo Insurance Berhad (Berjaya Sompo)	The company was incorporated as The Tokio Marine and Fire Insurance (M) Sdn Bhd in 1980. After several branding exercises, it became a public company under the name Berjaya General Insurance Berhad. In 2007, the company changed name to its current name to reflect the partnership between Berjaya Capital and Sompo Japan Insurance Inc.	Motor	Local
Chartis Malaysia Insurance Berhad (Chartis)	The company changed its name from AIG General Insurance (M) Berhad to Chartis Malaysia Insurance Berhad with effect on 1st December 2009, following the rebranding exercise by its ultimate holding company, American International Group Inc.	General	Foreign

Insurance Company	Profile	Key Business Focus*	Ownership
Etiqa Insurance Berhad (Etiqa)	At the end of 2007, Malaysia National Insurance and Takaful Nasional merged with Malayan Banking Bhd's (Maybank) insurance and takaful arm, Mayban Fortis Holdings Bhd, consisting of Mayban Life Assurance Bhd, Mayban General Assurance Bhd and Mayban Takaful Bhd to become Etiqa which operates under two entities, Etiqa Insurance Berhad and Etiqa Takaful Berhad.	MAT	Local
ING Insurance Berhad (ING)	The company was incorporated in 1973. It was formerly known as Aetna Universal Insurance Berhad before changing its name in May 2002. ING operates as a subsidiary of ING Groep NV.	Medical and PA	Foreign
Kurnia Insurans (M) Berhad	Kurnia commenced operation in 1991 to conduct general insurance business. In 2012, it was acquired by AmG. Post-acquisition, Kurnia's brand will still be used until the integration process is complete which is expected within two years from 2012.	Motor	Local
Lonpac Insurance Berhad (Lonpac)	Lonpac, a wholly owned subsidiary of LPI Capital Berhad, was incorporated in Malaysia on 12th July 1994.	General	Local
MCIS ZURICH Insurance Berhad	In 2002, MCIS Insurance Berhad merged with Zurich Insurance (M) Berhad to form MCIS Zurich Insurance Berhad.	General	Local
MSIG Insurance (M) Berhad (MSIG)	MSIG is a subsidiary of Mitsui Sumitomo Insurance Company, and a member of MS&AD Insurance Group. MSIG was formed when Mitsui Sumitomo Insurance (M) Berhad merged with Aviva Insurance Berhad in 2006. In 2010, Hong Leong Assurance Berhad merged its general insurance with MSIG.	Motor	Foreign
MUI Continental Insurance Berhad (MCI)	MCI was established in 1976 as a joint venture general insurance company between Malayan United Industries Berhad and CNA Financial Corporation.	Motor	Local
Multi-Purpose Insurans Berhad (MPIB), a wholly owned subsidiary of MPHB Capital	MPIB was established in 1973. It is a wholly owned subsidiary of Multi-Purpose Capital Holdings Berhad, which in turn is a wholly owned subsidiary of Multi-Purpose Holdings Berhad.	General	Local
Oversea Assurance Corporation (M) Berhad (OAC)	OAC was incorporated in 1998. In 2000, it became the member of the Great Eastern Holdings Group, following the merger of OAC Singapore with Great Eastern Holdings Ltd in Singapore. In 2010, OAC acquired Tahan Insurance Malaysia Berhad.	General	Foreign
Pacific & Orient Insurance Co. Berhad (P&O)	P&O was established in 1972 as a licensed insurer. It is a subsidiary of Pacific & Orient Berhad. In 2012, Sanlam Ltd. concludes the agreement to acquire 49% of Pacific Orient Insurance Co. Berhad.	Motor	Local
Progressive Insurance Berhad	The company was established on 8th June 1974 under the name Sri Bumi Insurance Sdn Bhd before it was renamed to Progressive Insurance Sdn Bhd on 7th December 1975.	General	Local

Insurance Company	Profile	Key Business Focus*	Ownership
	The company was converted to a public company on 30th May 1997 to become Progressive Insurance Berhad.		
Prudential Assurance Malaysia Berhad (Prudential)	Prudential was established in 1924. It is a part of Prudential plc of the United Kingdom.	Medical and PA	Foreign
QBE Insurance (Malaysia) Berhad (QBE)	The company was established in 1905 as a joint venture between QBE and MBf Insurans Berhad. In April 2002, both company merged to form QBE-MBF Insurans Berhad. On 31st December 2004, the company changed to its current name. Currently, it is a member of the QBE Insurance Group and forms part of its Asia Pacific Division operations.	General	Foreign
RHB Insurance Berhad	The company was incorporated in 1979 as NEM Insurance (M) Sdn Bhd before changing its name to D&C Insurance Sdn Bhd in 1990. In July 1997, it was renamed to its current name.	General	Local
The Pacific Insurance Berhad	The company was established in 1984 as The Netherlands Insurance (M) Sdn Bhd. The name of the company was changed to The Pacific Netherlands Insurance Berhad 1994 and The Pacific Insurance Berhad in 1995. On 24th March 2011, Fairfax Asia Limited acquired 100% of the equity of The Pacific Insurance Berhad, and Fairfax Financial Holdings Limited of Canada became the ultimate holding company.	General	Foreign
Tokio Marine Insurans (M) Berhad	The company was incorporated in 1980 as Tokio Marine & Fire Insurance (M) Sdn Bhd. After several name changes, the company changed to its current name in 1999 after acquiring Wing On General Insurance Berhad. It acquired Amanah General Insurance Berhad in 2002, Asia Insurance (Malaysia) Berhad in 2007 and PanGlobal Insurance Berhad in 2009.	Motor	Foreign
Tune Insurance (formerly known as Oriental Capital Assurance Berhad)	Tune Insurance was incorporated in 1976 under the name of United Oriental Assurance Sdn Bhd. It was converted to United Oriental Assurance Berhad in 1997. In 2003, the company assumed its present name after the successful merger with Capital Insurance Berhad. In 2012, Tune Group acquired 80% stake in Oriental Capital Assurance Berhad and renamed it as Tune Insurance	Motor	Local
Uni.Asia General Insurance Berhad	The company was established in 1977 when South East Asia Insurance Berhad obtained its general insurance license. In 1985, DRB-Hicom acquired the company. The company expanded in 2002 by acquiring Overseas Union Insurance Berhad. In 2003, the company adopted its current name as a result of a strategic partnership between DRB-HICOM Berhad and United Overseas Bank Group.	Motor	Local

Insurance Company	Profile	Key Business Focus*	Ownership
Zurich Insurance Malaysia Berhad	In September 2011, MAA Assurance was renamed to Zurich Insurance Malaysia Berhad. Currently, it is part of Zurich Insurance Group.	Motor	Foreign

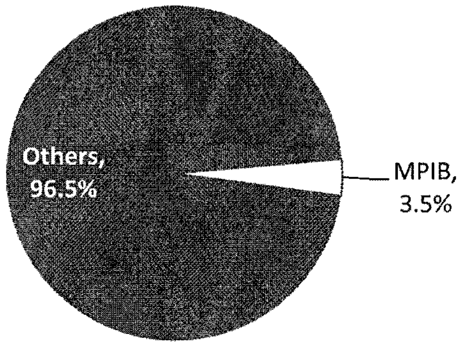
*Note: * Frost & Sullivan define this as 40% or above contribution (revenue) towards the company's own portfolio. "General" means that none of its segment contributes more than 40% of the company's portfolio.*

Source: Extracted from the IMR Report prepared by Frost & Sullivan

3.10.3 MPHB Capital's Market Share and Ranking

In 2011, MPHB Capital's market share in the general insurance sector was approximately 3.5% out of RM13.6 billion (3.2% out of RM12.6 billion in 2010) with revenue (based on total gross direct premium) of RM477.8 million (RM403.2 million in 2010).

MPHB Capital's market share by Gross Direct Premium, 2011

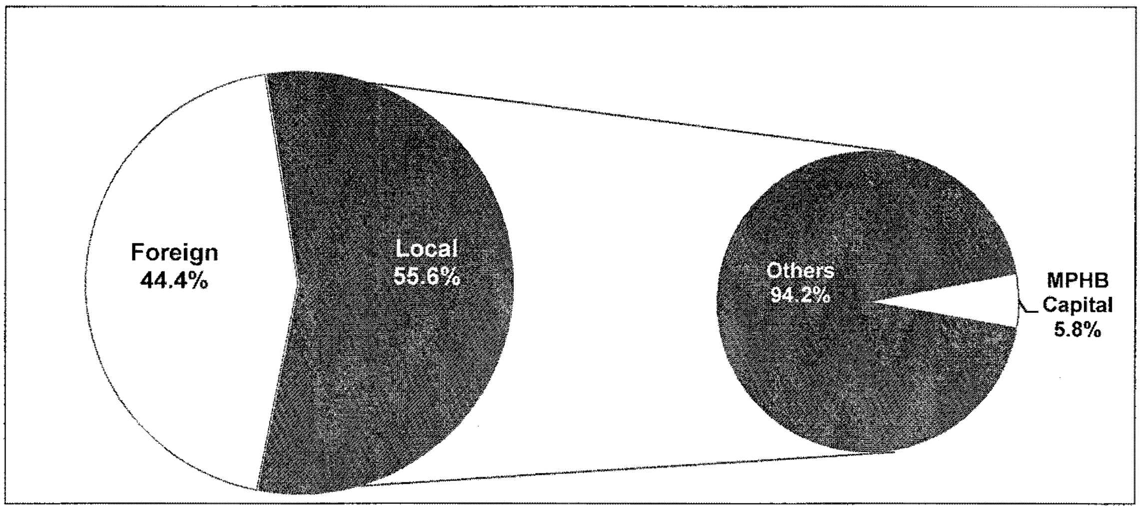


Source: Extracted from the IMR Report prepared by Frost & Sullivan

Based on the latest available data in financial year 2010[25], MPHB Capital is ranked 15th amongst the 26 general insurance companies in Malaysia. Within the local-owned insurance company category which comprises 14 companies in Malaysia, MPHB Capital's market share contributed approximately 5.8% out of RM7.0 billion.

[25] *BNM's Annual Insurance Statistics 2011: General Insurance Statistics*
http://www.bnm.gov.my/files/publication/dgi/en/2011/G4.pdf

MPHB Capital's market share among the locally-owned players by Gross Direct Premium, 2010



Notes: Based on latest publicly available data from BNM

Source: Extracted from the IMR Report prepared by Frost & Sullivan

In the non-motor segment[26], MPHB Capital's market share in financial year 2010 was approximately 4.4% with revenue of approximately RM290.2 million, ranking it 10th amongst the 26 general insurance companies in Malaysia. Within the RM3.4 billion local-owned insurance company category, MPHB Capital's market share was approximately 8.7%.

3.11 Industry Forecast and Outlook

The general insurance industry is expected to grow as a result of the rising income per capita, increasing awareness, growing property market, increasing outbound travellers, increasing sales of vehicles, implementation of regulatory requirements under hospitalisation and surgical scheme for foreign workers as well as the New Motor Cover Framework.

The medical and PA insurance segment is expected to record a CAGR of 13.8% for the period 2011-2016. The expansion is expected to be largely driven by increasing awareness and need for protection arising from concerns over escalating medical and healthcare expenses. The improvement in trade and business sentiments, especially with the implementation of the ETP is expected to spur the growth of MAT insurance segment which is traditionally positively

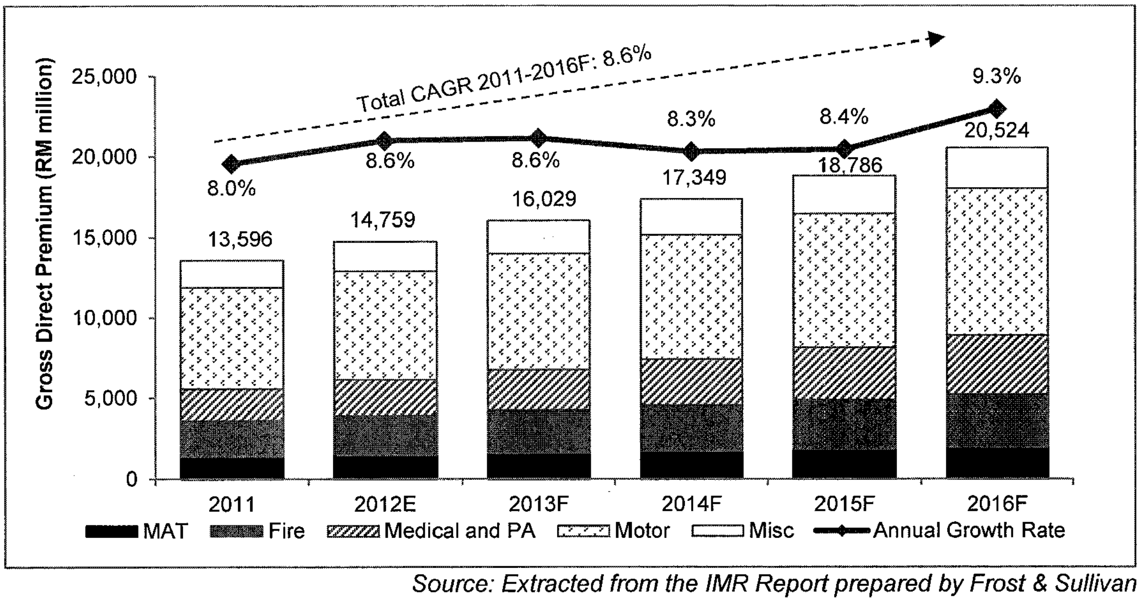
[26] Under the Insurance Act, all general insurance providers are required to provide motor insurance, including "high risk" vehicles *(Please refer to Section 3.1.1 for details on MMIP)*. As such, the exclusion of this segment would reflect MPHB Capital's market share more accurately.

correlated to the growth of the country's economy. The MAT insurance segment is forecast to record a CAGR of 7.0% from 2011 to 2016.

The motor insurance is forecast to grow at a CAGR of 7.6% from 2011 to 2016. This segment is expected to grow steadily during the forecast period of 2012 until 2015 at a CAGR of 7.1%. It is expected to experience a boost in 2016 when the tariff for motor insurance is removed and is expected to grow at 9.8% from 2015 to 2016. The Malaysian property market strengthened from 430,403 transactions worth RM137.8 billion in 2011 to 427,520 transactions worth RM142.8 billion in 2012. Driven by Malaysia's economic development plan and the Government's spending in the construction sector, the growth rate for the property industry is expected to be above 5% annually until 2020. This will translate to a growing property market in Malaysia which may potentially drive the fire insurance segment. This segment is forecast to grow at a CAGR of 7.8% from 2011 to 2016.

Due to the liberalisation of the industry as well as the encouragement of consolidation by the Government, fewer new entrants are expected to enter the market between 2012 and 2016. Furthermore, the requirement to comply with higher capital standards under the RBC Framework has strengthened incentives for consolidation among insurers, particularly within the general insurance sector. As a result, the local insurance companies are expected to continue to be attractive M&A targets for foreign players especially after BNM raised the foreign ownership limit to 70 per cent from 49 per cent. Frost & Sullivan forecasts the general insurance industry market size to grow at a CAGR of 8.6% from RM13.6 billion in 2011 to reach RM20.5 billion in 2016.

General Insurance Industry Forecast, 2011 to 2016F



Source: Extracted from the IMR Report prepared by Frost & Sullivan

4 OVERVIEW OF THE PROPERTY INVESTMENT INDUSTRY IN MALAYSIA

Property investment involves the purchase, ownership, management, rental as well as sale of real estate properties with the objective to profit from the properties either through income stream or resale of properties. This includes the development of lands by investing in buildings for commercial, business, hospitality and residential purposes as well as for agricultural activities.

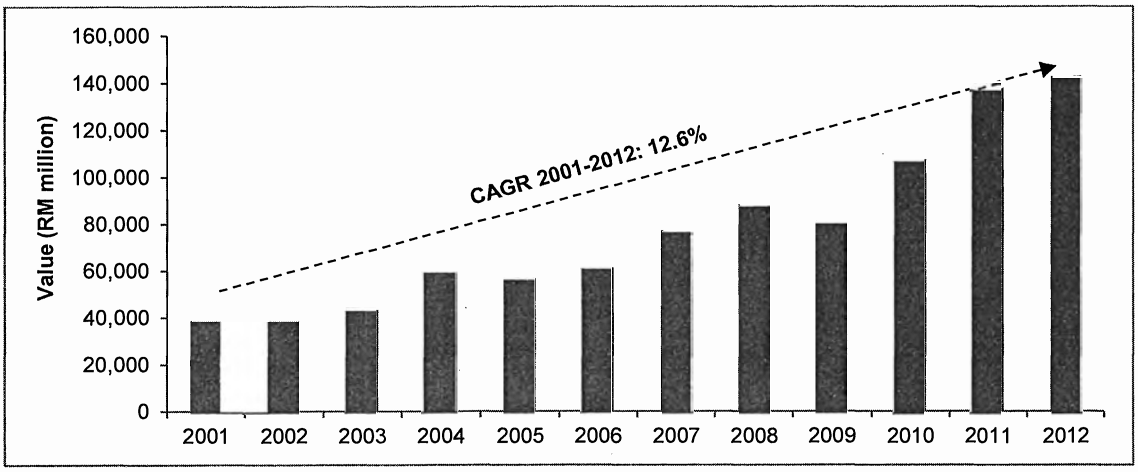
4.1 Overview of the Property Sector

According to JPPH, the Malaysian property market[27] strengthened from 430,403 transactions with a recorded value of RM137.8 billion in 2011 to 427,520 transactions with a recorded value of RM142.8 billion in 2012. Even though the volume of the transactions decreased by 0.7% (2011: +14.3%), the value of the transaction recorded growths of 3.6% (2011: 28.3%).

The residential sector accounted for 63.8% share of total transactions in 2012 and 47.4% of the total transaction value with 272,669 transactions valued at RM67.8 billion. Both residential sales volume and value recorded a growth of 1.1% and 9.6% respectively. Meanwhile, the commercial sector recorded 41,082 transactions (2011: 43,674 transactions) with a recorded value of RM27.8 billion (2011: RM27.6 billion), a decrease of 5.9% in volume and an increase of 0.6% in transaction value. The industrial sector contributed 2.3% and 8.4% of the total market share in terms of volume and value respectively. In 2012, there were 9,984 transactions with a recorded value of RM12.0 billion. The volume decreased by 4.7% from 2011, while value increased by 4.0%. Agriculture property accounted for up to 18.9% of total volume transactions, with 80,679 transactions worth RM14.3 billion.

[27] *Comprise residential, commercial, industrial, agriculture, development land and other miscellaneous sectors*

Historical Property Market Transaction Value in Malaysia, 2001-2012



Source: Extracted from the IMR Report prepared by Frost & Sullivan

4.2 Property Investment Prospects in Selected Area in Malaysia

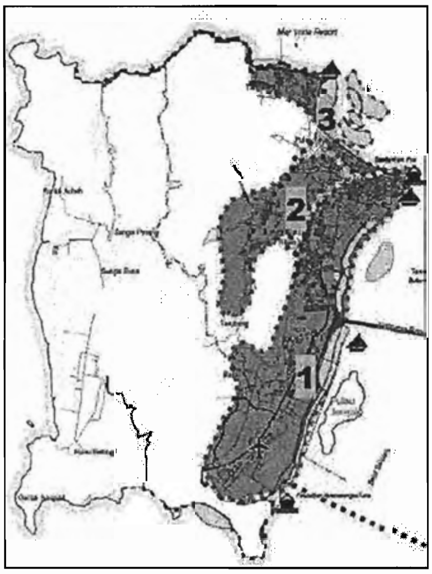
Penang Island

The Penang Island is part of the North Corridor Economic Region (NCER). There are three primary corridor areas that are highlighted as a primary development corridor for the Penang Island. They are:

- George Town – Bayan Baru – Bayan Lepas
- George Town – Ayer Itam – Paya Terubong
- George Town – Tanjung Tokong

Of the three corridors, the George Town – Bayan Baru – Bayan Lepas encompass the largest area in Penang Island whereby the key development activities are commercial, industrial and residential activities. The George Town – Ayer Itam – Paya Terubong corridor will be developed with emphasis on commercial and residential sectors. Development of tourism based activities will be mainly focused in the George Town – Tanjong Tokong corridor area. The development activities that are permitted in this corridor include the development of hotels, resorts, service apartments as well as residential and commercial properties that

Planned Corridor Development in Penang Island



Notes:

Main development corridor

1. *George Town – Bayan Baru – Bayan Lepas*
2. *George Town – Ayer Itam – Paya Terubong*
3. *George Town – Tanjong Tokong*

Source: Extracted from the IMR Report prepared by Frost & Sullivan

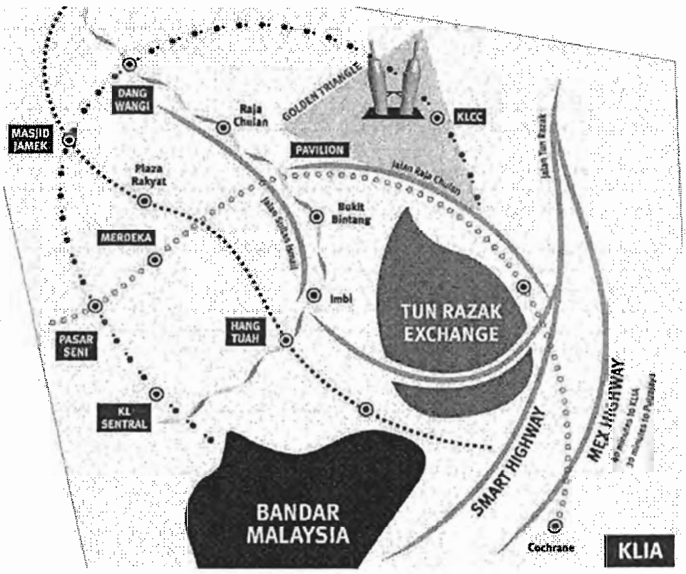
support tourism activities.

Due to the scarcity of land in the Penang Island, the development of these corridors has contributed to the rise of prices for both properties and lands. In the past five years, property prices have increased by more than 25%.

Tun Razak Exchange (TRX)

TRX (previously known as Kuala Lumpur Financial International District) is a 70 acre land located within the vicinity of Jalan Tun Razak, Jalan Sultan Ismail and the Putrajaya elevated highway at the southern part of the city. Under the ETP, TRX has been identified as one of the Entry Point Project to transform Kuala Lumpur into an international hub for banking and finance as well as related professional services, and is expected to generate RM26 billion in development projects. The Government has designated Greater KL as a National Key Economic Area (NKEA). As such, the city will receive prioritised Government support and fast-tracked approvals for its development projects. The development in various regional economic corridors and Greater KL is expected to have a positive impact on property development and the market in the coming years.

Proposed Site of the KLFID

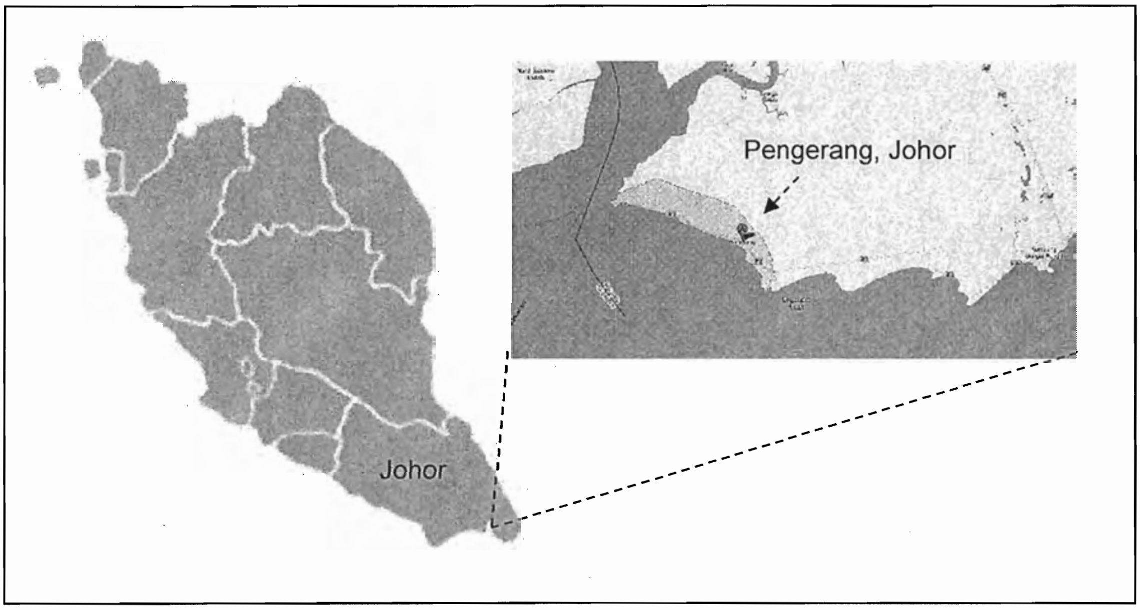


Source: Extracted from the IMR Report prepared by Frost & Sullivan

Pengerang

Pengerang is located at the southeastern part of Johor. It is located along international shipping routes with deep water port facilities and is close to petroleum production facilities. The prices of real estate in the area have been rising substantially since the announcement of oil and gas projects in 2011. Many of the lands in the area are being acquired for the development of the RM60.0 billion PETRONAS Refinery and Petrochemical Integrated Development (RAPID) project. Slated for full operations in 2016, the RAPID project in Pengerang is expected to be bigger than the combined areas of the other PETRONAS hubs in Terengganu (Kerteh), Melaka and Pahang (Gebeng). The second LNG import and regasification facility for Peninsular Malaysia is being planned to be built at Pengerang as part of the RAPID project. The RAPID project is part of ETP, and the Government has identified it as a high-impact project.

Pengerang Development Area in Johor



Source: Extracted from the IMR Report prepared by Frost & Sullivan

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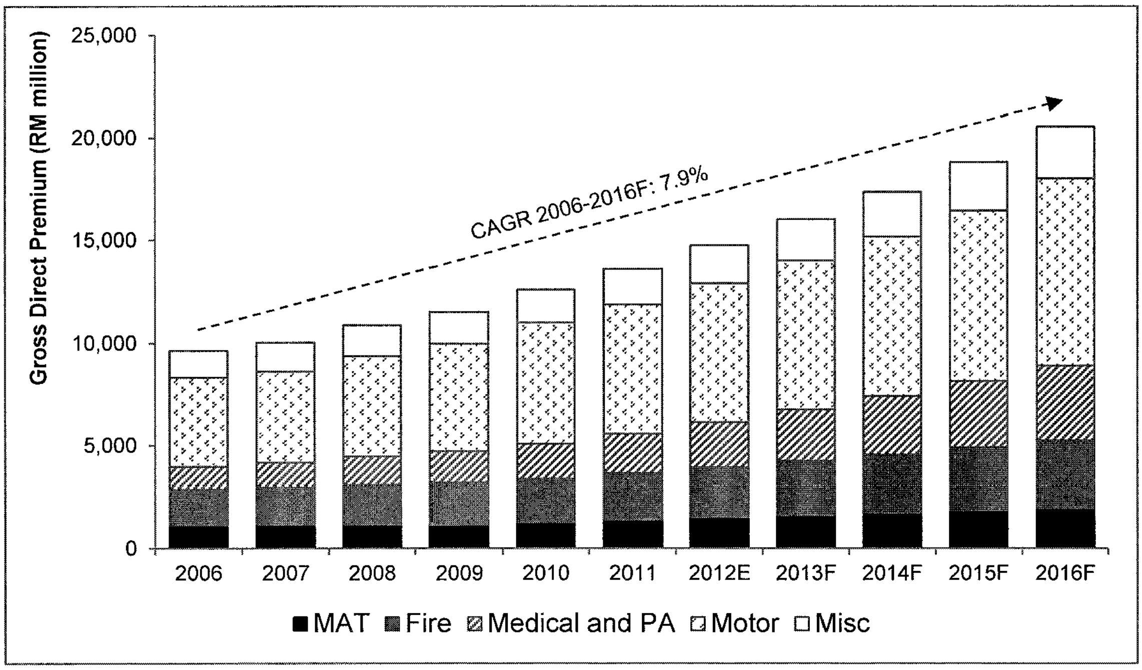
5 PROSPECTS AND OUTLOOK FOR MPHB CAPITAL

Malaysia has reached the state of financial sophistication, on par with many developed countries in the world today. Despite the challenging economic environment ahead, Malaysia is expected to remain resilient despite the deterioration of the global economic and financial conditions and the sovereign debt crisis in Europe largely due to BNM's cautious approach on fiscal and monetary policies. Implementation of the recommendations under FSBP is also expected to contribute positively to the financial stability in Malaysia; such stability has been evident in the past with real interest rate hovering in the range of 2.0% - 2.9% during the 3 years from 2009 to 2011.

General Insurance Gross Direct Premium in Malaysia, 2006-2016



Source: Extracted from the IMR Report prepared by Frost & Sullivan

The financial service sector is one of the fastest growing sectors in Malaysia, registering an average growth of 7.1% between 2006 and 2009. The contribution to the GDP is expected to grow from 8.6% in 2011 to 12.0% by 2020. The general insurance industry which is an intermediate service of the financial services sector has grown from a RM9.6 billion industry in 2006 to a RM13.6 billion industry in 2011 at a CAGR of 7.1%. This industry is forecast to grow at a CAGR of 8.6% between 2011 and 2016 to reach RM20.5 billion.

Growth is expected to be highest in the medical and PA insurance segment (CAGR 2011-2016: 13.8%), mainly attributed to rising income per capita, increasing awareness, increasing number of outbound travellers, and regulatory requirement to purchase medical insurance coverage for foreign workers under SPIKPA. The improvement in trade and business sentiments, as well as the economic development plan and the Government's spending in the construction sector are expected to spur the growth of MAT and fire insurance segments, which are forecast to grow at a CAGR of 7.0% and 7.8% respectively for the period 2011-2016. Prospect in the motor segment is expected to improve further with the expected lifting of the motor insurance tariff by 2016. This segment is forecast to grow at a CAGR of 7.6% from 2011 to 2016.

The property occupancy rate in Malaysia is still high, with the national occupancy rate in 2012 for purpose-built office and shopping complex at 82.3% and 79.1% respectively. The high occupancy rate translates to high demand for the property investment sector. Furthermore, the expected development in Greater KL as one of the designated NKEA and investment in the oil and gas industry at Pengerang are expected to create a higher demand for properties within the vicinity, positively impacting the land value within the vicinity.

The stability of the financial sector and positive outlook on the properties market in Malaysia in general, provides a promising growth prospect for MPHB Capital whose key business activities is in the financial service-general insurance industry and property investment. For the general insurance business, their sound financial and risk-management, vast industry experience and home-grown expertise, supported by their wide local distribution channel, providing them with the platform to compete in the local environment.

For the property investment business, MPHB Capital is expected to benefit positively as its properties and landbanks are strategically situated in the areas earmarked for development such as the Penang Island, TRX, and Pengerang area.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT

9.1 Directors

9.1.1 Board

Within the limits set by our Articles of Association, our Board is responsible for the governance and management of our Group. Our Board has adopted the following responsibilities for effective discharge of its functions:

(i) reviewing and adopting a strategic plan for our Group;

(ii) overseeing the conduct of our businesses to evaluate whether our businesses are being properly managed;

(iii) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

(iv) succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing key management;

(v) developing and implementing an investor relations programme or shareholders' communications policy for our Group;

(vi) reviewing the adequacy and the integrity of our internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines;

(vii) reviewing and approving our financial statements and annual reports; and

(viii) to prepare a corporate governance statement in compliance with the Malaysian Code of Corporate Governance 2012 ("**MCCG**") and an internal control statement for our annual reports.

Our Board comprises the following Directors:

Name	Age	Date of appointment as Director	Designation
Tan Sri Dato' Dr Yahya bin Awang	63	01.08.2012	Independent Non-Executive Chairman
Tan Sri Dato' Surin	64	17.07.2012	Managing Director
Ng Kok Cheang	56	17.07.2012	Executive Director
Dato' Lim Tiong Chin	60	01.08.2012	Non-Independent Non-Executive Director
Kuah Hun Liang	52	04.03.2013	Independent Non-Executive Director

Tan Sri Dato' Surin was appointed as our Managing Director and Ng Kok Cheang was appointed as our Executive Director on 14 May 2013. Tan Sri Dato' Surin will cease to be the managing director of MPHB prior to the Listing and he will be redesignated as a non-independent non-executive director. On 14 May 2013, Ng Kok Cheang ceased to be the executive director of MPHB.

Our Board acknowledges and takes cognisance of the MCCG, which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business dealings and culture of listed companies. Under the MCCG, listed companies with financial year ended 31 December 2012 onwards are required to report on the adoption of the principles and recommendations of MCCG in their annual reports. In connection with the above, as at the date of this Prospectus, we have adopted the recommendation of MCCG in respect of the appointment of an Independent Non-Executive Chairman.

All of our Directors have served in our Company for less than 1 year as at the date of this Prospectus. In accordance with our Articles of Association, all of our Directors retired and were re-elected at the first annual general meeting of our Company which was held on 28 March 2013. Under our Articles of Association, at the annual general meeting in every subsequent year, one third of our Directors must retire at each annual general meeting of shareholders but are eligible for re-election. Our Directors must submit themselves for re-election at least once in 3 years.

9.1.2 Profiles of our Directors

Tan Sri Dato' Dr Yahya bin Awang is our Independent Non-Executive Chairman and has been the chairman of MPIB since 2003. He obtained a Bachelor degree in Medicine and Bachelor degree in Surgery from Monash University, Australia in 1974. In 1980, he became a Fellow of the Royal College of Surgeons and Physicians of Glasgow, United Kingdom. He began his career with the Department of Cardiothoracic Surgery at Brompton Hospital, London, United Kingdom as a surgical trainee registrar in 1981. In 1983, he returned to Malaysia and joined the General Hospital, Kuala Lumpur as a cardiothoracic surgeon. In 1985, he was appointed as the head and senior consultant cardiothoracic surgeon of the General Hospital, Kuala Lumpur. From 1992 to 2002, he held the position as the head and senior consultant cardiothoracic surgeon at the National Heart Institute, Malaysia. From 1998 to 2002, he was also the medical director of the National Heart Institute, Malaysia. He has been a consultant cardiothoracic surgeon at Damansara Heart Centre of Damansara Specialist Hospital since March 2004. He is a council member of the Association of Thoracic and Cardiovascular Surgeons of Asia. He is also a committee member of the Malaysian Board of Cardiothoracic Surgery. In 2011, he was appointed as the Pro-Chancellor of Universiti Teknologi Malaysia.

Tan Sri Dato' Surin is our Managing Director. He completed his secondary education in Han Chiang High School, Penang in 1970. He began his career with MWE Weaving Mills Sdn Bhd in 1971 as a manager. He was appointed as the managing director of MWE Spinning Mills Sdn Bhd in 1974 where he was in charge of its daily operations. In 1976, he became an executive director of MWE Holdings. Subsequently, in 1979, he was appointed as the managing director of MWE Weaving Mills Sdn Bhd. In 2000, he was appointed as an executive director of MPHB and subsequently, in 2002, he was appointed as the managing director of MPHB where he played a major role in formulating the business strategies and direction of the MPHB Group and was actively involved in the policy making aspects of the operations of the MPHB Group. He played a key role in the expansion and development of MWE Holdings group as well as the MPHB Group. He is also a trustee of Chang Ming Thien Foundation and Magnum Foundation.

Ng Kok Cheang is our Executive Director. He obtained his higher school certificate from Technical Institute, Penang in 1977. He commenced his career with an established chartered valuation firm in 1979 as a valuation assistant. In 1981, he was promoted to a manager. During his tenure there, he gained vast working experience particularly in property valuation, management and development, and was a consultant in various property development companies. In 1996, he joined Penas Realty Sdn Bhd as a planning manager, where he was responsible for the sourcing of land bank, planning and project feasibility/marketing of development projects. He was also involved in the development of residential and mixed developments which include shopping malls, condominiums and shophouses. In 2002, he was appointed as an executive director of MPHB and subsequently ceased to be an executive director of MPHB on 14 May 2013 following his appointment to our Company.

Dato' Lim Tiong Chin is our Non-Independent Non-Executive Director. He became an Associate of the Institute of Chartered Accountants, England & Wales in 1977 and subsequently, a Fellow of the said institute in 1983. He is also an Associate Member of the Malaysian Institute of Certified Public Accountants and a member of Malaysian Institute of Accountants. He began his career with Bowker Orford, Chartered Accountants in 1970 as an articled clerk. In 1973, he joined Nyman Libson Paul Chartered Accountants as an articled clerk. In 1977, he became a partner of Kiat & Associates. In 1983, he left Kiat & Associates and joined A.A. Anthony & Co as a general manager. Subsequently, he was promoted to become the chairman and managing director of A.A. Anthony & Co in 1985. He was appointed as the managing director of A.A. Anthony in 2001, a non-executive director of MPHB in 2002 and a non-executive director of MPIB in 2003.

Kuah Hun Liang is our Independent Non-Executive Director. He obtained a Bachelor of Science (Hons) degree in Applied Economics from the University of East London, United Kingdom in 1982. He started his banking career in Public Bank Berhad in 1983. He joined Deutsche Bank AG in 1989 where he served as a treasurer and was then promoted as the head of global markets in 1995. In 2000, he was appointed as an executive director of Deutsche Bank (M) Bhd and promoted to be the chief executive officer and managing director in 2002 and held the position until September 2006. He also held the position as a treasurer and a director of Malaysian-German Chamber of Commerce and the Chairman of Star Publications (Malaysia) Berhad. He was formerly a member of the Quality Assurance Committee for Financial Sector Talent Enrichment Programme (FSTEP), part of Institut Bank-Bank Malaysia. He is currently an independent director of Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Rexit Berhad.

9.1.3 Principal business activities outside of our Group and associated company and principal directorships

The following table sets out the principal directorships of our Directors as at the LPD and that which were held within the past 5 years up to the LPD, and the principal business activities performed outside of our Group and associated company by our Directors as at the LPD:

Name	Directorships	Involvement in business activities other than as a director
Tan Sri Dato' Dr Yahya bin Awang	*Present directorships:* • Bio-Collagen Technologies Sdn Bhd • Damansara Specialist Hospital Sdn Bhd • EWT Transformer Sdn Bhd *(formerly known as Ranhill Wilson Transformer Sdn Bhd)* • Heartz Surgery Sdn Bhd • IMU Education Berhad (being the holding company for International Medical University) • Newfields Advisors Sdn Bhd • Novabrite Lighting Sdn Bhd • Selangor Specialist Hospital Sdn Bhd • SH Derm Sdn Bhd • Tokio Marine Life Insurance Malaysia Bhd *Previous directorship:* • KFC Holdings (Malaysia) Berhad *(resigned on 15 February 2013)*	• Chairman of the Board of Governors and indirect shareholder of IMU Education Berhad (being the holding company for International Medical University) • Committee member of the Malaysian Board of Cardiothoracic Surgery • Consultant cardiothoracic surgeon at Damansara Specialist Hospital • Shareholder of Bio-Collagen Technologies Sdn Bhd • Shareholder of Heartz Surgery Sdn Bhd • Shareholder of Novabrite Lighting Sdn Bhd • Shareholder of SH Derm Sdn Bhd • Indirect shareholder of Damansara Specialist Hospital Sdn Bhd • Indirect shareholder of EWT Transformer Sdn Bhd *(formerly known as Ranhill Wilson Transformer Sdn Bhd)* • Indirect shareholder of Selangor Specialist Hospital Sdn Bhd

Name	Directorships	Involvement in business activities other than as a director
Tan Sri Dato' Surin	*Present directorships:* • Alliance Digest Sdn Bhd • Ample Profits Limited • Cedar Holdings Limited • CMSB • Continuous Gain Limited • Dynamic Icon Sdn Bhd • Dynamic Pearl Sdn Bhd • ENE (Sabah) Sdn Bhd *(formerly known as Natmatic Sdn Bhd)* • Hastania Sdn Bhd *(In Members' Voluntary Winding-Up)* • Infield Asian Opportunities Fund • Jujur Megah Sdn Bhd • Kuen Cheng Girls' High School • Kularb Kaew Company Limited • Leisure Management (Hong Kong) Limited • Lismore Properties Limited • Lubuk Jaya Sdn Bhd • Magnum 4D Berhad • Magnum Corporation Sdn Bhd • Magnum Enterprise Sdn Bhd • Magnum Holdings Sdn Bhd • Magnum Investment Limited • Manjung Kirana Sdn Bhd • Marinco Holdings Sdn Bhd • MPHB • MWE Holdings • Ongreat Properties Limited • Pinjaya Sdn Bhd • P.T. Magnum Investment Indonesia • Quantum Aspects Sdn Bhd • Quantumco Enterprise Sdn Bhd *(In Members' Voluntary Winding-Up)* • Sababumi (Sandakan) Sdn Bhd • Taisun Automotive Industries Pte Ltd • Taisun Chemical Pte Ltd • Tiara Vega Sdn Bhd • Truly Affable Sdn Bhd	• Shareholder of CMSB • Shareholder of Kularb Kaew Company Limited • Shareholder of Liberty Bridge Sdn Bhd • Shareholder of MWE Holdings • Shareholder of Taisun Automotive Industries Pte Ltd • Shareholder of Taisun Chemical Pte Ltd • Shareholder of United Overseas Venture Sdn Bhd • Indirect shareholder of Cedar Holdings Limited • Indirect shareholder of MPHB • Indirect shareholder of Pinjaya Sdn Bhd • Indirect shareholder of Shin Corporation Public Company Limited • Trustee of Chang Ming Thien Foundation • Trustee of Magnum Foundation

Name	Directorships	Involvement in business activities other than as a director
Tan Sri Dato' Surin *(cont'd)*	*Present directorships (cont'd):* • U Mobile Sdn Bhd • United Overseas Venture Sdn Bhd • Vijuara Sdn Bhd • West Country Sdn Bhd *(In Members' Voluntary Winding-Up)* • Wolston Limited • Yixing Industrial Park Pte Ltd *Previous directorships:* • Alam Perdana Sdn Bhd *(resigned on 1 July 2010)* • Balik Pulau Water Village Sdn Bhd *(company dissolved on 25 June 2010)* • Bay Potential Sdn Bhd *(resigned on 2 March 2011)* • Capi-Grow Sdn Bhd *(company dissolved on 20 February 2013)* • Davex Australia Pty Ltd *(resigned on 24 September 2011)* • Davex Holdings Berhad *(resigned on 24 September 2011)* • Daviscomms (S) Pte Ltd *(resigned on 24 September 2011)* • Devanna Limited *(resigned on 24 September 2011)* • Evertrans (Malaysia) Sdn Bhd *(resigned on 3 January 2009)* • JTH Davies Holdings, Inc *(resigned on 26 January 2010)* • Jurangjaya Sdn Bhd *(resigned on 24 September 2011)* • Kini Kaya Sdn Bhd *(resigned on 3 January 2009)* • Lup Ching Holdings Sdn Bhd *(resigned on 7 December 2011)* • Magnum Capital Limited *(company dissolved on 12 April 2012)* • Magnum Leisure Limited *(company dissolved on 12 April 2012)* • Magnum Management Limited *(company dissolved on 12 April 2012)*	

Name	Directorships	Involvement in business activities other than as a director
Tan Sri Dato' Surin *(cont'd)*	*Previous directorships (cont'd):* • Magnum 4D (East Coast) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (East Malaysia) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (Johor) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (Melaka) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (Negeri Sembilan) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (Penang) Sdn Bhd *(resigned on 3 January 2009)* • Magnum 4D (Selangor) Sdn Bhd *(resigned on 3 January 2009)* • Metra Management Sdn Bhd *(resigned on 24 September 2011)* • Metra Nominees Sdn Bhd *(resigned on 24 September 2011)* • Metra PMC Sdn Bhd *(resigned on 24 September 2011)* • MKR Consortium Sdn Bhd *(resigned on 8 June 2010)* • MWE Advanced Structure Sdn Bhd *(resigned on 7 April 2011)* • MWE Cedar Homes Sdn Bhd *(resigned on 2 December 2011)* • MWE Development Sdn Bhd *(resigned on 7 December 2011)* • MWE Precast Concrete Sdn Bhd *(resigned on 24 September 2011)* • MWE Properties Sdn Bhd *(resigned on 24 September 2011)* • MWE Spinning Mills Sdn Bhd *(resigned on 24 September 2011)* • MWE Textile Industries Sdn Bhd *(resigned on 24 September 2011)* • MWE Weaving Mills Sdn Bhd *(resigned on 24 September 2011)* • Philippine Racing Club, Inc *(retired on 18 June 2012)* • Phili-Orient Airfreight (Penang) Sdn Bhd *(resigned on 24 September 2011)* • Phili-Orient Lines (Penang) Sdn Bhd *(resigned on 9 September 2008)*	

Name	Directorships	Involvement in business activities other than as a director
Tan Sri Dato' Surin *(cont'd)*	*Previous directorships (cont'd):* • PI Electronics (Hong Kong) Limited *(resigned on 25 May 2011)* • PI Industries Limited *(resigned on 25 May 2011)* • PI International Holdings Limited *(resigned on 31 March 2011)* • PI International Ltd *(resigned on 13 October 2011)* • PI Macao Commercial Offshore Limited *(resigned on 13 October 2011)* • Prime Achiever Sdn Bhd *(resigned on 24 September 2011)* • Profitkey Holding Limited *(resigned on 13 October 2011)* • Ribuan Wangsa Sdn Bhd *(resigned on 24 September 2011)* • Sharikat Anika Kemajuan Sdn Bhd *(resigned on 3 January 2009)* • Shin Corporation PLC *(resigned on 10 November 2009)* • Sun Meridian Global Ltd *(resigned on 24 September 2011)* • Syarikat Percetakan New Light Sdn Bhd *(resigned on 3 January 2009)* • Taisun Shengli Electrical Motor Pte Ltd *(In Members' Voluntary Winding-Up on 10 December 2012)* • Technopia (Thailand) Ltd *(resigned on 1 January 2012)* • United Sweethearts Garment Sdn Bhd *(resigned on 24 September 2011)* • Weld Quay Development Sdn Bhd *(resigned on 24 September 2011)* • Weld Quay Properties Sdn Bhd *(resigned on 24 September 2011)*	

Name	Directorships	Involvement in business activities other than as a director
Ng Kok Cheang	*Present directorships:* • Asia Land Ltd • Four Seasons Development Sdn Bhd • MPHB* • Polaris Green City Sdn Bhd • PPM International Ltd *Previous directorships:* • Aneka Damai Sdn Bhd *(resigned on 3 January 2013)* • Alpha Corporation Ltd *(resigned on 16 June 2009)* • PPM Global Ltd *(resigned on 7 July 2009)* • Satria Dahan Sdn Bhd *(resigned on 23 May 2012)* • Straights Healthcare Sdn Bhd *(formerly known as Ubahan Unggul Sdn Bhd)* *(resigned on 23 August 2011)* • Therap Spa Sdn Bhd *(company struck off on 12 August 2010)*	• Shareholder of Aneka Damai Sdn Bhd • Shareholder of Asia Land Ltd • Shareholder of Balas Cergas Sdn Bhd • Shareholder of Demochase Sdn Bhd • Shareholder of Four Seasons Development Sdn Bhd • Shareholder of Keunggulan Pedoman Sdn Bhd • Shareholder of Melati Kayangan Sdn Bhd • Shareholder of MPHB • Shareholder of Polaris Green City Sdn Bhd • Shareholder of Satria Dahan Sdn Bhd • Shareholder of Sumbangan Pertiwi Sdn Bhd • Shareholder of Tajuk Teguh Sdn Bhd • Shareholder of Treble Field Sdn Bhd • Shareholder of Valiant Crest Sdn Bhd • Indirect shareholder of PPM International Ltd

Note:

* *Ceased to be an executive director on 14 May 2013.*

Name	Directorships	Involvement in business activities other than as a director
Dato' Lim Tiong Chin	*Present directorships:* • A.A. Anthony • A.A. Anthony Nominees (Asing) Sdn Bhd • A.A. Anthony Nominees (Tempatan) Sdn Bhd • AAA Asset Management Sdn Bhd *(currently undergoing striking off process)* • AAA Proprietary Sdn Bhd • ACE Management Sendirian Berhad • Dynamic Pearl Sdn Bhd • Hartawan Mantap Sdn Bhd • Heng Guan Sdn Bhd • Karya Idaman Sdn Bhd • Keetinsons Sendirian Berhad • Marine Tower Development Sdn Bhd • MP Solutions Sdn Bhd • MPHB • Squash Development Sdn Bhd • T.C. Holdings Sendirian Berhad • The Kedah Transport Company Berhad • UTC Holdings Sdn Bhd *Previous directorship:* • Kiat & Associates Management Consultants Sdn Bhd *(resigned on 10 August 2011)*	• Shareholder of ACE Management Sendirian Berhad • Shareholder of Keetinsons Sendirian Berhad • Shareholder of MPHB • Shareholder of Squash Development Sdn Bhd • Shareholder of T.C. Holdings Sendirian Berhad • Shareholder of The Kedah Transport Company Berhad • Indirect shareholder of Hartawan Mantap Sdn Bhd • Indirect shareholder of Heng Guan Sdn Bhd • Indirect shareholder of Karya Idaman Sdn Bhd • Indirect shareholder of Marine Tower Development Sdn Bhd • Indirect shareholder of UTC Holdings Sdn Bhd

Name	Directorships	Involvement in business activities other than as a director
Kuah Hun Liang	*Present directorships:* • Alliance Bank Malaysia Berhad • Alliance Investment Bank Berhad • Malvale Sdn Bhd • Rexit Berhad *Previous directorships:* • Alliance Investment Management Berhad *(resigned on 15 April 2013)* • Loh and Loh Corporation Berhad *(resigned on 28 February 2011)* • Putrajaya Perdana Berhad *(resigned on 14 November 2008)* • Star Publications (Malaysia) Berhad *(resigned on 26 May 2011)* • UBG Berhad *(resigned on 15 December 2011)*	• Shareholder of Malvale Sdn Bhd • Shareholder of MPHB • Shareholder of Rexit Berhad

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9.1.4 Involvement in other businesses and corporations which carry on a similar trade as our Group and associated company or in other businesses and corporations which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our Directors has any direct or indirect interests in other businesses and corporations which carry on a similar trade as our Group and associated company or in other businesses and corporations which our customers and/or suppliers:

Name	Businesses/Corporations	Nature of interest	Direct interest	Indirect interest
			%	
Tan Sri Dato' Dr Yahya bin Awang	*Our customers:*			
	• Newfields Advisors Sdn Bhd	• Director	-	-
	• Tokio Marine Life Insurance Malaysia Bhd[1]	• Director	-	-
Tan Sri Dato' Surin	*Similar trade as our Group and associated company:*			
	• Davex Holdings Berhad[2]	• Indirect shareholder[3]	-	100.0
	• Melati Mewah Sdn Bhd[2]	• Indirect shareholder[3]	-	100.0
	• MWE Properties Sdn Bhd[2]	• Indirect shareholder[3]	-	100.0
	• MWE Spinning Mills Sdn Bhd[2]	• Indirect shareholder[3]	-	100.0
	• MWE Textile Industries Sdn Bhd[2]	• Indirect shareholder[3]	-	100.0
	• Dynamic Pearl Sdn Bhd[4]	• Director and indirect shareholder[5]	-	100.0
	• Marinco Holdings Sdn Bhd[4]	• Director and indirect shareholder[5]	-	100.0
	• Liberty Bridge Sdn Bhd[6]	• Shareholder	5.0	-
	• Truly Affable Sdn Bhd[7]	• Director and indirect shareholder	-	100.0
	Our customers and/or suppliers:			
	• Ample Profits Limited	• Director	-	-
	• CMSB	• Director and shareholder	66.3	31.0
	• MPHB Group	• Director and indirect shareholder	-	32.9
	• MWE Holdings and its subsidiaries	• Director and indirect shareholder	0.3	32.6
	• Pinjaya Sdn Bhd[8]	• Director and indirect shareholder	-	98.2
	• Truly Affable Sdn Bhd	• Director and indirect shareholder	-	100.0
	• U Mobile Sdn Bhd	• Director and indirect shareholder	-	6.3
Ng Kok Cheang	*Our customers and/or suppliers:*			
	• MPHB	• Director[9] and shareholder	*	-
	• Valiant Crest Sdn Bhd	• Shareholder	50.0	-

Name	Businesses/Corporations	Nature of interest	Direct interest	Indirect interest
			%	
Dato' Lim Tiong Chin	*Similar trade as our Group and associated company:*			
	• Dynamic Pearl Sdn Bhd[4]	• Director	-	-
	• Heng Guan Sdn Bhd[10]	• Director	-	20.5
	Our customers and/or suppliers:			
	• A.A. Anthony	• Director	-	-
	• A.A. Anthony Nominees (Asing) Sdn Bhd	• Director	-	-
	• A.A. Anthony Nominees (Tempatan) Sdn Bhd	• Director	-	-
	• AAA Asset Management Sdn Bhd *(currently undergoing striking off process)*	• Director	-	-
	• AAA Proprietary Sdn Bhd	• Director	-	-
	• Dynamic Pearl Sdn Bhd	• Director	-	-
	• Heng Guan Sdn Bhd	• Director and indirect shareholder	-	20.5
	• MP Solutions Sdn Bhd	• Director	-	-
	• MPHB	• Director and shareholder	0.1	0.6
Kuah Hun Liang	*Our customers and/or suppliers:*			
	• Alliance Bank Malaysia Berhad	• Director	-	-
	• Alliance Investment Bank Berhad	• Director	-	-
	• Malvale Sdn Bhd[11]	• Director and shareholder	60.0	-
	• MPHB	• Shareholder	0.4	-
	• Rexit Berhad group (through its subsidiary, Rexit Software Sdn Bhd)	• Director and shareholder	9.9	-

Notes:

* *Less than 0.1%.*

(1) Tokio Marine Life Insurance Malaysia Bhd is principally involved in the provision of life insurance whilst our Group is involved in the provision of general insurance.

(2) The principal activities of Davex Holdings Berhad are that of investment holding and letting of property. Its investment in property comprises a shop lot in Ampang, Selangor, which is rented out to an associated company.

The principal activities of Melati Mewah Sdn Bhd are property investment and development. Melati Mewah Sdn Bhd is mainly involved in the development and sale of bungalow land, semi-detached houses and townhouses located in Shah Alam and Dengkil, Selangor. Melati Mewah Sdn Bhd also derives rental income from its land in Shah Alam, Selangor, which is currently operated as a golf course by another subsidiary of MWE Holdings group.

The principal activities of MWE Properties Sdn Bhd are property investment and development, contracting and management agency services. MWE Properties Sdn Bhd is mainly involved in the letting of 2 office buildings in Penang and a few condominium units at Persiaran Raja Chulan in Kuala Lumpur.

The principal activity of MWE Spinning Mills Sdn Bhd is investment holding. Its investment in properties comprises leasehold land and factory building in Seberang Perai Selatan, Penang, which are rented out to another subsidiary of MWE Holdings group.

The principal activity of MWE Textile Industries Sdn Bhd is renting of its investment properties. Its investment in properties comprises leasehold land and factory building in Sungai Petani, Kedah, which is rented out to a third party.

The investments in properties by Davex Holdings Berhad, Melati Mewah Sdn Bhd, MWE Properties Sdn Bhd, MWE Spinning Mills Sdn Bhd and MWE Textile Industries Sdn Bhd have a combined NBV of RM72.4 million as at 31 December 2012, which is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.

(3) *Held through MWE Holdings. Davex Holdings Berhad, Melati Mewah Sdn Bhd, MWE Properties Sdn Bhd, MWE Spinning Mills Sdn Bhd and MWE Textile Industries Sdn Bhd are wholly-owned subsidiaries of MWE Holdings.*

(4) *The principal activity of Dynamic Pearl Sdn Bhd is investment holding. In 2013, Dynamic Pearl Sdn Bhd acquired parcels of land in Ulu Selangor, Selangor and Johor Bahru, Johor and office spaces in Johor Bahru, Johor. Dynamic Pearl Sdn Bhd derives rental income from the office spaces in Johor Bahru, Johor.*

Marinco Holdings Sdn Bhd is involved in property investment and holds 1 property, being an apartment for the MPHB Group's use.

The properties held by Dynamic Pearl Sdn Bhd and Marinco Holdings Sdn Bhd have a combined NBV of RM17.0 million, which is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.

(5) *Held through MPHB. Dynamic Pearl Sdn Bhd and Marinco Holdings Sdn Bhd are wholly-owned subsidiaries of MPHB.*

(6) *In December 2012 and January 2013, Liberty Bridge Sdn Bhd entered into agreements to acquire parcels of land measuring 43.6 acres in Puteri Harbour, Johor for a total consideration of about RM400.8 million. As at the LPD, the acquisition is pending completion. Puteri Harbour is located at the south-west of Johor, while our land in Pengerang is located at the south-east of Johor. The land to be acquired by Liberty Bridge Sdn Bhd is vacant, while our land in Pengerang is currently used as an oil palm plantation. Further, Tan Sri Dato' Surin's shareholding in Liberty Bridge is only 5.0%. After taking into consideration Tan Sri Dato' Surin's ownership in Liberty Bridge Sdn Bhd and the location of the land, our Directors are of the view that the interest held by Tan Sri Dato' Surin does not give rise to a conflict of interest situation with our businesses.*

(7) *The principal activity of Truly Affable Sdn Bhd is renting out of properties. Truly Affable Sdn Bhd holds, among others, a residential house and condominium units for Tan Sri Dato' Surin's own use. Truly Affable Sdn Bhd also derives rental income from office spaces and a condominium unit in Penang. These properties have a combined NBV of about RM18.2 million as at 31 December 2012 is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.*

(8) *As at the LPD, Pinjaya holds 30.8% direct equity interest in MWE Holdings, which in turn holds 4.6% direct equity interest in MPHB.*

(9) *Ceased to be a director on 14 May 2013.*

(10) *The principal activities of Heng Guan Sdn Bhd are property letting, investment holding and rubber and oil palm estate operations. Heng Guan Sdn Bhd derives rental income mainly from office spaces and land in Penang, as well as land and shop houses in Kedah. Heng Guan Sdn Bhd also holds a property in Kedah for its own use. Its portfolio of properties has a combined NBV of about RM7.1 million as at 31 December 2011 is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.*

(11) *The principal activity of Malvale Sdn Bhd is investment holding and it holds 1 property, being a residential bungalow for Kuah Hun Liang's own use.*

Our Directors are of the view that the interests held by them in other businesses and corporations which carry out a similar trade as that of our Group and associated company do not compete directly with our businesses because, as elaborated in the notes to the table above, these businesses and corporations operate in market segments and locations that are different from our businesses.

The Directors in their personal capacity or through the companies and businesses in which our Directors have interests as directors or shareholders may be customers of MPIB for general insurance or our suppliers for management, registrar, rental, stockbroking and other services provided to our Group. Transactions between our Group and our Directors in their personal capacity or the abovementioned companies and businesses in which our Directors have interests as directors or shareholders are carried out on arm's length basis and on usual business terms.

The interest held by our Directors in the businesses and corporations mentioned in this Section 9.1.4 of this Prospectus may give rise to a conflict of interest situation with our businesses. On matters or transactions requiring the approval of our Board, Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on the resolutions relating to such matters or transactions.

9.1.5 Audit Committee

Our Audit Committee was constituted by our Board on 1 August 2012 and comprises 3 members, the majority of whom are Independent Non-Executive Directors. The main function of the Audit Committee is to assist our Board in fulfilling its oversight responsibilities. Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee. Our Audit Committee has the following primary responsibilities:

(i) Review the quarterly results and year-end financial statements, prior to the approval by our Board, focusing particularly on:

   (a) changes in or implementation of major accounting policies and practices;

   (b) significant and unusual events;

   (c) going concern assumption; and

   (d) compliance with accounting standards, regulatory and other legal requirements;

(ii) Review/recommend the nomination, appointment, re-appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to our Board; and evaluate if there is reason (supported by facts) to believe that our Company's external auditors are not suitable for re-appointment;

(iii) Review/discuss with the external auditors:

(a) the audit scope and plan, including any changes to the planned scope of the audit plan, and ensure co-ordination where more than one audit firm is involved;

(b) their evaluation of the system of internal controls;

(c) the results of the interim (if any) and final audits and the management's response thereto, including the status of previous audit recommendations;

(d) problems and reservations arising from the interim (if any) and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary); and

(e) the assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;

(iv) Establish an internal audit function which is independent of the activities it audits and oversee its function as follows:

(a) the head of internal audit shall report directly to our Audit Committee;

(b) review the adequacy of the internal audit scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(c) review the internal audit department's progress of audit activities, the results of the internal audit activities or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit function, including management's response;

(d) determine the remit of the internal audit function;

(e) review any appraisal or assessment of the performance of members of the internal audit function; and

(f) approve any appointment, transfer or termination of senior staff members of the internal audit function and take cognisance of resignations and providing the resigning members an opportunity to submit reasons for resigning;

(v) Review any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raise questions of management integrity; and

(vi) Direct, and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.

The current members of our Audit Committee are as follows:

Name	Position	Directorship
Kuah Hun Liang	Chairman	Independent Non-Executive Director
Tan Sri Dato' Dr Yahya bin Awang	Member	Independent Non-Executive Chairman
Dato' Lim Tiong Chin	Member	Non-Independent Non-Executive Director

9.1.6 Remuneration Committee

Our Remuneration Committee was constituted by our Board on 1 August 2012 and comprises 3 members, the majority of whom are Independent Non-Executive Directors. Our Remuneration Committee has the following primary responsibilities:

(i) determine and recommend to our Board the broad policy or framework for remuneration packages of our Company's or Group's chief executive officers, executive directors and such other members of the senior management (including our key management) as it is designated to consider;

(ii) establish a formal and transparent procedure for developing policies on the total individual remuneration package of our executive directors including, where appropriate, bonuses, incentives and share options;

(iii) formulate and recommend to our Board the remuneration package for all our executive directors with the aim of attracting and retaining high caliber directors;

(iv) review and recommend to our Board any change in our executive directors' remuneration policy and package and any other issues relating to benefits of executive directors on an annual basis;

(v) review any major changes in employee benefit structures throughout our Company or Group and if thought fit, to recommend to our Board for adoption; and

(vi) review and recommend to our Board for adoption the policy or framework for our Group's annual employees incentive scheme which may include merit increment, merit bonus and other incentives.

The current members of our Remuneration Committee are as follows:

Name	Position	Directorship
Tan Sri Dato' Dr Yahya bin Awang	Chairman	Independent Non-Executive Chairman
Tan Sri Dato' Surin	Member	Managing Director
Kuah Hun Liang	Member	Independent Non-Executive Director

9.1.7 Nomination Committee

Our Nomination Committee was constituted by our Board on 1 August 2012 and comprises 3 members, the majority of whom are Independent Non-Executive Directors. Our Nomination Committee has the following primary responsibilities:

(i) identify and recommend new nominees to our Board and committees of our Board. All decisions and appointments are made by our Board after considering the recommendation of our Nomination Committee;

(ii) assist our Board to systematically assess the effectiveness of our Board as a whole, the committees of our Board and the contribution of each individual director on an annual basis; and

(iii) assist our Board in reviewing its required mix of skills and experience and other qualities which non-executive directors should bring to our Board.

The current members of our Nomination Committee are as follows:

Name	Position	Directorship
Tan Sri Dato' Dr Yahya bin Awang	Chairman	Independent Non-Executive Chairman
Dato' Lim Tiong Chin	Member	Non-Independent Non-Executive Director
Kuah Hun Liang	Member	Independent Non-Executive Director

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9.1.8 Shareholding of Directors in our Company

The following table sets forth the direct and indirect shareholdings of each of our Directors in our Company before and after the IPO (assuming full application and purchase of their respective entitlements under the Offer for Sale):

	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
Tan Sri Dato' Dr Yahya bin Awang	-	-	-	-	20	*	-	-
Tan Sri Dato' Surin	-	-	715,000[(1)]	100.0	-	-	235,492[(2)]	32.9
Ng Kok Cheang	-	-	-	-	250	*	-	-
Dato' Lim Tiong Chin	-	-	-	-	500	*	4,100[(3)]	0.6
Kuah Hun Liang	-	-	-	-	2,570	0.4	-	-

Notes:

* *Less than 0.1%.*

(1) *Deemed interest by virtue of his shareholding in CMSB pursuant to Section 6A of the Act.*

(2) *Deemed interest by virtue of his shareholdings in CMSB and Pinjaya Sdn Bhd pursuant to Section 6A of the Act and indirect shareholding through his daughter.*

(3) *Deemed interest by virtue of his shareholdings in Keetinsons Sendirian Berhad and T.C. Holdings Sendirian Berhad pursuant to Section 6A of the Act.*

9.1.9 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the year ended 31 December 2012 and estimated for the year ending 31 December 2013 are as follows:

	Remuneration band of our Directors	
Directors	**Year ended 31 December 2012**	**Year ending 31 December 2013**
	Actual(1)	**Estimate**
Tan Sri Dato' Dr Yahya bin Awang	1 – 50,000	50,001 – 100,000
Tan Sri Dato' Surin	-	300,001 – 350,000
Ng Kok Cheang	-	300,001 – 350,000
Dato' Lim Tiong Chin	-	50,001 – 100,000
Kuah Hun Liang	-	1 – 50,000

Note:

(1) Save for Tan Sri Dato' Dr Yahya bin Awang who was a director of MPIB, there was no remuneration paid to our Directors for the year ended 31 December 2012.

The remuneration of our Directors which includes salaries, bonuses, fees and allowances as well as other benefits, is approved by our Board, following recommendations made by our Remuneration Committee and subject to our Articles of Association, save for Tan Sri Dato' Dr Yahya bin Awang's remuneration for the year ended 31 December 2012 which was approved by the board of MPIB. Any change in Directors' fees as set out in our Articles of Association must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where appropriate notice of any proposed increase should be given.

9.2 Promoters

MPHB, CMSB, MWE Holdings and Tan Sri Dato' Surin are the Promoters for the IPO. MPHB is also the Selling Shareholder for the IPO.

9.2.1 MPHB

MPHB was incorporated in Malaysia under the Act on 18 August 1975 as a public limited company under its present name. MPHB has been listed on the Main Market (previously known as the Kuala Lumpur Stock Exchange) since 11 January 1982. The principal activities of MPHB are investment holding and the provision of management services. As at the LPD, the authorised share capital of MPHB is RM10,000,000,000 comprising 10,000,000,000 MPHB Shares and the issued and paid-up share capital of MPHB is RM1,437,748,654 comprising 1,437,748,654 MPHB Shares (including 10,428,031 treasury shares).

As at the LPD, the directors of MPHB are Datuk Seri Razman Md Hashim bin Che Din Md Hashim, Tan Sri Dato' Surin, Ng Kok Cheang, Datuk Vijeyaratnam a/l V. Thamotharam Pillay, Dato' Lim Tiong Chin, Tuan Haji Sahibudeen Abdul Kader, Dato' Wong Puan Wah and Sigit Prasetya.

Please refer to Section 9.3 of this Prospectus for the details of changes of MPHB's shareholdings in our Company since our incorporation up to the LPD and its shareholdings in our Company before and after the IPO.

Prior to the Pre-IPO Reorganisation, MPHB was the ultimate holding company of and has been involved in the business of our subsidiaries and associated company. On 15 August 2012 and 29 March 2013, we entered into share sale agreements and debt novation agreements with MPHB for the Pre-IPO Reorganisation to acquire selected subsidiaries of MPHB for a purchase consideration comprising cash and shares. Please refer to Section 6.2 of this Prospectus for the details of the Pre-IPO Reorganisation.

9.2.2 CMSB

CMSB was incorporated in Malaysia under the Act on 28 June 1980 as a private limited company under its present name. The principal activity of CMSB is investment holding. As at the LPD, the authorised share capital of CMSB is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital of CMSB is RM150,000,000 comprising 150,000,000 ordinary shares of RM1.00 each.

Please refer to Section 9.3 of this Prospectus for the details of changes of CMSB's shareholdings in our Company since our incorporation up to the LPD and its shareholdings in our Company before and after the IPO.

Tan Sri Dato' Surin is the controlling shareholder of CMSB. Please refer to Section 9.1.2 of this Prospectus for Tan Sri Dato' Surin's profile.

9.2.3 MWE Holdings

MWE Holdings was incorporated in Malaysia under the Companies Ordinance 1940-1946 on 2 December 1964 as a public limited company under the name of Malaysia Weaving Printing Dyeing Factory Limited. On 30 June 1973, it changed its name to Malaysia Weaving Enterprise Berhad and subsequently on 23 April 1979, it assumed its present name. MWE Holdings has been listed on the Main Market (previously known as the Kuala Lumpur Stock Exchange) since 27 June 1974. The principal activity of MWE Holdings is investment holding. As at the LPD, the authorised share capital of MWE Holdings is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital of MWE Holdings is RM231,559,015 comprising 231,559,015 ordinary shares of RM1.00 each (including 1,324,000 treasury shares).

As at the LPD, the directors of MWE Holdings are Tan Sri Dato' Surin, Tang King Hua, Lim Kong Yow, Dato' Lawrence Lim Swee Lin, Tan Chor Teck, Tan Sri Dato' Seri (Dr) Aseh bin Hj Che Mat and Dato' Yogesvaran a/l T. Arianayagam.

The following table sets forth the direct and indirect shareholdings of MWE Holdings in our Company before and after the IPO (assuming full application and purchase of its entitlement under the Offer for Sale):

Before the IPO				After the IPO			
Direct		Indirect		Direct		Indirect	
No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
-	-	-	-	33,014	4.6	-	-

Please refer to Section 9.3 of this Prospectus for the details of changes of MWE's shareholdings in our Company since our incorporation up to the LPD.

The MWE group is involved in the electronics, textile and property businesses. The electronics division is involved in the manufacturing and assembly of electrical cable trunkings and lightings. The textile division has business in overseas whilst the property division is mainly involved in property development and has land bank located in Kuala Lumpur and Selangor.

9.2.4 Tan Sri Dato' Surin

Please refer to Section 9.1.2 of this Prospectus for Tan Sri Dato' Surin's profile and Section 9.1.8 of this Prospectus for his direct and indirect shareholdings in our Company before and after the IPO.

9.3 Substantial shareholders

MPHB, CMSB, Tan Sri Dato' Surin, AHL and CVC Capital are our substantial shareholders.

The information on MPHB, CMSB and Tan Sri Dato' Surin are set out in Sections 9.2.1, 9.2.2 and 9.1.2 of this Prospectus respectively.

The information on AHL and CVC Capital are set out below:

(i) AHL was incorporated in the Cayman Islands on 21 June 2007 as a private limited company. The principal activity of AHL is investment holding. As at the LPD, the shareholders of AHL are CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P., which hold 88.0% and 12.0% equity interest in AHL respectively.

(ii) CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parellel Fund – A, L.P. are exempted limited partnerships registered in Cayman Island on 23 July 2007 and 4 September 2007 respectively. CVC Capital is principally involved in investing in a wide range of equity and equity-related securities, managing and supervising such investment.

9.3.1 Shareholding of substantial shareholders in our Company

The following table sets forth the direct and indirect shareholdings of substantial shareholders in our Company, being a person who has interest in not less than 5% of the Shares, before and after the IPO (assuming full application and purchase of their respective entitlements under the Offer for Sale):

		Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
Name	Country of incorporation/ Nationality	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
MPHB	Malaysia	715,000	100.0	-	-	-	-	-	-
CMSB	Malaysia	-	-	715,000[(1)]	100.0	202,330	28.3	-	-
Tan Sri Dato' Surin	Thai / Permanent Resident of Malaysia	-	-	715,000[(2)]	100.0	-	-	235,492[(3)]	32.9
AHL	Cayman Islands	-	-	-	-	80,000	11.2	-	-
CVC Capital	Cayman Islands	-	-	-	-	-	-	80,000[(4)]	11.2

Notes:

(1) Deemed interest by virtue of its shareholding in MPHB pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of his shareholding in CMSB pursuant to Section 6A of the Act.

(3) Deemed interest by virtue of his shareholdings in CMSB and Pinjaya Sdn Bhd pursuant to Section 6A of the Act and indirect shareholding through his daughter.

(4) Deemed interest by virtue of their shareholdings in AHL pursuant to Section 6A of the Act.

9.3.2 Changes in direct and indirect shareholdings

The following table sets forth our substantial shareholders' and/or the Promoters' direct and indirect shareholdings in our Company since our incorporation on 17 July 2012 up to the LPD:

	As at the date of incorporation				As at 19 July 2012				As at the LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
MPHB	-	-	-	-	**	100.0	-	-	715,000	100.0	-	-
CMSB	-	-	-	-	-	-	**(1)	100.0	-	-	715,000(1)	100.0
Tan Sri Dato' Surin	*	50.0	-	-	-	-	**(2)	100.0	-	-	715,000(2)	100.0
AHL	-	-	-	-	-	-	-	-	-	-	-	-
CVC Capital	-	-	-	-	-	-	-	-	-	-	-	-
MWE Holdings	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

* *Represents 1 MPHB Capital Share.*

** *Represents 2 MPHB Capital Shares.*

(1) *Deemed interest by virtue of its shareholding in MPHB pursuant to Section 6A of the Act.*

(2) *Deemed interest by virtue of his shareholding in CMSB pursuant to Section 6A of the Act.*

9.3.3 Involvement in other businesses and corporations which carry on a similar trade as our Group and associated company or in other businesses and corporations which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our substantial shareholders has any direct or indirect interests in other businesses and corporations which carry on a similar trade as our Group and associated company or in other businesses and corporations which are our customers and/or suppliers:

Substantial shareholder	Businesses/Corporations	Nature of interest	Direct interest %	Indirect interest %
MPHB	*Similar trade as our Group and associated company:*			
	• Dynamic Pearl Sdn Bhd[(1)]	• Shareholder	100.0	-
	• Marinco Holdings Sdn Bhd[(1)]	• Shareholder	100.0	-
	Our customers and/or suppliers:			
	• Dynamic Pearl Sdn Bhd	• Shareholder	100.0	-
	• ENE (East Coast) Sdn Bhd	• Indirect shareholder	-	89.5
	• ENE (East Malaysia) Sdn Bhd	• Indirect shareholder	-	99.2
	• ENE (Melaka) Sdn Bhd	• Indirect shareholder	-	89.6
	• ENE (Negeri Sembilan) Sdn Bhd	• Indirect shareholder	-	90.8
	• ENE (Penang) Sdn Bhd	• Indirect shareholder	-	96.0
	• ENE (Perak) Sdn Bhd	• Indirect shareholder	-	96.4
	• ENE (Selangor) Sdn Bhd	• Indirect shareholder	-	91.8
	• M4D (Johor) Sdn Bhd	• Indirect shareholder	-	84.7
	• Magnum 4D Berhad	• Indirect shareholder	-	99.5
	• Magnum Corporation Sdn Bhd	• Indirect shareholder	-	100.0
	• Magnum Holdings Sdn Bhd	• Shareholder	100.0	-
	• Magnum Information Technology Sdn Bhd	• Indirect shareholder	-	99.7
	• MP Solutions Sdn Bhd	• Indirect shareholder	-	100.0
	• Sababumi (Sandakan) Sdn Bhd	• Indirect shareholder	-	71.0
	• Secure Tangent Sdn Bhd	• Indirect shareholder	-	99.7
	• U Mobile Sdn Bhd	• Shareholder	6.3	-
CMSB	Involvement in other businesses and corporations by virtue of its interest in MPHB Shares. Refer to the above for the involvement of MPHB in other businesses and corporations.			
	Similar trade as our Group and associated company:			
	• Truly Affable Sdn Bhd[(2)]	• Indirect shareholder	-	83.3
	Our customer:			
	• Truly Affable Sdn Bhd	• Indirect shareholder	-	83.3
Tan Sri Dato' Surin	Refer to Section 9.1.4 of this Prospectus for details.			

Notes:

(1) The principal activity of Dynamic Pearl Sdn Bhd is investment holding. In 2013, Dynamic Pearl Sdn Bhd acquired parcels of land in Ulu Selangor, Selangor and Johor Bahru, Johor and office spaces in Johor Bahru, Johor. Dynamic Pearl Sdn Bhd derives rental income from the office spaces in Johor Bahru, Johor.

Marinco Holdings Sdn Bhd is involved in property investment and holds 1 property, being an apartment for the MPHB Group's use.

The properties held by Dynamic Pearl Sdn Bhd and Marinco Holdings Sdn Bhd have a combined NBV of RM17.0 million, which is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.

(2) The principal activities of Heng Guan Sdn Bhd are property letting, investment holding and rubber and oil palm estate operations. Heng Guan Sdn Bhd derives rental income mainly from office spaces and land in Penang, as well as land and shop houses in Kedah. Heng Guan Sdn Bhd also holds a property in Kedah for its own use. Its portfolio of properties has a combined NBV of about RM7.1 million as at 31 December 2011 is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.

Our substantial shareholders are of the view that the interests held by them in other businesses and corporations which carry out a similar trade as that of our Group and associated company do not compete directly with our businesses. Our substantial shareholders in their personal capacity or through the companies and businesses in which our substantial shareholders have interests as directors or shareholders may be customers of MPIB for general insurance or our suppliers for management, registrar, rental, stockbroking and other services provided to our Group. Transactions between our Group and our substantial shareholders in their personal capacity or the abovementioned companies and businesses in which our substantial shareholders have interests as directors or substantial shareholders are carried out on an arm's length basis and on usual business terms.

Although such interests may give rise to a conflict of interest situation, such substantial shareholders and persons connected to them shall abstain from deliberations and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests.

Our Company is not aware of any person who, directly or indirectly, jointly or severally, has control over our Company after the Offer for Sale assuming full application and purchase by the Entitled Shareholders of their respective entitlements under the Offer for Sale.

CMSB and MWE Holdings have provided their Undertakings as set out in Section 4.12 of this Prospectus and in the event the additional Offer Shares are allotted to CMSB and MWE Holdings under their respective Excess Application, the collective voting shares held by Tan Sri Dato' Surin and persons acting in concert with him (including CMSB and MWE Holdings) ("**PACs**") in our Company may increase to more than 33% as set out in the table below. In such an event, pursuant to Section 9(2)(a) of the Malaysian Code on Take-Overs and Mergers, 2010, no mandatory take-over offer obligation shall apply to Tan Sri Dato' Surin and PACs to acquire the remaining Shares which are not already held by them as the following criteria have been fulfilled:

(i) this Prospectus is the first prospectus for an initial public offer of voting shares or voting rights issued by our Company;

(ii) Tan Sri Dato' Surin, CMSB and MWE Holdings are the Promoters in respect of this Prospectus and the effects of their acquisition of our Shares under Excess Application on the voting power of Tan Sri Dato' Surin and his PACs in our Company are disclosed in this Prospectus as set out below; and

(iii) this Prospectus has been registered under Section 233 of the CMSA.

CMSB and MWE Holdings have given their Undertakings to apply for 167,000,000 and 30,000,000 additional Offer Shares respectively under the Excess Application as set out in Section 4.12 of this Prospectus. In the event the Offer for Sale is undersubscribed and CMSB and MWE Holdings acquire these additional Offer Shares, the shareholdings of Tan Sri Dato' Surin and PACs will be as illustrated below:

		Assuming the Offer Shares are fully subscribed by all Entitled Shareholders based on their entitlements		Assuming all Excess Offer Shares applied for are allotted pursuant to the Undertakings	
Name		**No. of Shares**	**%**	**No. of Shares**	**%**
		000		**000**	
Tan Sri Dato' Surin	Direct	-	-	-	-
	Indirect	235,492	32.9	432,492	60.5
PACs					
CMSB	Direct	202,330	28.3	369,330	51.7
	Indirect	-	-	-	-
MWE Holdings	Direct	33,014	4.6	63,014	8.8
	Indirect	-	-	-	-
Pinjaya Sdn Bhd	Direct	-	-	-	-
	Indirect	33,014	4.6	63,014	8.8
Ivevei Upatkoon	Direct	148	*	148	*
	Indirect	-	-	-	-
Total (Direct)		235,492	32.9	432,492	60.5

Note:

* *Less than 0.1%.*

9.4 Key management

9.4.1 Key management

Our key management, led by our Managing Director, Tan Sri Dato' Surin is set out below:

Name	Age	Designation/Function
Tan Sri Dato' Surin	64	Managing Director
Ng Kok Cheang	56	Executive Director
Kheoh And Yeng	55	Chief operating officer of our Group
Ong Kok San	64	Chief executive officer of MPIB

We appointed Kheoh And Yeng as our chief operating officer on 14 May 2013, following which she resigned from her position as the chief operating officer of the MPHB Group.

9.4.2 Profiles of our key management members

Tan Sri Dato' Surin is our Managing Director who is responsible for developing and implementing the strategic vision for the growth and expansion of our Group and to provide direction to our Group and our business. Details of his profile are set out in Section 9.1.2 of this Prospectus.

Ng Kok Cheang is our Executive Director and is responsible for the investment and management of projects related to our properties. Details of his profile are set out in Section 9.1.2 of this Prospectus.

Kheoh And Yeng is our Group's chief operating officer and is responsible for overseeing operations and finance related matters such as financial reporting, corporate finance, treasury and credit management. She obtained a Bachelor of Commerce degree with Honours from the University of Manitoba, Canada in 1979 and Master of Business Administration degree from the University of Windsor, Canada in 1981. She began her career with Guan Soon Heng Edible Oil Sdn Bhd as a marketing officer in 1981, where she was responsible for trading of palm oil futures and managing the treasury department. In 1983, she joined Guannex Leasing Sdn Bhd as an executive director, where she was in charge of setting up and managing the leasing, hire-purchase and trade confirming businesses. In 1991, she joined Hong Leong Finance Berhad as a manager in the deposit division. In 1994, she was transferred to Hong Leong Bank Berhad and was promoted to senior manager in corporate banking, where she was responsible for, amongst others, managing, supervising and training a team of corporate marketing staff. She was also required to develop effective marketing strategies to achieve budgets and to establish new business contacts in search of business opportunities and continued business relationship. During her tenure at Hong Leong Bank Berhad, she also held the position of senior manager in credit control in 1998 and senior manager in credit card division in 2000. She joined MPHB as general manager in 2002 and was subsequently promoted to senior general manager in 2003. In 2007, she was appointed as the chief operating officer of MPHB Group before assuming her current position.

Ong Kok San is the chief executive officer of MPIB and is responsible for developing and implementing business strategies of MPIB. He became a Fellow of the Institute of Chartered Secretaries & Administrators in 1975 and subsequently a Fellow of the Chartered Insurance Institute in 1982. In 1973, he joined Malaysia United Paper Industries Sdn Bhd as an accountant and was lecturing in Tunku Abdul Rahman College on a part-time basis. In 1978, he joined Malaysia Pacific Insurance Bhd (now known as Hong Leong Assurance Bhd ("**HLA**")) as an accountant and was subsequently promoted to manager, agency and branches. In 1996, he was promoted as the chief operating officer of HLA. In 2001, he retired from HLA. Throughout his employment in HLA, he was given a vast exposure by the management on the insurance industry. He was also awarded the Hong Leong Chairman's Award for 1993/94 in recognition of his distinguished management abilities in the running of the general insurance operations of HLA. In 2002, he joined MP Capital as a director. He was subsequently transferred to MPIB as the technical and business advisor in 2004. In 2008, he was appointed as a non-executive director of MPIB. He was also a chief executive officer of Tune from 2009 to 2011. In late 2011, he was appointed as the chief executive officer of MPIB.

9.4.3 Shareholding of key management in our Company

The following table sets forth the direct and indirect shareholdings of each member of the key management before and after the IPO (assuming full application and purchase of their respective entitlements under the Offer for Sale):

	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
	000		**000**		**000**		**000**	
Tan Sri Dato' Surin	-	-	715,000[(1)]	100.0	-	-	235,492[(2)]	32.9
Ng Kok Cheang	-	-	-	-	250	*	-	-
Kheoh And Yeng	-	-	-	-	238	*	-	-
Ong Kok San	-	-	-	-	1,130	0.2	-	-

Notes:

* *Less than 0.1%.*

(1) *Deemed interest by virtue of his shareholding in CMSB pursuant to Section 6A of the Act.*

(2) *Deemed interest by virtue of his shareholdings in CMSB and Pinjaya Sdn Bhd pursuant to Section 6A of the Act and indirect shareholding through his daughter.*

9.4.4 Involvement of our Executive Directors and other key management in other principal business activities

Save as disclosed in Sections 9.1.3 and 9.1.4 of this Prospectus, our Executive Directors are not involved in other principal business activities outside of our Group as at the LPD.

The following table sets out the principal business activities performed outside of our Group by our other key management members as at the LPD:

Name	Involvement in business activities
Kheoh And Yeng	• Director and shareholder of Asas Resource Holdings Sdn Bhd(1)
Ong Kok San	• Director and shareholder of Asas Resource Holdings Sdn Bhd(1)

Note:

(1) Asas Resource Holdings Sdn Bhd is involved in property investment. Its portfolio of properties with NBV of RM4.5 million as at 31 December 2012 is substantially less than our investment properties which have an aggregate NBV of RM650.6 million as at 31 December 2012.

Our Executive Directors and other key management members believe that their involvement in other principal business activities outside of our Group as set out in Sections 9.1.3 and 9.1.4 of this Prospectus and above are not expected to affect their contribution to our Group as they are not actively involved in the management and day-to-day operations of these businesses and/or corporations. Furthermore, our other key management members do not believe that there is any direct conflict of interest arising from such investments.

9.5 Relationships and associations between our Directors, key management, substantial shareholders and Promoters

Save as disclosed below and the relationships and associations between our Company's substantial shareholders as described in Section 9.3.1 of this Prospectus, there is no family relationship and/or association between any of our Directors, key management, substantial shareholders and Promoters as at the LPD:

(i) Tan Sri Dato' Surin is the managing director and substantial shareholder of MPHB, a director and controlling shareholder of CMSB and a director and substantial shareholder of MWE Holdings.

(ii) Dato' Lim Tiong Chin is a non-independent non-executive director of MPHB.

(iii) CMSB, AHL and CVC Capital Partners Asia Pacific III L.P. are substantial shareholders of MPHB.

9.6 Declaration by our Directors, Promoters and key management

Each of our Directors, Promoters, and key management has confirmed to us that he or it is not and has not been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person is or was a partner or any corporation of which such person was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity.

9.7 Service agreements

Save as disclosed below, as at the date of this Prospectus, there is no existing or proposed service agreement entered into or to be entered into between our Directors or any member of our key management and our Group:

(i) On 14 May 2013, Ng Kok Cheang entered into a service agreement with our Company for his appointment as our Executive Director. The appointment, which took effect on 14 May 2013, is for a term of 1 year from its effective date. His employment as our Executive Director may be terminated by either party giving 1 month's written notice or 1 month's salary in lieu of notice.

(ii) On 9 August 2012, Kheoh And Yeng entered into a service agreement with our Company for her appointment as our chief operating officer. The appointment, which took effect on 14 May 2013, is for a term of 1 year from its effective date. Her employment as our chief operating officer may be terminated by either party giving 1 month's written notice or 1 month's salary in lieu of notice.

(iii) On 1 November 2011, Ong Kok San was appointed as the chief executive officer of MPIB. The appointment, which took effect on 1 November 2011, is for a term of 2 years and may be reviewed at the end of the 2-year tenure subject to the approval of BNM. His employment as the chief executive officer of MPIB is subject to the termination provisions as set out in the employees' handbook.

9.8 Other matters

No amount has been paid or benefit given within the 2 years preceding the LPD, nor is it intended to be so paid or given, to the Promoters, substantial shareholders and Directors except for the following:

(i) Shares issued to MPHB under the Pre-IPO Reorganisation, all of which are offered to the Entitled Shareholders under the Offer for Sale;

(ii) amount owing to MPHB under the share sale agreements for the Pre-IPO Reorganisation, as set out in Section 6.2 of this Prospectus;

(iii) historical and future payments to some of our substantial shareholders and Promoters in the ordinary course of business as set out in Section 11 of this Prospectus;

(iv) remuneration and material benefits-in-kind paid and payable to our Directors as set out in Section 9.1.9 of this Prospectus; and

(v) historical dividends declared by our subsidiaries to MPHB, as set out in note 3.0, section II in Section 13 of this Prospectus and future dividend payments to our shareholders including the substantial shareholders of our Company.

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10. APPROVALS AND CONDITIONS

10.1 Approvals and conditions

10.1.1 SC

The SC has, via its letter dated 10 December 2012, approved the IPO under Section 212(5) of the CMSA, subject to compliance with the following conditions:

	Condition	Status of compliance
(i)	Our Company to conduct an independent valuation of our material property assets and incorporate disclosures relating to the valuation and its financial effects in the listing prospectus ("**SC Valuation Condition**");	Met. The SC has varied this condition pursuant to its letter dated 14 February 2013 and the status of compliance is as set out below
(ii)	CIMB and our Company to fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing; and	Noted
(iii)	CIMB/our Company to inform the SC upon completion of the Listing	To be met

The SC has, via the same letter dated 10 December 2012, approved the IPO under the equity requirement for public companies and no equity condition was imposed on our Company.

The SC has, via its letter dated 10 December 2012, approved the following waivers sought from having to comply with the following requirements under the Equity Guidelines and Prospectus Guidelines:

Reference	Details of the waivers sought	Conditions imposed	Status of compliance, where applicable
Equity Guidelines			
Paragraph 2(e), Appendix I	Waiver from providing information on previous proposals submitted to the SC by our Group more than 7 years ago	None	Not applicable
Paragraph 2(f), Appendix I	Waiver to allow for a modified statement of confirmation on compliance such that the disclosures on non-compliance with relevant laws, regulations, rules and requirements governing the conduct of our businesses are made only with respect to any breach of any relevant laws, regulations, rules and requirements which may have a material and adverse impact on our business operations and/or financial position	None	Not applicable

Reference	Details of the waivers sought	Conditions imposed	Status of compliance, where applicable
Prospectus Guidelines			
Paragraphs 12.16(a) and (c)	Waiver to substitute the pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flow with combined financial statements	None	Not applicable
Paragraph 9.12	Waiver from disclosing in the Prospectus the remuneration details for 3 of the key management members under proposed service agreements	None	Not applicable
Paragraph 18.01(c)	Waiver to allow for the redaction of certain confidential provisions relating to remuneration of our Executive Director in the proposed service agreement to be made available for public inspection	None	Not applicable
Paragraph 13.13(b)(ii)	Waiver from including standalone audited financial statements of each of our subsidiaries in the Accountants' Report	None	Not applicable

The SC has, via its letter dated 14 February 2013, approved our application to vary the terms of the SC Valuation Condition so as to allow our Company to base the relevant disclosures in this Prospectus on valuations undertaken by independent valuers engaged by the management for internal purposes as opposed to in accordance with the SC's requirements under the Asset Valuation Guidelines issued by the SC, subject to compliance with the following conditions:

Condition		Status of compliance
(i)	The independent valuers updating their valuations to a more current date which must not be more than 6 months from the date of the listing prospectus; and	Met
(ii)	The corresponding independent valuers' reports are to be made available for inspection	Met

The SC has, via its letter dated 1 April 2013 approved the following waivers sought from having to comply with the following requirements under the Prospectus Guidelines:

Reference	Details of the waivers sought	Conditions imposed	Status of compliance, where applicable
Prospectus Guidelines - Paragraph 1.05 Prospectus Guidelines – Procedures for Registration - Paragraph 1.12(h)	Waiver from publishing a summary advertisement of the prospectus in a widely circulated Bahasa Malaysia newspaper	None	Not applicable
Prospectus Guidelines – Procedures for Registration - Paragraphs 1.09(k), 1,12(b), 1.12(g) and 1.18	Waiver from preparing and submitting the Bahasa Malaysia version of the prospectus, application forms, expert's reports and other relevant documents in connection with the Listing	None	Not applicable

The SC has, via its letter dated 6 May 2013, granted its approval-in-principle for the registration of this Prospectus.

Further, the SC has, via its letter dated 10 May 2013, approved the extension of time until 9 August 2013 for our Company to complete the Offer for Sale and Listing.

10.1.2 MoF

The MoF through BNM's letter dated 21 December 2012 (as varied by BNM's letter dated 20 March 2013) approved the application in relation to the disposal and acquisition of shares pursuant to Section 67 of the Insurance Act, in respect of the Pre-IPO Reorganisation and Offer for Sale, subject to compliance with the following conditions:

Condition	Status of compliance
(i) Our Company to rationalise our non-financial services businesses within 3 years from the date of completion of the restructuring of the MPHB Group. In this connection, our Company is required to submit to BNM a detailed plan with regards to the rationalisation of our non-financial services businesses within 3 months from the date of completion of the said restructuring	To be met
(ii) The approval of BNM is required prior to: (1) any payment of dividends by our Company, MP Capital and MPIB; (2) MP Capital and MPIB providing any form of financial assistance (including loans, guarantees and indemnities) to the non-financial services business companies within our Group; and	Noted

Condition	Status of compliance
(3) our Company providing any form of financial assistance (including loans, guarantees and indemnities) to the non-financial services business companies within our Group, where such financial assistance exceeds the following thresholds: (a) 50% of the proforma consolidated shareholders' funds of our Company (excluding shareholders' funds of MPIB) as at 30 June 2012 or 50% of the latest audited consolidated shareholders funds' of our Company (excluding the shareholders' funds of MPIB) which has been announced to Bursa Securities, whichever is the later; or (b) MPIB having a CAR of not less than 180% at the time of provision of the said financial assistance	
(iii) Our Company to ensure that our shareholders comply with the individual shareholding limit of not more than 10% within 5 years from the date of the completion of the restructuring of the MPHB Group, or the date of coming into force of the Financial Services Act, 2013 whichever is earlier. In this connection, our Company is required to submit to BNM a detailed plan for the purpose of ensuring compliance with this individual shareholding limit within 6 months from the date of completion of the said restructuring or the date of coming into force of the Financial Services Act, 2013 whichever is earlier	To be met
(iv) The Underwriters to dispose of those underwritten shares which amounts to more than 5% of our Company's issued and paid-up capital within 6 months from the date of underwriting to parties that are approved by the MoF in accordance with Section 67 of the Insurance Act	To be met

10.1.3 Bursa Securities

Bursa Securities, has via its letter dated 13 May 2013, approved our admission to the Official List of Bursa Securities and the Listing.

10.1.4 Shareholders of MPHB

The shareholders of MPHB had on 5 December 2012 at an extraordinary general meeting of MPHB approved the Listing.

10.2 Moratorium on sale of our Shares

In accordance with the Equity Guidelines, CMSB, being one of the Promoters, will not be allowed, and has undertaken not to sell, transfer or assign its entire shareholding of 202,329,775 Shares to be acquired pursuant to its Undertaking, which represent 28.3% of our issued and paid-up ordinary share capital as at the date of Listing, for a period of 6 months from the date of Listing.

In accordance with the Equity Guidelines, MWE Holdings, being one of the Promoters, will not be allowed, and has undertaken not to sell, transfer or assign its entire shareholding of 33,014,405 Shares to be acquired pursuant to its Undertaking, which represent 4.6% of our issued and paid-up ordinary share capital as at the date of Listing, for a period of 6 months from the date of Listing.

However, in the event CMSB and MWE Holdings apply for and are allotted with Excess Offer Shares, their undertakings for moratorium on sale of our Shares shall apply to their entire shareholdings in our Company as at the date of Listing, including the Excess Offer Shares allotted to them.

In accordance with the Equity Guidelines, the direct shareholders of CMSB, namely Tan Sri Dato' Surin, Puan Sri Datin Suwini Bingei and Metra Nominees Sdn Bhd have undertaken not to sell, transfer or assign their entire respective shareholdings in CMSB as at the date of Listing, for a period of 6 months from the date of Listing.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 Related party transactions

Under the Listing Requirements, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A "related party" of a listed issuer (not being a special purpose acquisition company) is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder of the listed issuer or its subsidiary or holding company, being a shareholder who has or had an interest or interests in one or more voting shares in a corporation (being either the listed issuer, or its subsidiary or holding company, or a combination of the said corporation) and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:

   (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

   (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation;

   and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company; or

(iii) a person connected with such director or major shareholder.

Prior to the completion of the Offer for Sale, our Company is a wholly-owned subsidiary of MPHB. Under the Listing Requirements, transactions between members of the MPHB Group where there are no other interested relationships except for the related party having shareholdings in the other person which is less than 5% other than through MPHB, are therefore not considered to be related party transactions.

Certain transactions, despite falling within the definition of related party transaction above, are not normally regarded as related party transaction. These are detailed in paragraph 10.08(11) of the Listing Requirements.

11.1.1 Non-recurrent transactions

Save as disclosed below, there are no material transactions which are non-recurrent in nature and have been entered into or proposed to be entered into by our Group with the related parties during the years ended 31 December 2010, 2011 and 2012 and up to the LPD:

(i) On 8 August 2012, our Company entered into a deed of assignment with MPHB for the assignment of trademarks which are related to our businesses, owned by MPHB and registered with the Registrar of Trade Marks, bearing registration numbers 07024202 and 07024201, for a sum of RM100.00 which was satisfied in cash.

(ii) On 15 August 2012 and 29 March 2013, our Company entered into share sale agreements with MPHB pursuant to the Pre-IPO Reorganisation to acquire selected subsidiaries of MPHB, of which are now subsidiaries of our Company. The details of the Pre-IPO Reorganisation are set out in Section 6.2 of this Prospectus.

In conjunction with the above acquisitions, MPHB had also entered into debt novation agreements whereby we had assumed from MPHB, the amounts owing by MPHB to MP Capital, Kelana Megah and Mimaland amounting to RM77.6 million in aggregate ("**Debt Novation**"). We had partly set-off the cash consideration due to MPHB of RM190.4 million in relation to the Pre-IPO Reorganisation against the amount due from MPHB pursuant to the Debt Novation of RM77.6 million. As a result, we owe MPHB a balance of RM112.8 million, which shall be payable within 18 months from the completion of the share sale agreements.

(iii) For the years ended 31 December 2010, 2011 and 2012, our Group provided advances of RM3.8 million, RM72.6 million and RM133.3 million respectively to MPHB. For the financial years ended 31 December 2011 and 2012, we received interest income from MPHB of RM1.8 million and RM4.6 million respectively on the advances made by us. As at 31 December 2012, the outstanding amount due from MPHB to our Group pursuant to the Debt Novation was RM77.6 million. This amount was set off against the cash consideration due to MPHB pursuant to the Acquisitions as set out in Section 6.2 of this Prospectus upon completion of the Pre-IPO Reorganisation.

11.1.2 Recurrent transactions

Related party transactions can be deemed as recurrent, if they are entered into at least once every 3 years, in the ordinary course of business and are of a revenue nature necessary for the day-to-day operations of the company listed on the Main Market.

After the Listing, our Company will be required to seek shareholders' approval each time it enters into a related party transaction as determined under the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions in accordance with the Listing Requirements, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine their materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties connected to one another, or if the transactions involve the acquisition or disposal of securities or interests in one corporation/assets or of various parcels of land contiguous to each other.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

Save as disclosed below, as at the LPD, there are no recurrent related party transactions entered into during the years ended 31 December 2010, 2011 and 2012 and proposed for the 18 months period from 1 January 2013 to the next annual general meeting (to be held by June 2014):

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual* Year ended 31 December 2010	2011	2012	Estimate 18 months period from 1 January 2013 to the next annual general meeting (to be held by June 2014)
						RM 000	
(i)	Our Group and MPHB and/or its subsidiaries	**Interested major shareholders**	• Rental of premises to our Group	1,677	1,591	69	104
		CMSB, Tan Sri Dato' Surin, AHL, CVC Capital Partners Asia Pacific III L.P. and Dato' Lim Tiong Chin (past major shareholder of MPHB)	• Provision of centralised services in planning and management of business to our Group	1,335	2,284	593	-
		Interested Directors	• Provision of management and other services by our Group	-	-	-	558
		Tan Sri Dato' Surin and Dato' Lim Tiong Chin	• Provision of IT management services to our Group	642	745	784	-
		The interested major shareholders are common major shareholders of our Company and MPHB.					
		The interested Directors are common major shareholders and directors of our Company and MPHB.					

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual* Year ended 31 December 2010	2011	2012	Estimate 18 months period from 1 January 2013 to the next annual general meeting (to be held by June 2014)
						RM 000	
(ii)	Our Group and MWE Holdings and/or its subsidiaries	**Interested major shareholder** Tan Sri Dato' Surin **Interested Director** Tan Sri Dato' Surin Tan Sri Dato' Surin is a common major shareholder and common director of our Company and MWE Holdings.	• Rental of premises to our Group	52	57	60	90
			• Provision of share registration services to our Group	2	3	2	53
(iii)	MPIB and Tune	**Interested major shareholder** MP Capital MP Capital is a common major shareholder of MPIB and Tune.	• Reinsurance arrangement between MPIB and Tune in respect of air travel policies underwritten by MPIB under its previous partnership with AirAsia	27,744	36,582	11,125	257

Note:

* *Prior to the completion of the Offer for Sale, our Company is a wholly-owned subsidiary of MPHB. Under the Listing Requirements, transactions between members of the MPHB Group where there are no other interested relationships except for the related party having shareholdings in the other person which is less than 5% other than through MPHB, are not considered to be related party transactions. As such, the transactions between our Group and the MPHB Group are not related party transactions prior to the completion of the Offer for Sale. The actual values disclosed in the table above are provided for information purposes only.*

Our Directors are of the view that all the above non-recurrent and recurrent related party transactions were conducted on an arm's length basis and on terms not more favourable to the related parties than those generally available to the public.

11.1.3 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our parent or subsidiaries were a party in respect of the years ended 31 December 2010, 2011 and 2012.

11.1.4 Loans made to or for the benefit of related parties

As at 31 December 2012, the outstanding amount of short term advances owing by MPHB to us amounted to RM77.6 million pursuant to the Debt Novation as set out in Section 6.2 of this Prospectus. This amount was set off against the cash consideration due to MPHB pursuant to the Acquisitions as set out in Section 6.2 of this Prospectus upon completion of the Pre-IPO Reorganisation.

Save for the above, there are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of any related party as at 31 December 2012.

11.2 Conflicts of interest

Save as disclosed in Sections 9.1.4, 9.3.3 and 11.1 of this Prospectus, none of our Directors and substantial shareholders has any direct or indirect interests in other businesses and corporations which carry on a similar trade as our Group and associated company or in other businesses and corporation which are our customers and/or suppliers.

11.3 Monitoring and oversight of related party transactions and conflicts of interest

11.3.1 Audit Committee review

The Audit Committee which was formed on 1 August 2012 reviews related party transactions and conflicts of interest that may arise within our Group. The Audit Committee periodically reviews the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms that are not more favourable to the related party than those generally available to third parties dealing at arm's length and are not to the detriment of our Company's minority shareholders. All reviews by the Audit Committee are reported to our Board.

11.3.2 Conflicts of interest

The related party transactions disclosed above, by their very nature, involve a conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers and the Directors of our Group are also officers, directors and in some cases, shareholders of or who have interest in the shares of the related parties of our Group, as disclosed herein and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders.

11.4 Declarations by advisers on conflicts of interest

11.4.1 Declaration by CIMB

CIMB, its subsidiaries and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group or our shareholders or their affiliates or any other entity or person, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Company and our affiliates. This is a result of the businesses of CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Company. As at the LPD, the CIMB Group has extended a bank guarantee facility of RM4.0 million to MPIB, our subsidiary.

CIMB Group is of the view that the abovementioned extension of bank guarantee facility does not result in a conflict of interest situation in respect of its capacities as set out in this Prospectus as the bank guarantee facility is not material when compared to the audited total assets of the CIMB Group of RM337.1 billion as at 31 December 2012. Furthermore, the extension of bank guarantee facilities arose in the ordinary course of business of the CIMB Group in view of the CIMB Group's extensive participation in the Malaysian capital market and banking industry.

11.4.2 Declaration by Ernst & Young

Ernst & Young has confirmed that there is no existing or potential conflict of interest in respect of its capacity as the Auditors and Reporting Accountants of our Company.

11.4.3 Declaration by Kadir, Andri & Partners

Kadir, Andri & Partners has confirmed that there is no existing or potential conflict of interest in respect of its capacity as the Legal Adviser to our Company for the IPO.

11.4.4 Declaration by Frost & Sullivan

Frost & Sullivan has confirmed that there is no existing or potential conflict of interest in respect of its capacity as the Independent Market Researcher for the IPO.

11.4.5 Declaration by Burgess Rawson

Burgess Rawson has confirmed that there is no existing or potential conflict of interest in respect of its capacity as one of the Independent Valuers for our Company.

11.4.6 Declaration by Henry Butcher Johor

Henry Butcher Johor has confirmed that there is no existing or potential conflict of interest in respect of its capacity as one of the Independent Valuers for our Company.

11.4.7 Declaration by Henry Butcher Malaysia

Henry Butcher Malaysia has confirmed that there is no existing or potential conflict of interest in respect of its capacity as one of the Independent Valuers for our Company.

11.4.8 Declaration by Henry Butcher Penang

Henry Butcher Penang has confirmed that there is no existing or potential conflict of interest in respect of its capacity as one of the Independent Valuers for our Company.

11.4.9 Declaration by Raine & Horne

Raine & Horne has confirmed that there is no existing or potential conflict of interest in respect of its capacity as one of the Independent Valuers for our Company.

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