12.1 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.

The proforma effects of the Pre-IPO Reorganisation are illustrated in our Group's proforma consolidated statements of financial position in Section 12.4 of this Prospectus. Please refer to Section 6.2 of this Prospectus for further information on the Pre-IPO Reorganisation.

The audited combined financial statements of our Group were not subject to any audit qualification for the years ended 31 December 2010, 2011 and 2012.

The audited financial statements of our subsidiaries were not subject to any audit qualification or modification for the years ended 31 December 2010, 2011 and 2012, except as disclosed below:

The audited financial statements for Leisure Dotcom for the years ended 31 December 2010 and 2011 contained an emphasis of matter whereby the auditors highlighted the uncertainties over the recovery of deposits, stamp duties and brokerage fees totalling RM10.1 million paid by Leisure Dotcom to purchase a piece of freehold land, which was subject to the outcome of a lawsuit. In this connection, Leisure Dotcom filed a claim against the vendor for the failure to complete the sale and purchase agreement. Consequently, the recoverability of the amount paid was dependent on the outcome of the lawsuit. As the ultimate outcome of the lawsuit could not be determined then, no provision in respect of the deposits and other expenses paid was made.

The amount was fully provided for during the year ended 31 December 2012 pursuant to the outcome of the said lawsuit as disclosed in Sections 12.2.9(i) and 15.5(i) of this Prospectus.

	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 (%)	23.9	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.*

12.2 Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis with respect to the years ended 31 December 2010, 2011 and 2012 are based on, and should be read in conjunction with, the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 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.

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.

For further information on our businesses, please refer to Section 7 of this Prospectus.

12.2.2 Significant factors affecting our financial condition and results of operations

During the financial periods under review, our financial condition and results of operations have been and will continue to be affected by among others, the principal factors set out below:

(i) Regulatory requirements

MPIB is licensed by the BNM to act as a general insurer under the Insurance Act. Pursuant to the Insurance Act, BNM has broad authority over MPIB's business, including, among others, its capital requirements, the offering of new products, declaration of dividends, reinsurance arrangements and investments.

For example, MPIB is required to comply with the BNM's minimum CAR of 130.0% and to maintain an internal target CAR that is above BNM's minimum supervisory CAR requirements. MPIB's CAR as at 31 December 2010, 2011 and 2012 was 187.0%, 219.2% and 222.8% respectively. 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.

(ii) Availability and performance of distribution channels

The performance of our insurance business is dependent on the effectiveness of our distribution channels such as agencies and brokers, in distributing our products and schemes. Our agents totalled 1,012, 1,136 and 1,120 as at 31 December 2010, 2011 and 2012 respectively. The increase in the number of agents from year 2010 to 2012 is part of our strategy to grow our insurance business and increase our gross premiums. Gross premiums contribution by our agency distribution channel grew from RM185.0 million for the year ended 31 December 2010 to RM234.9 million for the year ended 31 December 2012.

For the years ended 31 December 2010, 2011, and 2012, 62.4%, 59.6% and 67.3% respectively of our gross premiums were derived from agencies and brokers. We face intense competition in attracting and retaining our agents and in developing and maintaining our business relationships with brokers or our other distribution partners.

Pursuant to our commercial partnership with AirAsia which began in February 2009, we were the sole underwriter in Malaysia of the AirAsia travel PA insurance programme which offered PA products to passengers of AirAsia. Our partnership with AirAsia contributed RM13.8 million, RM17.9 million and RM11.8 million to our Group's revenue for the years ended 31 December 2010, 2011 and 2012, representing 5.3%, 6.4%, and 3.6% of our revenue for the respective periods. Our associated company, Tune, primarily reinsures the air travel policies underwritten by us under the partnership with AirAsia. For the years ended 31 December 2010, 2011 and 2012, our share of profits from Tune were RM5.3 million, RM7.0 million and RM2.3 million respectively, representing 8.2%, 11.0% and 2.7% of our PBT for the respective periods. This partnership was terminated on 3 September 2012 as the air travel policies were ceded to another reinsurer. Nevertheless, based on our previous experience in providing air travel PA insurance, we have developed our own on-line travel PA insurance and this product was launched in January 2013.

(iii) Claims experience

Our financial performance is affected by the claims experience of our insurance business, which may vary from the assumptions we make, both when we design and price our products and schemes and when we calculate our insurance contract liabilities. Claims experience varies over time and over different products or schemes, and may be impacted by specific events and changes in accident rates, casualty rates, natural disasters and calamities, crime rates, economic conditions and other factors. Our net claims incurred were RM127.7 million, RM141.7 million and RM147.9 million for the years ended 31 December 2010, 2011 and 2012 respectively, representing 58.1%, 60.4% and 59.8% of our net earned premiums for the respective periods.

(iv) **Reinsurance market conditions**

To manage our insurance risk exposure, we purchase treaty reinsurance, facultative reinsurance and catastrophe excess of loss reinsurance and other forms of reinsurance contracts. Premiums ceded to reinsurers for our reinsurance contracts were RM207.7 million, RM238.5 million and RM242.4 million for the years ended 31 December 2010, 2011 and 2012 respectively, representing 47.1%, 49.9% and 48.0% of our gross premiums for the respective periods.

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.

(v) **Fire and motor insurance tariffs**

Within our general insurance business, fire and motor classes contributed 45.8%, 45.1% and 47.1% to our gross premiums for the years ended 31 December 2010, 2011 and 2012 respectively. Fire and motor insurance products underwritten by general insurance companies in Malaysia are subject to tariff determined by PIAM, with the approval from BNM. The fire and motor insurance tariffs specify the premiums to be charged for such fire and motor products and therefore limit our ability to adjust the premiums that we charge according to the individual risk profiles and claims experience of the insured and price our insurance risks effectively. 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. Also, requirements of the fire insurance tariff have been last revised in 2000 and BNM is expected to be moving towards removing the fire tariff.

(vi) **Fluctuations in market interest rates and performance of bond and equity markets**

We are affected by fluctuations in market interest rates as a significant portion of the premiums generated from our general insurance business are either invested in debt securities such as private debt securities and Malaysian government securities or held as deposits with financial institutions. 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. At the same time, declining interest rates would increase realised and unrealised gains on our existing investments in debt securities. Meanwhile, rising interest rates may, over time, increase our investment income, but may reduce the market value of our debt securities.

A portion of premiums generated from our insurance business is also invested in equity securities. Our insurance business' exposure to equity markets is significantly less than its exposure to the debt markets, with equity securities representing only 8.8%, 8.6% and 10.4% of the total carrying value of our investment portfolio as at 31 December 2010, 2011 and 2012 respectively. The returns on such investments may be affected by among others, economic and equity markets conditions, investors' sentiments and the performance of the companies that we invest in.

Significant losses from our insurance business' investments would also result in the deterioration of MPIB's CAR position. This may have an impact on, among others, our ability to continue to underwrite new insurance policies or require us to raise additional capital.

(vii) Property market conditions in Malaysia and ability to secure strong strategic partners or JV partners

For the years ended 31 December 2010, 2011 and 2012, our investment in properties has contributed 12.7%, 13.3% and 23.3% to our revenue respectively. The performance of our investment in properties and the success of the JVs are dependent on the continuing growth of the Malaysian economy generally and the vibrancy of the property market. The success of our JVs is also dependent on our ability to secure strategic partners to develop our land bank as we do not carry out property development activities. Nevertheless, our JVs are subject to the various risks faced by property developers such as the risk of failure to complete or delays in the completion of property development projects, failure by JV partners to secure external financing and fluctuation in construction costs. These factors will generally affect the timing, market demand and pricing of the projects which will in turn affect the timing of receipt and amount of proceeds that we receive from our JVs.

(viii) Economic conditions

As our Group's revenue is derived from insurance operations and investments undertaken in Malaysia, changes in the economic conditions in Malaysia could materially affect our operations. In an economic downturn characterised by lower corporate earnings and lower business investment, the demand for our insurance products and services could be adversely affected. Further, we may experience an elevated incidence of claims during an economic downturn due to higher crime rate and rise in fraudulent claims. In recent years, the Malaysian economy has been expanding in terms of GDP growth and this has to a certain extent contributed to the growth in the demand of our insurance products, which in turn resulted in higher gross premiums.

According to a report published by BNM on 21 February 2013, the Malaysian economy recorded a higher growth of 6.4% in the 4th quarter of 2012, supported by continued strength of domestic demand. The sustained expansion in domestic activity is expected to continue to drive growth, supported by sustained private sector expansion. The stabilization of external conditions is also expected to lend support to the economic growth prospects.

According to BNM's Annual Report 2012, the Malaysian economy is expected to remain on a steady growth path with an expansion of 5-6% in 2013. Economic activity will be anchored by the continued resilience of domestic demand and supported by a gradual improvement in the external sector.

12.2.3 Critical accounting policies

Our financial statements for the year ended 31 December 2010 has been prepared in accordance with FRS while our financial statements for the years ended 31 December 2011 and 2012 have been prepared in accordance with MFRS. In preparing our financial statements, we are required to make estimates, assumptions and judgments regarding uncertainties that affect the application of accounting policies and certain reported amounts of income and expenses during the reporting period as well as certain reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the date of the financial statements. We base these estimates, assumptions and judgments on our historical experience and on various other reasonable factors, which are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Our actual results may differ from these estimates, assumptions and judgments under different conditions. We believe our most critical accounting policies that result in the application of estimates, assumptions or judgments include the following:

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to our Group and the revenue can be reliably measured.

(a) Insurance premium income

Insurance premium income, other than those of inward treaty business, is recognised on the date on which the premium receivable in respect of an insurance policy is first recorded in the books and for inward treaty business on the date of receipt of the statement of accounts. Premium in respect of risks incepted for which billings or policies have not been raised as of the reporting date are accrued at that date.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(c) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(d) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(ii) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reinsurances, unearned premiums, commissions and claims incurred.

(a) Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

(b) Reinsurance premiums

Inward facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates. Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inward treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(c) Premium liabilities

Premium liability is reported at the higher of the aggregate of the UPR for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("**URR**") at the end of the financial year and the provision of risk margin for adverse deviation ("**PRAD**") calculated at 75% confidence level at the overall company level. The best estimate value is an estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

URR

The URR is the estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overhead and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

UPR

UPR represents 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.

In determining the UPR at reporting date, the methods used in the calculation of actual unearned premium are as follows:

- 25% method for MAT business.
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

-	Motor and bonds	10%
-	Fire, engineering, aviation and marine hull	15%
-	Medical	10-15%
-	Other classes	20%

- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission.
- Non-annual policies are time-apportioned over the period of the risks.

(d) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liability which includes provision for claims reported, claims incurred but not enough reserved, IBNR and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(e) Acquisition costs

The costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(iii) Impairment of financial assets

Our Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) AFS investments

If an AFS investment is impaired, the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity instruments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised as other comprehensive income in AFS reserve.

(b) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, our Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include our Group's and past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(iv) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, our Group recognises such parts as individual assets with their respective specific useful lives and depreciation. Likewise, when a major inspection is performed, the cost of inspection is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Leasehold land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the annual rates as follows:

	%
Leasehold land	1.0 - 2.0
Hotel building	2.0 - 5.0
Hotel refurbishment	10.0
Office equipment, furniture, fixtures and fittings and motor vehicles	5.0 - 33.3
Buildings improvement and renovation	12.5
Computer equipment	12.5 - 33.3

Assets under construction included in work-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(v) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is depreciated over the residual lease period. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its use or disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment.

12.2.4 Information on legal entities

The following tables set out the external revenue and PBT/(loss before taxation) of entities which have been combined, within our Group for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Revenue						
MPIB	219,738	85.2%	234,520	84.4%	247,220	75.9%
MP Capital group, excluding MPIB	5,533	2.1%	6,275	2.3%	2,386	0.7%
SPSSB group	17,142	6.6%	17,516	6.3%	19,863	6.1%
Kelana Megah	1,416	0.6%	2,012	0.7%	1,412	0.4%
Magnum Leisure	13,919	5.4%	16,934	6.1%	19,009	5.8%
MP Shipping group	-	-	63	*	35,373[(2)]	10.9%
Others[(1)]	238	0.1%	555	0.2%	339	0.1%
	257,986	100.0%	277,875	100.0%	325,602	100.0%

Notes:

* *Less than 0.1%.*

(1) *Comprise the remaining companies in our Group.*

(2) *The increase in revenue was mainly due to the contribution from our JV project in Penang, as explained in Section 12.2.9(i) of this Prospectus.*

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
PBT/(Loss before taxation)						
MPIB	47,051	72.9%	48,001	75.3%	60,016	71.1%
MP Capital group, excluding MPIB	6,711	10.4%	6,265	9.8%	3,850	4.6%
SPSSB group	463	0.7%	1,237	1.9%	3,290	3.9%
Kelana Megah	1,150	1.8%	1,650	2.6%	13,151(4)	15.6%
Magnum Leisure	2,461	3.8%	4,000	6.3%	5,341	6.3%
MP Shipping group	(252)	(0.4)%	(168)	(0.3)%	12,494(5)	14.8%
Others(1)	1,664(2)	2.6%	(4,223)(3)	(6.6)%	(16,000)(6)	(18.9)%
Share of profits of an associated company	5,308	8.2%	7,025	11.0%	2,309	2.7%
	64,556	100.0%	63,787	100.0%	84,451	100.0%

Notes:

(1) *Comprise the remaining companies in our Group.*

(2) *The PBT was mainly due to the write back of impairment loss on financial assets in Jayavest's other receivables.*

(3) *The loss before taxation was mainly due to higher finance costs due to additional borrowings taken by CGSB during the year and full year recognition of interest expenses on borrowings taken by CGSB in the previous year, as explained in Section 12.2.9(ii) of this Prospectus.*

(4) *The increase in PBT was mainly due to the gain on disposal arising from the compulsory acquisition of certain parcels of our land in Pengerang, Johor, as explained in Section 12.2.9(i) of this Prospectus.*

(5) *The PBT was mainly due to the contribution from our JV project in Penang, as explained in Section 12.2.9(i) of this Prospectus.*

(6) *The increase in loss before taxation was mainly due to allowance for impairment relating to Leisure Dotcom's deposits, stamp duty and brokerage fees which were paid for the purchase of a piece of land in Kuala Lumpur, as explained in Section 12.2.9(i) of this Prospectus.*

12.2.5 Segment information

The following tables set out our Group's external revenue, operating profit and operating profit margin by principal segments for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Segment revenue						
Insurance	219,738	85.2%	234,520	84.4%	247,220	75.9%
Credit[1]	5,533	2.1%	6,275	2.3%	2,386	0.7%
Investments	32,715	12.7%	37,080	13.3%	75,996	23.3%
	257,986	100.0%	277,875	100.0%	325,602	100.0%

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Segment operating profit[2]						
Insurance	47,051	76.4%	48,001	78.3%	60,016	68.8%
Credit[1]	6,711	10.9%	6,265	10.2%	3,850	4.4%
Investments	7,809	12.7%	7,013	11.5%	23,317	26.8%
	61,571	100.0%	61,279	100.0%	87,183	100.0%
Operating profit margin		23.9%		22.1%		26.8%
Segment operating profit margin						
Insurance		21.4%		20.5%		24.3%
Credit[1]		121.3%		99.8%		161.4%
Investments		23.9%		18.9%		30.7%

Notes:

(1) Comprises the MP Capital group, excluding MPIB.

(2) Segment operating profit excluding finance costs, share of profits of an associated company and income tax expense.

12.2.6 Components of revenue

For the years ended 31 December 2010, 2011 and 2012, our revenue was mainly derived from our general insurance business.

The principal components of our revenue for the 3 years ended 31 December 2010, 2011 and 2012 are discussed below.

Insurance business

Our general insurance business, which is operated through MPIB contributed 85.2%, 84.4% and 75.9% to our revenue for the years ended 31 December 2010, 2011 and 2012 respectively.

The key components of the revenue contribution of our general insurance business to our Group's revenue are as follows:

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.

Gross premiums is an indication of the scale of a general insurer's business as it provides a volume measure of the insurance contracts written in the reporting period that have the potential to generate profits.

Premiums ceded to reinsurers

Premiums ceded to reinsurers represent 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.

Net retained premiums

Net retained premiums represent gross premiums less premiums ceded to reinsurers.

UPR

UPR is the portion of net retained premiums less the related net acquisition costs of insurance policies written relating to the unexpired periods of the policies at the end of the financial year.

Insurance policies that we underwrite extends over a range of coverage periods, which may not end on the last day of our financial period. Therefore, at the end of each financial period, there may be policies, and relating to them, underwriting obligations, that have yet to expire. Hence, a portion of the net retained premiums (after deducting the acquisition costs), that corresponds to the unexpired underwriting obligations are set aside as UPR.

Net earned premiums

Net earned premiums represent gross premiums less premiums ceded to reinsurers and net changes in UPR.

The following table sets out the movement of the components of our Group's net earned premiums:

	Year ended 31 December		
	2010	2011	2012
	RM 000		
Gross premiums	440,782	477,884	505,386
Premiums ceded to reinsurers	(207,665)	(238,501)	(242,419)
Net retained premiums	233,117	239,383	262,967
Increase in UPR	(13,379)	(4,863)	(15,747)
Net earned premiums	219,738	234,520	247,220

Product mix

Our Group's gross premiums include gross premiums derived from fire, motor, MAT, PA and other general insurance product classes.

The following table sets out the gross premiums and net earned premiums for the principal product classes of the general insurance business for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Gross premiums						
Fire	83,405	18.9%	102,929	21.5%	110,854	21.9%
Motor	118,577	26.9%	112,820	23.6%	127,342	25.2%
MAT	14,115	3.2%	16,703	3.5%	28,560	5.7%
PA	77,771	17.6%	87,681	18.3%	53,086	10.5%
Others[(1)]	146,914	33.3%	157,751	33.0%	185,544	36.7%
	440,782	100.0%	477,884	100.0%	505,386	100.0%
Net earned premiums						
Fire	34,156	15.5%	33,408	14.2%	44,920	18.2%
Motor	99,653	45.4%	107,819	46.0%	112,528	45.5%
MAT	7,483	3.4%	8,517	3.6%	9,166	3.7%
PA	26,251	11.9%	29,071	12.4%	16,392	6.6%
Others[(1)]	52,195	23.8%	55,705	23.8%	64,214	26.0%
	219,738	100.0%	234,520	100.0%	247,220	100.0%

Note:

(1) Primarily comprise contractor's all risks, liability, medical, oil & gas, workers compensation & employers liability insurance and miscellaneous insurance product classes.

Year ended 31 December 2012 compared to year ended 31 December 2011

Our gross premiums increased by 5.8% from RM477.9 million for the year ended 31 December 2011 to RM505.4 million for the year ended 31 December 2012. The increase was primarily contributed by the fire, motor, MAT and other insurance classes and was partly offset by the decline in gross premiums from the PA class.

The increase in gross premiums from the fire class was mainly due to the increase in the number of policies sold. The increase in gross premiums from the motor class was mainly due to our partnership with POS Malaysia. The increase in gross premiums from the other insurance classes was mainly due to higher contribution from the contractor's all risks and medical classes attributable to the increase in the number of policies sold through agents and brokers. The increase in gross premiums from the MAT class was mainly due to new customers in the aviation class as well as the increase in the number of policies sold through agents and brokers.

The decrease in gross premiums from the PA class was largely due to the decline in air travel policies that we underwrite under our partnership with AirAsia. The decline in the air travel policies that we underwrite under our partnership with AirAsia was mainly due to the reduction in reinsurance inward premiums from insurers who were underwriting AirAsia travel PA policies outside Malaysia as these policies were ceded to another reinsurer during the year.

Premiums ceded to reinsurers increased by 1.6% from RM238.5 million for the year ended 31 December 2011 to RM242.4 million for the year ended 31 December 2012. The increase was mainly due to the growth in premium from the MAT and other insurance classes which resulted in a corresponding increase in reinsurance.

The increase in the UPR of RM15.7 million for the year ended 31 December 2012 was mainly due to the release of UPR in relation to the fire and PA classes and the growth in premium from the motor and other insurance classes.

As a result of the foregoing, our net earned premiums increased by 5.4% from RM234.5 million for the year ended 31 December 2011 to RM247.2 million for the year ended 31 December 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010

Our gross premiums increased by 8.4% from RM440.8 million for the year ended 31 December 2010 to RM477.9 million for the year ended 31 December 2011. The increase was primarily contributed by the fire, PA and other insurance classes and was partly offset by the decline in gross premiums from the motor class.

The increase in gross premiums from the fire class was mainly due to higher underwriting of fire risks of commercial buildings, while the increase in the PA class was mainly contributed by our partnership with AirAsia. The increase in gross premiums from the MAT class was mainly due to the increase in the number of policies sold through existing agents and brokers. The increase in gross premiums from the other insurance classes was mainly due to higher contribution from the contractor's all risks class attributable to the increase in the number of policies sold through brokers.

The decrease in gross premiums from the motor class was mainly due to our deliberate policy to control the growth of certain segments within the motor class in order to manage our exposure to risk relating to escalating third-party bodily injury claims and vehicle theft. We undertook this strategy so as to focus on growing the gross premiums for other segments within the motor class such as the comprehensive private vehicle insurance.

Premiums ceded to reinsurers increased by 14.8% from RM207.7 million for the year ended 31 December 2010 to RM238.5 million for the year ended 31 December 2011. The increase was mainly due to the growth in premium from the fire, PA and other insurance classes which resulted in a corresponding increase in reinsurance.

The increase in the UPR of RM4.9 million for the year ended 31 December 2011 was mainly due to the release of UPR in relation to the motor and PA classes and the growth in premium from the fire class.

As a result of the foregoing, our net earned premiums increased by 6.7% from RM219.7 million for the year ended 31 December 2010 to RM234.5 million for the year ended 31 December 2011.

Selected ratios on our general insurance business

The following table sets out certain key performance ratios of our general insurance business for the periods indicated.

	Year ended 31 December		
	2010	**2011**	**2012**
Net claims incurred (RM 000)	127,668	141,729	147,948
Net claims incurred ratio (%)[(1)]	58.1	60.4	59.8
Net commission expenses (RM 000)	21,931	23,453	27,439
Net commission ratio (%)[(2)]	10.0	10.0	11.1
Management expenses (RM 000)	51,866	53,907	57,862
Management expenses ratio (%)[(3)]	23.6	23.0	23.4
Combined ratio(%)[(4)]	91.7	93.4	94.3
CAR (%)	187.0	219.2	222.8

Notes:

(1) *Computed as 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.*

(2) *Computed as 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.*

(3) *Computed as 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.*

(4) *Net claims incurred + net commission expenses + management expenses*
Net earned premiums

This 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.

(i) *Net claims incurred ratio*

Net claims incurred ratio decreased from 60.4% for year ended 31 December 2011 to 59.8% for the year ended 31 December 2012. This was mainly due to the growth in net earned premiums exceeding the growth in net claims incurred. The increase in net earned premiums was mainly contributed by the fire, motor and other insurance classes.

Net claims incurred ratio increased from 58.1% for the year ended 31 December 2010 to 60.4% for the year ended 31 December 2011. This was due to higher growth in net claims incurred which was mainly contributed by the fire and other insurance classes.

(ii) *Net commission ratio*

Net commission ratio increased from 10.0% for the year ended 31 December 2011 to 11.1% for the year ended 31 December 2012 mainly due to lower commission income received from our reinsurers from the PA class due to reduction in the PA business and from the oil and gas class due to lower commission rates for the year as well as higher commission expenses from the motor class.

Net commission ratio remained at 10.0% for the year ended 31 December 2011 as net commission expenses increased in tandem with the growth in net earned premiums.

(iii) *Management expenses ratio*

Management expenses ratio increased from 23.0% for the year ended 31 December 2011 to 23.4% for the year ended 31 December 2012. The increase was mainly due to higher staff related costs as a result of the hiring of additional marketing personnel and upward adjustment of staff salaries.

Management expenses ratio decreased from 23.6% for the year ended 31 December 2010 to 23.0% for year the 31 December 2011 as growth in net earned premiums exceeded the growth in management expenses.

(iv) *Combined ratio*

As a result of the above (i), (ii) and (iii), our combined ratios were 91.7%, 93.4% and 94.3% for the years ended 31 December 2010, 2011 and 2012 respectively.

(v) *CAR*

MPIB's CAR increased from 187.0% as at 31 December 2010 to 222.8% as at 31 December 2012, mainly due to the increase in retained earnings across the period.

Credit business

Our credit business contributed 2.1%, 2.3% and 0.7% to our revenue for the years ended 31 December 2010, 2011 and 2012 respectively.

Our credit business derives interest income from term loan, project financing, hire purchase and other forms of credit that we extend to our customers.

Investments

Our investments segment contributed 12.7%, 13.3% and 23.3% to our revenue for the years ended 31 December 2010, 2011 and 2012 respectively. During the periods under review, our revenue from investments was mainly derived from the following:

(i) Operations of Hotel Flamingo by the beach and Hotel Flamingo by the lake which are located in Penang and Selangor respectively;

(ii) Rental of our 4-storey office building Plaza Flamingo which is located in Selangor;

(iii) Operations of oil palm plantation in Johor which are managed by a third-party; and

(iv) Share of sales proceeds from a JV project in Penang between the MP Shipping group and Jiran Cergas Sdn Bhd which were recognised during the year ended 31 December 2012.

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12.2.7 Components of other income

The following table sets out the principal components of our other income and such income expressed as a percentage of total other income, for the periods indicated.

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Insurance						
Interest income	17,907	46.8%	18,106	43.5%	22,151	27.9%
Net realised gain from AFS financial assets	3,801	9.9%	3,940	9.5%	7,245	9.1%
Realised gain from investment properties	-	-	-	-	1,876	2.4%
Income earned from MMIP	6,919	18.1%	8,952	21.5%	11,953	15.1%
Others	151	0.4%	1,571	3.8%	2,820	3.6%
	28,778	75.3%	32,569	78.2%	46,045	58.0%
Credit[1] and investments						
Gain on disposal of:						
- Investment securities	407	1.1%	2,089	5.0%	4,038	5.1%
- Investment properties	-	-	560	1.3%	12,254	15.4%
Interest income	2,439	6.4%	4,987	12.0%	9,690	12.2%
Write back of impairment loss on financial assets in other receivables	5,153	13.5%	-	-	2,957	3.7%
Others	1,450	3.8%	1,424	3.4%	4,403	5.5%
	9,449	24.7%	9,060	21.8%	33,342	42.0%
	38,227	100.0%	41,629	100.0%	79,387	100.0%

Note:

(1) Comprises the MP Capital group, excluding MPIB.

Other income from our insurance business mainly consists of interest income, net realised gain for AFS financial assets, realised gain for investment properties and income earned from the MMIP, while other income from our credit and investments mainly consists of gain on disposal of investment securities and investment properties, interest income and write back of impairment loss on financial assets in other receivables.

12.2.8 Components of operating costs

The following table sets out the principal components of our operating costs and such costs expressed as a percentage of total operating costs, for the periods indicated.

	Year ended 31 December					
	2010		2011		2012	
	RM 000, except percentages					
Cost of sales						
- Insurance	149,599	63.8%	165,182	64.0%	175,387	55.2%
- Credit[1]	-	-	-	-	-	-
- Investments	12,631	5.4%	13,699	5.3%	38,358	12.1%
	162,230	69.2%	178,881	69.3%	213,745	67.3%
Administrative expenses	33,625	14.3%	34,548	13.4%	39,319	12.4%
Other expenses	38,787	16.5%	44,796	17.3%	64,742	20.3%
	234,642	100.0%	258,225	100.0%	317,806	100.0%

Note:

(1) Comprises the MP Capital group, excluding MPIB.

Our operating costs consist of cost of sales, administrative expenses and other expenses. Further details on our operating costs are discussed below.

Cost of sales

Cost of sales accounted for approximately 69.2%, 69.3% and 67.3% of our total operating costs for the years ended 31 December 2010, 2011 and 2012 respectively. Our cost of sales consisted of the following:

(i) cost of sales for our insurance business which mainly comprise net claims incurred and net commission expenses, and accounted for approximately 63.8%, 64.0% and 55.2% of our total operating costs for the years ended 31 December 2010, 2011 and 2012 respectively; and

(ii) cost of sales for our investments segment which mainly consisted of costs incurred for our hotel operations and land costs from a JV project in Penang (for the year ended 31 December 2012), and accounted for approximately 5.4%, 5.3% and 12.1% of our total operating costs for the years ended 31 December 2010, 2011 and 2012 respectively.

Administrative expenses

Administrative expenses accounted for approximately 14.3%, 13.4% and 12.4% of our total operating costs for the years ended 31 December 2010, 2011, and 2012 respectively.

Administrative expenses mainly consist of staff-related expenses of our Group.

Other expenses

Other expenses accounted for approximately 16.5%, 17.3% and 20.3% of our total operating costs for the years ended 31 December 2010, 2011 and 2012 respectively.

Other expenses mainly consist of marketing and advertising expenses, depreciation and allowance for impairment on receivables.

12.2.9 Review of past performance

(i) Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our Group recorded an increase in revenue of RM47.7 million or 17.2% from RM277.9 million for the year ended 31 December 2011 to RM325.6 million for the year ended 31 December 2012. The increase in revenue was mainly due to the following:

(a) increase in net earned premiums from our insurance business of RM12.7 million or 5.4%, mainly contributed by higher net earned premiums from our fire, motor, MAT and other insurance classes; and

(b) increase in revenue from our investments segment of RM38.9 million or 105.0%, mainly contributed by the recognition of our share of sales proceeds from our JV project in Penang which was completed by our JV partner, Jiran Cergas Sdn Bhd during the period.

Cost of sales

Our Group recorded an increase in cost of sales of RM34.8 million or 19.5% from RM178.9 million for the year ended 31 December 2011 to RM213.7 million for the year ended 31 December 2012. The increase was mainly contributed by the recognition of land costs from our JV project in Penang which was completed by our JV partner, Jiran Cergas Sdn Bhd during the period.

Gross profit and gross profit margin

Our Group recorded an increase in gross profit of RM12.9 million or 13.0% from RM99.0 million for the year ended 31 December 2011 to RM111.9 million for the year ended 31 December 2012 and our gross profit margin decreased from 35.6% for the year ended 31 December 2011 to 34.4% for the year ended 31 December 2012. The decrease in gross profit margin was mainly attributed to the lower gross profit margin from our investments for the year ended 31 December 2012.

Other income

Our Group's other income increased by RM37.8 million or 90.9% from RM41.6 million for the year ended 31 December 2011 to RM79.4 million for the year ended 31 December 2012. The increase was mainly due to the gain on disposal arising from the compulsory acquisition of certain parcels of our land in Pengerang, Johor, and from the disposal of investment securities by our insurance and credit businesses and the increase in interest income relating to debt and equity-linked securities held by our insurance and credit businesses.

Administrative expenses

Our Group's administrative expenses increased by RM4.8 million or 13.9% from RM34.5 million for the year ended 31 December 2011 to RM39.3 million for the year ended 31 December 2012. The increase in administrative expenses was mainly due to higher staff related costs for our insurance business as a result of the hiring of additional marketing personnel and upward adjustment of staff salaries.

Other expenses

Our Group recorded an increase in other expenses of RM19.9 million or 44.4% from RM44.8 million for the year ended 31 December 2011 to RM64.7 million for the year ended 31 December 2012. The increase in other expenses was mainly due to an allowance for impairment on other receivables of RM10.1 million (as described below) and an allowance for impairment of RM8.1 million relating to the irredeemable convertible unsecured loan stock and redeemable unsecured loan stock held by our credit business. The allowance for impairment on other receivables of RM10.1 million relates to the deposits, stamp duty and brokerage fees which were paid for the purchase of a piece of land in Kuala Lumpur by Leisure Dotcom, which is currently subject to litigation. This allowance was made following the outcome of the litigation, the details of which are set out in Section 15.5(i) of this Prospectus.

Operating profit and operating profit margin

As a result of foregoing factors, our operating profit increased by 42.2% from RM61.3 million for the year ended 31 December 2011 to RM87.2 million for the year ended 31 December 2012.

Our operating profit margin increased from 22.1% for the year ended 31 December 2011 to 26.8% for the year ended 31 December 2012, mainly due to the increase in other income.

Finance costs

Our Group recorded an increase in finance costs of RM0.5 million or 11.1% from RM4.5 million for the year ended 31 December 2011 to RM5.0 million for the year ended 31 December 2012. The increase in finance costs was mainly due to additional borrowings taken by CGSB during the year ended 31 December 2012 mainly for the acquisition of land in Kuala Lumpur and the recognition of interest expenses on borrowings taken in the year ended 31 December 2011.

Share of profits of an associated company

Our Group recorded a decrease in the share of profits of an associated company of RM4.7 million or 67.1% from RM7.0 million for the year ended 31 December 2011 to RM2.3 million for the year ended 31 December 2012. The decrease was due to the lower contribution from Tune's captive insurance business. Tune primarily reinsures the air travel policies that we underwrite under our partnership with AirAsia.

PBT

As a result of the abovementioned factors, PBT increased by RM20.7 million or 32.4% from RM63.8 million for the year ended 31 December 2011 to RM84.5 million for the year ended 31 December 2012.

Income tax expense

Income tax expense increased by RM2.9 million or 19.2% from RM15.1 million for the year ended 31 December 2011 to RM18.0 million for the year ended 31 December 2012. The increase was mainly due to the higher tax expenses during the year which was offset by lower deferred tax income recorded by our Group during the year ended 31 December 2012.

PAT

As a result of the abovementioned factors, PAT increased by RM17.7 million or 36.3% from RM48.7 million for the year ended 31 December 2011 to RM66.4 million for the year ended 31 December 2012.

(ii) Year ended 31 December 2011 compared to year ended 31 December 2010

Revenue

Our Group recorded an increase in revenue of RM19.9 million or 7.7% from RM258.0 million for the year ended 31 December 2010 to RM277.9 million for the year ended 31 December 2011. The increase in revenue was mainly due to the following:

(a) increase in net earned premiums from our insurance business of RM14.8 million or 6.7%, mainly contributed by higher net earned premiums from the motor and PA classes; and

(b) increase in revenue from our investments segment of RM4.4 million or 13.3%, mainly contributed by higher revenue from our Hotel Flamingo by the beach operations as a result of higher occupancy and average room rates. The occupancy and average room rates for our Hotel Flamingo by the beach increased from 62.0% and RM154.59 respectively for the year ended 31 December 2010 to 71.5% and RM166.06 respectively for the year ended 31 December 2011.

Cost of sales

Our Group recorded an increase in cost of sales of RM16.7 million or 10.3% from RM162.2 million for the year ended 31 December 2010 to RM178.9 million for the year ended 31 December 2011. The increase was mainly contributed by an increase in net claims incurred of RM14.1 million or 11.0% recorded by our insurance business.

Gross profit and gross profit margin

Our Group recorded an increase in gross profit of RM3.2 million or 3.3% from RM95.8 million for the year ended 31 December 2010 to RM99.0 million for the year ended 31 December 2011. Gross profit margin however, decreased from 37.1% for the year ended 31 December 2010 to 35.6% for the year ended 31 December 2011, mainly due to higher net claims incurred recorded by our insurance business for the year ended 31 December 2011.

Other income

Our Group's other income increased by RM3.4 million or 8.9% from RM38.2 million for the year ended 31 December 2010 to RM41.6 million for the year ended 31 December 2011. The increase was mainly due to higher interest income, income earned from the MMIP and gain from disposal of investment securities held by our credit and insurance businesses.

Administrative expenses

Our Group's administrative expenses increased by RM0.9 million or 2.7% from RM33.6 million for the year ended 31 December 2010 to RM34.5 million for the year ended 31 December 2011. The increase in administrative expenses was mainly due to higher staff related expenses of our Group.

Other expenses

Our Group recorded an increase in other expenses of RM6.0 million or 15.5% from RM38.8 million for the year ended 31 December 2010 to RM44.8 million for the year ended 31 December 2011. The increase in other expenses was mainly due to higher allowance for impairment on trade receivables from our credit business.

Operating profit and operating profit margin

As a result of foregoing factors, our operating profit decreased by 0.5% from RM61.6 million for the year ended 31 December 2010 to RM61.3 million for the year ended 31 December 2011.

Our operating profit margin decreased from 23.9% for the year ended 31 December 2010 to 22.1% for the year ended 31 December 2011, reflecting the net effect of the following which occurred during the year ended 31 December 2011:

(a) The decrease in the operating profit margin of our insurance business, mainly due to higher net claims incurred;

(b) The decrease in the operating profit margin of our credit business, mainly due to the increase in allowance for impairment on trade receivables; and

(c) The decrease in the operating profit margin of our investments, as unlike for the year ended 31 December 2010, there was no write back of impairment loss on financial assets in other receivables.

Finance costs

Our Group recorded an increase in finance costs of RM2.2 million or 95.7% from RM2.3 million for the year ended 31 December 2010 to RM4.5 million for the year ended 31 December 2011. The increase in finance costs was mainly due to additional borrowings taken by CGSB in the year ended 31 December 2011, mainly to on-lend to its related companies to repay the inter-company loans extended by MPHB to the related companies for property investments in prior years and the full year recognition of interest expenses on borrowings taken by CGSB in the year ended 31 December 2010.

Share of profits of an associated company

Our Group recorded an increase in share of profits of an associated company of RM1.7 million or 32.1% from RM5.3 million for the year ended 31 December 2010 to RM7.0 million for the year ended 31 December 2011. The increase was due to higher contribution from Tune's captive insurance business.

PBT

As a result of the abovementioned factors, PBT decreased by RM0.8 million or 1.2% from RM64.6 million for the year ended 31 December 2010 to RM63.8 million for the year ended 31 December 2011.

Income tax expense

Income tax expense increased by RM6.3 million or 71.6% from RM8.8 million for the year ended 31 December 2010 to RM15.1 million for the year ended 31 December 2011. The increase was mainly due a deferred tax expense recorded in 2011 while a deferred tax income was recorded in 2010.

PAT

As a result of the abovementioned factors, PAT decreased by RM7.0 million or 12.6% from RM55.7 million for the year ended 31 December 2010 to RM48.7 million for the year ended 31 December 2011.

12.2.10 Liquidity and capital resources

(i) Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our trade creditors and borrowings from financial institutions.

Based on the proforma consolidated statements of financial position as at 31 December 2012, after the Pre-IPO Reorganisation, we have proforma cash and cash equivalents of RM378.7 million, total borrowings of RM111.1 million, and working capital (calculated as current assets minus current liabilities) of RM580.9 million. Taking into consideration our funding requirements for any committed capital expenditure, available banking facilities, existing level of cash and cash equivalents, the expected cash flow from operations and regulatory requirements, our Board is of the opinion that our Group will have adequate working capital for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets out a summary of our Group's cash flows for the periods indicated:

	Year ended 31 December		
	2010	2011	2012
		RM 000	
Net cash generated from / (used in) operating activities	8,517	20,414	143,355
Net cash (used in) / generated from investing activities	(101,684)	25,430	40,737
Net cash (used in) / generated from financing activities	56,177	(111,026)	21,451
Net increase / (decrease) in cash and cash equivalents	(36,990)	(65,182)	205,543
Cash and cash equivalents at the beginning of the year / period	200,209	163,219	98,037
Cash and cash equivalents at the end of the year / period	163,219	98,037	303,580

All of our Group's cash and cash equivalents are in RM. Save for the restrictions on the grant of credit facilities and transfer of funds by our Company, MP Capital and MPIB as set out in Section 7.8.1(f) of this Prospectus, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends (subject to availability of distributable reserves), loans or advances to meet the cash obligations of our Company.

Net cash generated from operating activities

Net cash generated from operating activities for the year ended 31 December 2012 was RM143.4 million comprising mainly the operating cash flows before working capital changes of RM50.9 million, decrease in receivables of RM37.9 million, increase in payables of RM62.5 million and tax paid of RM10.4 million. The decrease in receivables was mainly due to higher cash payment by our JV partner relating to the progressive payment that they collected from end purchasers and preliminary costs relating to our investments segment being charged out to the statements of comprehensive income. The increase in payables was mainly due to the increase in insurance contract liabilities, contributed by higher claims reported and premium liabilities from the motor and other insurance classes.

Net cash generated from operating activities for the year ended 31 December 2011 was RM20.4 million comprising mainly the operating cash flows before working capital changes of RM41.9 million, increase in receivables of RM16.6 million, increase in payables of RM6.4 million and tax paid of RM12.3 million. The increase in receivables was mainly due to receivables relating to the sale of investment securities, payment of deposits for the purchase of land and the increase in reinsurance assets. The increase in payables was mainly due to the increase in insurance contract liabilities as well as the movement in inter-company balances with MPHB.

Net cash generated from operating activities for the year ended 31 December 2010 was RM8.5 million comprising mainly the operating cash flows before working capital changes of RM38.6 million, a reduction in receivables of RM119.2 million, decrease in payables of RM133.2 million and tax paid of RM16.3 million. The reduction in receivables was mainly due to the reduction in reinsurance assets while the decrease in payables was primarily due to the reduction of insurance contract liabilities.

Net cash used in / generated from investing activities

Net cash generated from investing activities for the year ended 31 December 2012 was RM40.7 million comprising mainly the proceeds from the disposal of investment properties and investment securities of RM118.9 million and RM141.0 million respectively and purchase of investment properties and investment securities of RM65.0 million and 186.9 million, respectively.

Net cash generated from investing activities for the year ended 31 December 2011 was RM25.4 million comprising mainly the proceeds from the disposal of investment securities of RM94.3 million, purchase of investment securities of RM98.1 million and interest received of RM23.1 million.

Net cash used in investing activities for the year ended 31 December 2010 was RM101.7 million comprising mainly the proceeds from the disposal of investment securities of RM167.2 million and purchase of investment securities of RM283.9 million.

Net cash used in / generated from financing activities

Net cash generated from financing activities for the year ended 31 December 2012 was RM21.5 million comprising dividend payments of RM20.3 million, interest payments of RM5.0 million, net movement in deposits with licensed bank of RM8.0 million and proceeds from the drawdown of banking facilities of RM38.8 million.

Net cash used in financing activities for the year ended 31 December 2011 was RM111.0 million comprising net movement in deposits with licensed bank of RM83.8 million, dividend payments of RM36.4 million, interest payments of RM4.5 million and proceeds from the drawdown of banking facilities of RM13.7 million.

Net cash generated from financing activities for the year ended 31 December 2010 was RM56.2 million comprising the proceeds from the drawdown of banking facilities of RM58.5 million and interest payments of RM2.3 million.

The proceeds received from the drawdown of banking facilities for the years ended 31 December 2010, 2011 and 2012 were mainly used by CGSB to on-lend to its related companies to repay the inter-company loans extended by MPHB to the related companies for property investments in prior years and for payment by CGSB for land acquisitions.

(iii) Borrowings

Our Group's total outstanding borrowings as at 31 December 2012 were as follows:

	As at 31 December 2012
	RM 000
Short-term borrowings	
- Secured revolving credits	3,000
- Secured term loans	14,714
Total short-term borrowings	17,714
Long-term borrowings	
- Secured revolving credits	9,000
- Secured term loan	84,371
Total long-term borrowings	93,371
Total borrowings	111,085

For information on our Group's indebtedness, please refer to Section 12.3 of this Prospectus.

As at 31 December 2012, all of our outstanding borrowings are interest bearing and denominated in RM. We have not defaulted on payments of interest or principal sums on any of our borrowings throughout the year ended 31 December 2012 and up to the LPD.

We are not in breach of any terms and conditions or covenants associated with the credit arrangements or borrowings which can materially affect our Group's financial position and results or business operations, or the investment by holders of securities in our Group.

The maturity profile of our borrowings as at the dates indicated is as follows:

	As at 31 December		
	2010	**2011**	**2012**
Maturity of borrowings		**RM 000**	
On demand or within 1 year	3,500	3,000	17,714
1-2 years	18,333	17,714	29,650
2-5 years	36,667	51,541	63,721
More than 5 years	-	-	-
Total	58,500	72,255	111,085

Our borrowings above have floating interest rates based on cost of funds of our lender.

A corporate guarantee dated 29 April 2013 has since been given by our Company to a financial institution for borrowing facilities granted to a subsidiary.

(iv) Capital expenditure

We incurred capital expenditure of RM11.5 million, RM5.5 million and RM70.5 million for the years ended 31 December 2010, 2011 and 2012 respectively, as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
Capital expenditure		**RM 000**	
Property, plant and equipment	4,330	2,970	4,247
Investment properties	7,134	2,345	65,044
Others	-	171	1,162
Total	**11,464**	**5,486**	**70,453**

For the years ended 31 December 2010 and 2011, our capital expenditure mainly relates to the upgrading and maintenance works of our hotels, as well as acquisition of properties by our insurance business as part of its investment portfolio and acquisition of land for our property related investments. For the year ended 31 December 2012, our capital expenditure mainly relates to the acquisition of 2 parcels of land in Kuala Lumpur by CGSB and 3 parcels of land in Penang by Magnum.Com.

(v) Material divestitures

Save as disclosed below, there have not been any material divestitures undertaken by our Group for the years ended 31 December 2010, 2011 and 2012.

During the year ended 31 December 2012, we disposed of certain parcels of our land in Pengerang, Johor with an aggregate NBV of RM102.7 million pursuant to the compulsory acquisition by the Land Administrator of Kota Tinggi, Johor.

As at the LPD, we do not have any uncompleted material divestitures.

12.2.11 Material commitments

As at the LPD, our Group does not have any material capital commitment.

The following table sets out our non-cancellable operating lease commitment as at 31 December 2012:

	Less than 1 year	1 to 5 years	More than 5 years	Total
	RM 000			
Operating lease commitment	1,467	3,111	-	4,578

12.2.12 Contingent liabilities

As at the LPD, our Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on our results of operations or financial condition.

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12.2.13 Key financial ratios

The following table sets out certain key financial ratios of our Group based on the combined financial statements for the periods indicated.

	Year ended 31 December		
	2010	2011	2012
Insurance trade receivables turnover days[(1)]	55	62	69
Insurance trade payables turnover days[(2)]	59	50	79
Current ratio (times)[(3)]	1.3	2.1	4.2

Notes:

(1) Insurance trade receivables over gross premiums. Insurance trade receivables reflect the outstanding premiums including agents/brokers balance and premiums due from reinsurers/ceding companies and co-insurers.

(2) Insurance trade payables over the sum of premiums ceded to reinsurers and commission expenses. Insurance trade payables reflect the amount due to reinsurers/ceding companies.

(3) Current assets over current liabilities. The increase in current ratio as at 31 December 2012 was largely due to the increase in cash and bank balances and trade and other receivables. The increase in current ratio as at 31 December 2011 was mainly due to higher investment securities and cash and bank balances as well as a reduction of amount due to related companies.

We have not included the computation of the inventory turnover days of our Group and trade receivables and payables turnover days relating to our other investments and credit business as they do not provide a meaningful indication of our Group's performance. This is because our revenue and PBT are primarily contributed by our general insurance operations.

The insurance trade receivables turnover days increased from 55 days for the year ended 31 December 2010 to 69 days in the year ended 31 December 2012, mainly due to the longer credit terms that are usually granted for the non-motor insurance classes. Our normal credit period in relation to our insurance trade receivables generally range from 1 to 90 days.

The ageing analysis for our insurance trade receivables as at 31 December 2012 is as follows:

		Past due not impaired				
	Neither past due nor impaired	1 - 30 days	31 - 60 days	Over 60 days	Impairment	Total
	RM 000					
Insurance trade receivables[(1)]	63,853	13,296	5,271	23,378	3,401	109,199

Note:

(1) Insurance trade receivables include the outstanding premium including agents/brokers balance, and total amounts due from reinsurers/ceding companies and co-insurers.

As at 31 December 2012, 58.5% of our insurance trade receivables were within the credit period. The insurance trade receivables after the credit period was mainly due to additional time required for verification and processing of the insurance policies sold.

The insurance trade payables turnover days increased from 50 days for the year ended 31 December 2011 to 79 days in the year ended 31 December 2012, mainly due to the longer credit terms granted to our agents and brokers for the non-motor insurance classes, as we typically pay our reinsurers only after receipts of payments from our agents and brokers. Our normal credit period in relation to our insurance trade payables generally range from 1 to 60 days.

The ageing analysis for our insurance trade payables as at 31 December 2012 is as follows:

		Past due not impaired				
	Neither past due nor impaired	**1 - 30 days**	**31 - 60 days**	**Over 60 days**	**Impairment**	**Total**
			RM 000			
Insurance trade payables[1]	44,524	10,693	6,842	7,807	-	69,866

Note:

(1) Insurance trade payables reflect the amount due to reinsurers/ceding companies.

As at 31 December 2012, 63.7% of our insurance trade payables were within the credit period. The insurance trade payables after the credit period was mainly due to the additional time required for verification and processing of the premiums to be ceded out.

12.2.14 Financial risk management objectives and policies

We are exposed to certain financial risks that arise in our normal course of business. The objective of our financial risk management is to minimise potential adverse effects on our financial performance. Financial risk management is carried out through risk reviews, internal control systems and adherence to financial risk management policies.

For the years ended 31 December 2010, 2011 and 2012 and as at the LPD, our Group does not have any exposure to or use any financial instruments for hedging purposes. Our management will continue to assess the need for use of any hedging instruments, if necessary, in the future.

Our key financial risks are summarised below.

(i) Insurance risk

Insurance risk refers to the uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to our Group by indemnifying our policy holders 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.

We underwrite various general insurance contracts which are mostly on annual coverage and annual premium basis, with the exception of short term policies such as marine cargo which covers the duration in which the cargo is being transported.

We also underwrite some non-annual policies with coverage period of more than 1 year such as contractor's all risks, bonds and workmen compensation. The majority of the general insurance businesses written by our Group are fire and motor. Other major lines of business include contractor's all risk, workmen compensation, liabilities and PA classes.

We adopt the following measures to manage the insurance risks:

(a) We have in place a claims management and control system to pay claims and control claim wastage or fraud. We also have claims review policies to assess all new and ongoing claims, as well as procedures for claims handling and investigation of possible fraudulent claims which are put in place to reduce our risk exposure. We further enforce a policy of actively managing and promptly pursuing claims, in order to reduce our exposure to unpredictable future developments that can negatively impact our business.

(b) We purchase reinsurance as part of our risks mitigation programme. The objectives for purchasing reinsurance are to provide adequate capacity for our customers while protecting our financial position and optimising our capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. Our placement of reinsurance is diversified such that we are neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract.

(ii) Interest rate risk

Our primary interest rate risk relates to our interest-bearing debts and investments in interest-bearing financial instruments. The investments in financial assets are mainly short term in nature and have been placed in fixed deposits or in short term commercial papers or invested in marketable securities.

For our interest-bearing loans, which are floating rate instruments, we monitor interest rate trends closely, taking into consideration market and economic factors which impact interest rates. For our investments in marketable securities, we have in place investment policies which comprise among others, the requirement to diversify and optimise our investment portfolio and to manage our investment portfolio's exposure to interest rate risks. Our investment committee also meets on a regular basis to review the performance of our investments.

(iii) Market price risk

We are exposed to equity price risk arising from our investment in quoted equity instruments. The quoted equity instruments are listed on Bursa Securities and Singapore Exchange Limited. We are also exposed to risk relating to movement in the price of quoted debt instruments in which we invest. These comprise Malaysian Government securities and private debt securities. Our Group does not have significant exposure to commodity price risk.

We manage and monitor market price risk associated with our investments on a continuous basis. We mitigate our market risk through diversification of our investment portfolio and execution of our investment decisions based on the investment requirements set out in the RBC Framework and our own internal policy. We partially outsource the management of the investments relating to our insurance business to fund managers, who are required to update our investment committee on their performance once every 6 weeks. Further, operations of the internally managed portfolio for our insurance business are carried out by our treasury/investment unit, which reports our portfolio's performance to our investment committee on a weekly basis.

(iv) Liquidity risk

We actively manage our debt maturity profile, operating cash flows and the availability of funding to meet our refinancing, repayment and funding needs. As part of our overall liquidity management, we maintain sufficient levels of cash or cash convertible investments to meet our working capital requirements. We also apportion our investments in marketable securities and other financial investments into different maturity profiles. In addition, we strive to maintain a reasonable level of available banking facilities. As far as possible, we balance our portfolio with some short term funding so as to achieve overall cost effectiveness.

The following policies and procedures are in place to mitigate our exposure to liquidity risk:

(a) A company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk for MPIB. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to MPIB's Strategic Operations Management Committee as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(b) We have set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

(c) Our treaty reinsurance contracts contain clauses permitting us to call our reinsurers for funds to meet claim payment should claim events exceed a specified amount.

(v) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are managed and monitored via strictly limiting our Group's associations to business partners with high creditworthiness.

A credit approval authority limit structure approved by our Board is in place for all lending activities of our Group. Receivables are monitored on an ongoing basis via our Group's management reporting procedures. Exposure to credit risks is also managed in part by obtaining collaterals from debtors.

Our investments in debt securities and deposits with financial institutions also expose us to corporate and other forms of credit risks. We manage and monitor these risks on a continuous basis, through diversification of our investment portfolio and execution of our investment policy.

(vi) Foreign currency exchange risk

We are not significantly exposed to foreign currency risk as our Group's transactions are denominated in RM. Whilst MPIB's investment portfolio contains investments in foreign equity securities, they are not significant as they account for 0.5% to 0.8% of MPIB's total investment portfolio as at 31 December 2010, 2011 and 2012. As our foreign currency risk exposure is not material, we do not carry out any hedging for it.

12.2.15 Inflation

Save for the effects that inflation may have on interest rates and insurance contract liabilities, we do not believe that inflation has a material impact on our business, financial condition or result of operations. However, any increase in inflation beyond levels experienced in the past may affect our operations and performance if we are unable to fully offset higher costs through increases in prices of our products.

12.2.16 Order book

Due to the nature of our businesses, we do not maintain an order book. Please refer to Section 7 of this Prospectus for information on our businesses.

12.2.17 Seasonality

There has been no significant seasonal pattern in our insurance and credit business activities. Nevertheless, we experience a slight increase in revenues in December due to higher insurance renewals which typically coincides with our customer's financial year end.

We also experience an increase in occupancy rates of our hotel, Hotel Flamingo by the beach during festive seasons or public holidays as there is a higher inflow of tourists into Penang during these periods.

12.2.18 Government, economic, fiscal and monetary policies

The relevant risks relating to government, economic, fiscal and monetary policies or factors which may materially affect our Group's operations are set out in Section 5 of this Prospectus.

12.2.19 Prospects

The results of our operations for the year ending 31 December 2013 have been and are expected to continue to be primarily influenced by the following factors, in addition to the factors included in Risk Factors and Significant Factors Affecting Our Financial Condition and Results of Operations in Sections 5 and 12.2.2 of this Prospectus:

(i) our ability to maintain our insurance market share and grow our premiums;

(ii) changes in regulations governing our insurance business;

(iii) the growth of the Malaysian economy and recovery of the global economy;

(iv) debt arising from the Pre-IPO Reorganisation;

(v) realisation of value of our property related investments; and

(vi) the performance of debt and equity markets.

Except as disclosed above and in Risk Factors and Significant Factors Affecting Our Financial Condition and Results of Operations, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations.

Subject to the factors described in this section of the Prospectus, our Directors expect the results of our Group's operations for the financial year ending 31 December 2013 to be satisfactory.

12.3 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.

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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:

n/a *Not applicable.*

(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 on our total interest bearing debt over shareholders' equity.*

12.4 Reporting Accountants' letter on the proforma consolidated statements of financial position

ERNST & YOUNG

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

(Prepared for inclusion in this Prospectus)

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

Dear Sirs

PRO FORMA FINANCIAL INFORMATION
INITIAL PUBLIC OFFERING AND PROPOSED LISTING OF 715,000,000 SHARES OF MPHB CAPITAL BERHAD ("MPHB CAPITAL" OR "THE COMPANY") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

We have completed our assurance engagement to report on the compilation of pro forma financial information of MPHB Capital prepared by the directors of MPHB Capital ("Directors"). The pro forma financial information consists of the pro forma consolidated statements of financial position of MPHB Capital and its subsidiaries ("MPHB Capital Group") as at 31 December 2012 and the related notes as set out in Appendix I of Section 12.4 of the Prospectus issued by the Company.

The pro forma financial information is compiled by the Directors based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission and the basis described in the notes in Appendix I of Section 12.4 of the Prospectus issued by the Company. The pro forma consolidated statements of financial position of MPHB Capital Group have been compiled by the Directors to illustrate the impact of the following proposals on the Company's financial position as at 31 December 2012:

a) the acquisitions by MPHB Capital of the shares held by its holding company, Multi-Purpose Holdings Berhad ("MPHB"), in the subsidiaries (as listed in Note 3 (a) to the pro forma consolidated statements of financial position) for a total consideration of RM905,363,998 of which RM714,999,998 is to be satisfied by the issuance of 714,999,998 new ordinary shares of RM1.00 each in MPHB Capital ("MPHB Capital Shares") at the issue price of RM1.00 per share and cash payment of RM190,364,000,

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of which RM77,574,000 is set off against the amount due from MPHB ("Pre-IPO Reorganisation");

b) the proposed renounceable offer for sale by MPHB of all its 715,000,000 MPHB Capital Shares representing 100% equity interest in MPHB Capital, to the shareholders of MPHB on the basis of one MPHB Capital share of RM1.00 each for every two ordinary shares of RM1.00 each in MPHB held on an entitlement date to be determined later ("Proposed Offer for Sale"); and

c) the proposed listing of MPHB Capital on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing")

(collectively referred to as the "Proposals").

As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements for the year ended 31 December 2012, on which audit reports have been published.

The Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission and the basis described in the notes in Appendix I of Section 12.4 of the Prospectus issued by the Company.

Our responsibilities

Our responsibility is to express an opinion as required by the Securities Commission, about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(i) the pro forma financial information of MPHB Capital as at 31 December 2012, which has been prepared by the Directors, has been properly prepared on the basis of the notes set out in Appendix I of Section 12.4 of the Prospectus using financial statements prepared in accordance with Malaysian Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by MPHB Capital; and

(ii) each material adjustment made to the information used in the preparation of the pro forma financial information is appropriate for the purposes of preparing the pro forma financial information.

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Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines issued by the Securities Commission in connection with the Proposed Listing. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Listing.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants
15 May 2013

Low Khung Leong
No. 2697/01/15(J)
Chartered Accountant

MPHB Capital Berhad **Appendix I**

Pro Forma Consolidated Statements Of Financial Position as at 31 December 2012

The pro forma consolidated statements of financial position of MPHB Capital Group as at 31 December 2012 as set out below have been prepared for illustrative purposes only and to show the effects of the events and transactions referred to in the notes to the pro forma consolidated statements of financial position.

	Note	Audited as at 31 December 2012* RM'000	Unaudited Pro forma I After Pre-IPO Reorganisation RM'000	Unaudited Pro forma II After Pro forma I, Proposed Offer for Sale and Proposed Listing 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 the Company				
Share capital	4	**	715,000	715,000
Share premium	4	-	281,330	281,330
Capital reserves		-	41,903	41,903
Available-for-sale reserves		-	12,126	12,126
Merger deficit	4	-	(225,928)	(225,928)
(Loss for the period)/retained earnings	4	(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

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Chartered Accountants, Kuala Lumpur
For identification purposes only

MPHB Capital Berhad Appendix I

Pro Forma Consolidated Statements Of Financial Position as at 31 December 2012 (Cont'd.)

	Audited as at 31 December 2012* RM'000	Unaudited Pro forma I After Pre-IPO Reorganisation RM'000	Unaudited Pro forma II After Pro forma I, Proposed Offer for Sale and Proposed Listing RM'000
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 Multi-Purpose Holdings Berhad ***	-	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 ordinary shares ('000)	**	715,000	715,000
Net assets per ordinary share (RM)	(84,000.00)	1.45	1.44

* Company level.

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

*** This is presented after the set off of RM77,574,000 due from MPHB and is assumed to be repaid within 12 months.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

MPHB Capital Berhad — Appendix I

Notes to the Proforma Consolidated Statements Of Financial Position as at 31 December 2012

1. Introduction

MPHB Capital Berhad ("MPHB Capital" or "the Company") was incorporated on 17th July 2012 with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each with an issued and paid up share capital of 2 subscribers' shares of RM1.00 each. On 30th July 2012, MPHB Capital increased its authorised share capital from RM100,000 to RM1,000,000,000 by the creation of 999,900,000 new ordinary shares of RM1.00 each.

2. **Basis of preparation**

The pro forma consolidated statements of financial position of MPHB Capital as at 31 December 2012 have been prepared for illustrative purposes only, to show the effects of the following proposals had these proposals been completed on that date:

(a) the acquisitions by MPHB Capital of the shares held by its holding company, Multi-Purpose Holdings Berhad ("MPHB"), in the Subsidiaries (as listed in Note 3 (a) to the pro forma consolidated statements of financial position) for a total consideration of RM905,363,998 of which RM714,999,998 is to be satisfied by the issuance of 714,999,998 new ordinary shares of RM1.00 each in MPHB Capital ("MPHB Capital Shares") at the issue price of RM1.00 per share and a cash payment of RM190,364,000, of which RM77,574,000 is to be set off against the amount due from MPHB ("Pre-IPO Reorganisation");

(b) the proposed renounceable offer for sale by MPHB of all its 715,000,000 MPHB Capital Shares representing 100% equity interest in MPHB Capital, to the shareholders of MPHB on the basis of one MPHB Capital share of RM1.00 each for every two ordinary shares of RM1.00 each in MPHB held on an entitlement date to be determined later ("Proposed Offer for Sale"); and

(c) the proposed listing of MPHB Capital on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing")

(collectively known as the "Proposals").

The pro forma consolidated statements of financial position, for which the Board of Directors of MPHB Capital is solely responsible, have been properly compiled using the audited statements of financial position of the Subsidiaries, which were prepared using accounting policies that are in accordance with Malaysian Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of MPHB Capital.

2. Basis of preparation (cont'd.)

The pro forma consolidated statements of financial position, because of their nature, may not be reflective of the actual financial position of MPHB Capital. Furthermore, such information does not purport to predict the future consolidated statements of financial position of the Group.

The pro forma consolidated statements of financial position are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

3. Pre-IPO Reorganisation and Proposed Listing

(a) Pre-IPO Reorganisation

On 29 March 2013, MPHB Capital completed the acquisition of shares held by MPHB in the Subsidiaries for a total consideration of RM905,363,998 of which RM714,999,998 is to be satisfied by the issuance of 714,999,998 new MPHB Capital Shares at the issue price of RM1.00 per share and a cash payment of RM190,364,000, of which RM77,574,000 is to be set off against the amount due from MPHB to MPHB Capital which arise from debt novation agreements between MPHB and MPHB Capital and three other identified subsidiaries whereby MPHB Capital agrees to assume from MPHB, debts amounting to RM37,538,000, RM534,000 and RM39,502,000 owing by MPHB to Multi-Purpose Capital Holdings Berhad, Kelana Megah Development Sdn Bhd and Mimaland Berhad as at 29 March 2013 respectively. For the purpose of this pro forma, it is assumed that the Pre-IPO Reorganisation was completed on 31 December 2012.

The list of Subsidiaries and their relevant details are as follows:

Acquiree	Interest Acquired	Amount due to MPHB	No. of ordinary shares issued	Total purchase consideration
	%	RM'000	'000	RM'000
1. Syarikat Perniagaan Selangor Sdn Bhd	100.00	75,746	-	75,746
2. Jayavest Sdn Bhd	100.00	35,118	-	35,118
3. Multi-Purpose Shipping Corporation Berhad	100.00	1,926	-	1,926
4. Queensway Nominees (Tempatan) Sdn Bhd	70.00	-	*	**
5. West-Jaya Sdn Bhd	70.00	-	*	**
6. Caribbean Gateway Sdn Bhd	100.00	-	*	**
7. Tibanis Sdn Bhd	100.00	-	91,612	91,612
8. Magnum.Com Sdn Bhd	100.00	-	30,036	30,036
9. Mimaland Berhad	98.20	39,502	55,209	94,711

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3. Pre-IPO Reorganisation and Proposed Listing (cont'd.)

(a) Pre-IPO Reorganisation (cont'd.)

Acquiree	Interest Acquired	Amount due to MPHB	No. of ordinary shares issued	Total purchase consideration
	%	RM'000	'000	RM'000
10. Magnum Leisure Sdn Bhd	100.00	-	40,874	40,874
11. Queensway Nominees (Asing) Sdn Bhd	70.00	-	*	**
12. Leisure Dotcom Sdn Bhd	70.00	-	*	**
13. Kelana Megah Development Sdn Bhd	100.00	534	141,976	142,510
14. Multi-Purpose Capital Holdings Berhad	100.00	37,538	355,293	392,831
		190,364	715,000	905,364

* Denotes 2 ordinary shares
** Denotes RM2.00

(b) Proposed Listing

Upon completion of the Proposed Offer for Sale exercise, the Company will seek the listing of its entire issued and paid-up share capital comprising 715,000,000 ordinary shares of RM1.00 each on the Main Market of Bursa Malaysia Securities Berhad.

The expenses to be borne by the Company are estimated to be RM2.1 million, which comprise RM0.7 million stamp duty charges in relation to the Pre-IPO Reorganisation and listing expenses of RM1.4 million. MPHB will be bearing its own expenses comprising professional fees, underwriting fees, real property gains tax and miscellaneous expenses in respect of the Pre-IPO Reorganisation and the Proposed Offer for Sale estimated at a total amount of RM18.5 million.

4. **Effects on the pro forma consolidated statements of financial position as at 31 December 2012**

Pro forma I - Effects of Pre-IPO Reorganisation

Pro forma I has been presented to include the effects of the Pre-IPO Reorganisation as detailed in Note 3(a).

4. Effects on the pro forma consolidated statements of financial position as at 31 December 2012 (cont'd.)

Pro forma I - Effects of Pre-IPO Reorganisation (cont'd.)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method as allowed by MFRS 3 Business Combinations. The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. Any difference between the consideration paid and the share capital of the "acquired" entities is reflected within equity as merger reserve or deficit.

If a transaction is not a business combination because the entity or assets being acquired do not meet the definition of a business, it is accounted for as an acquisition of assets. The cost of acquisition of assets shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. For the purpose of this pro forma, it is assumed that the fair values of the investment properties acquired as at 31 December 2012 are the same as the valuation reports obtained on these investment properties dated 28 February 2013.

Upon the transition to MFRS, MPHB Capital Group had elected to adopt the cost model and had redefined the fair value of certain of its investment properties at the date of transition to MFRS as its deemed cost. The carrying amount of these investment properties as at 1 January 2011 increased from RM463.3 million to RM691.6 million, an increase of RM228.3 million. The carrying amount of the investment properties further increased to RM774.7 million to account for those acquisitions that do not meet the definition of a business, as mentioned in the preceding paragraph.

4. Effects on the pro forma consolidated statements of financial position as at 31 December 2012 (cont'd.)

Pro forma I - Effects of Pre-IPO Reorganisation (cont'd.)

(a) Share capital and share premium

Details of the movements in share capital and share premium accounts upon the implementation of Pre-IPO Reorganisation are as follows:

	Share capital RM'000	Share premium RM'000	Total RM'000
On incorporation of the Company	*	-	*
Issuance of new ordinary shares for acquisition of businesses accounted for under the pooling of interest method	538,145	146,310	684,455
Issuance of new ordinary shares for acquisition of entities accounted for as acquisition of assets	176,855	135,020	311,875
Pro forma I and II balance	715,000	281,330	996,330

* Representing 2 ordinary shares of RM1.00 each.

4. Effects on the pro forma consolidated statements of financial position as at 31 December 2012 (cont'd.)

Pro forma I - Effects of Pre-IPO Reorganisation (cont'd.)

(b) Merger deficit

Details of the merger deficit upon the implementation of Pre-IPO reorganisation are as follows:

	RM'000
Fair value of consideration paid for acquisition of businesses accounted for under the pooling of interest method ^	798,273
less: share equity of businesses acquired	(520,648)
less: pre-acquisition reserves of businesses acquired	(51,697)
Merger deficit	225,928

^ Being fair value of the consideration paid for the acquisition of businesses at the date of completion of the Pre-IPO Reorganisation. For the purpose of this pro forma, the net assets of the businesses at 31 December 2012 are assumed to be the fair value of consideration paid.

(c) Retained earnings

Details of the movements in the retained earnings account upon the implementation of Pre-IPO Reorganisation are as follows:

	Total RM'000
Company's loss for the period	(168)
add: acquisition of Subsidiaries	210,469
less: stamp duty charges	(700)
Pro forma I balance	209,601
less: estimated listing expenses	(1,400)
Pro forma II balance	208,201

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4. Effects on the pro forma consolidated statements of financial position as at 31 December 2012 (cont'd.)

Pro forma II - Effects of the Proposed Listing

Pro forma II has been presented to include the effects of the Pre-IPO Reorganisation in Pro forma I and the Proposed Listing as detailed in Note 3(b) and the estimated listing expenses to be borne by the Company of RM1.4 million, which will be charged to income statement.

The Proposed Offer for Sale does not have financial impact on the pro forma consolidated statements of financial position of MPHB Capital Group as at 31 December 2012.

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12.5 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.

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(Prepared for inclusion in this Prospectus to be dated 29 May 2013)

The Board of Directors
MPHB Capital Berhad
39th Floor, Menara Multi-Purpose,
Capital Square,
NO. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur

15 May 2013

Dear Sirs,

MPHB CAPITAL BERHAD
ACCOUNTANTS' REPORT

1.0 Introduction

This Report has been prepared by Messrs Ernst & Young, as an approved company auditor, for inclusion in the Prospectus of MPHB Capital Berhad in connection with the initial public offering and listing of MPHB Capital Berhad on the Main Market of Bursa Malaysia Securities Berhad (hereinafter referred to as "the Prospectus") and should not be relied upon for any other purposes.

2.0 Abbreviations

Unless the context otherwise requires or the term is defined otherwise, the following abbreviations terms shall bear the same meaning as set out below:

BNM	Bank Negara Malaysia
Bursa Securities	Bursa Malaysia Securities Berhad
EY	Messrs Ernst & Young
FRS	Financial Reporting Standards in Malaysia
FYE	Financial year ended
IC Interpretations	Issues Committee Interpretations
IPO	Initial Public Offering
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MPHB	Multi-Purpose Holdings Berhad
MPHB Capital/Company	MPHB Capital Berhad

2.0 Abbreviations (cont'd.)

Unless the context otherwise requires or the term is defined otherwise, the following abbreviations terms shall bear the same meaning as set out below (cont'd.):

MPHB Capital Berhad/Group	Collectively, MPHB Capital Berhad and the Identified Subsidiaries
MPHB Capital Shares	Ordinary shares of RM1.00 each in the Company
NCI	Non-controlling interests
RBC	Risk-Based Capital Framework
Report	Accountants' Report
RM	Ringgit Malaysia, the lawful currency of Malaysia
SC	Securities Commission Malaysia
Identified Subsidiaries	Subsidiary companies of MPHB Capital Berhad: Multi-Purpose Capital Holdings Berhad Multi-Purpose Shipping Corporation Berhad West-Jaya Sdn. Bhd. Queensway Nominees (Tempatan) Sdn. Bhd. Queensway Nominees (Asing) Sdn. Bhd. Caribbean Gateway Sdn. Bhd. Jayavest Sdn. Bhd. Leisure Dotcom Sdn. Bhd. Magnum.Com Sdn. Bhd. Magnum Leisure Sdn. Bhd. Mimaland Berhad Syarikat Perniagaan Selangor Sdn. Bhd. Tibanis Sdn. Bhd. Kelana Megah Development Sdn. Bhd. Subsidiary companies of Multi-Purpose Capital Holdings Berhad Multi-Purpose Credit Holdings Sdn. Bhd. Multi-Purpose Insurans Bhd Subsidiary companies of Multi-Purpose Credit Holdings Sdn. Bhd. Multi-Purpose Credit Sdn. Bhd. MP Factors Sdn. Bhd. Multi-Purpose Credit Nominees (Tempatan) Sdn. Bhd. Multi-Purpose Venture Partners Sdn. Bhd.

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2.0 Abbreviations (cont'd.)

Unless the context otherwise requires or the term is defined otherwise, the following abbreviations terms shall bear the same meaning as set out below (cont'd.):

Identified Subsidiaries (cont'd.)	Subsidiary companies of Multi-Purpose Shipping Corporation Berhad Mulpha Kluang Maritime Carriers Sdn. Bhd. Multi-Purpose Development (PG) Sdn. Bhd.
	Subsidiary company of Syarikat Perniagaan Selangor Sdn. Bhd. Flamingo Management Sdn. Bhd.
	Associate of Multi-Purpose Capital Holdings Berhad Tune Insurance (Labuan) Ltd.

3.0 Pre-IPO Reorganisation and IPO

(a) Pre-IPO Reorganisation

MPHB Capital completed the acquisition of shares held by MPHB in the Identified Subsidiaries for a total consideration of RM905,363,998 of which RM714,999,998 was satisfied by the issuance of 714,999,998 new ordinary shares of RM1.00 each in MPHB Capital at the issue price of RM1.00 per share and the remaining RM190,364,000 was satisfied by cash, of which RM77,574,000 was set off against the amounts due from MPHB.

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

(b) IPO

The IPO comprises the proposed renounceable offer for sale by MPHB of all its 715,000,000 MPHB Capital shares representing 100% equity interest in MPHB Capital, to the shareholders of MPHB on the basis of one MPHB Capital Share of RM1.00 each for every two ordinary shares of RM1.00 each in MPHB held on the entitlement date for the offer for sale ("Proposed Offer for Sale").

Upon completion of the Proposed Offer for Sale exercise, the Company will seek the listing of its entire issued and paid-up share capital comprising 715,000,000 ordinary shares of RM1.00 each on the Main Market of Bursa Securities.

The expenses to be borne by the Company are estimated to be RM2.1 million, which comprise RM0.7 million stamp duty charges in relation to the Pre-IPO Reorganisation and listing expenses of RM1.4 million. MPHB will be bearing its own expenses comprising professional fees, underwriting fees, real property gains tax and miscellaneous expenses in respect of the Pre-IPO Reorganisation and the Proposed Offer for Sale estimated at a total amount of RM18.5 million.

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4.0 Content of this report

This Report includes the following section:-

Section	Content
I MPHB Capital	Background information of MPHB Capital.
II Identified Subsidiaries	Audited combined financial statements of the Identified Subsidiaries for the FYE 31 December 2010 and 2011; Audited combined financial statement of the Group for the FYE 31 December 2012.

This Report has been prepared based on the audited combined financial statements of the Group, which were drawn up so as to give a true and fair view of the financial position of the Group and of their financial performance and cash flows for the years then ended and reported by us without qualification.

The audited combined financial statements for the FYE 31 December 2010, 2011 and 2012 have been carved-out from the historical consolidated financial statements of MPHB for the financial years then ended, in which the consolidated financial statements of MPHB have been prepared in accordance with FRS for FYE 31 December 2010 and MFRS for FYE 31 December 2011 and 2012.

These audited combined financial statements do not incorporate the effects of the Pre-IPO Reorganisation and IPO. Therefore, they may not correspond to the consolidated financial statements of the Group after incorporating the Pre-IPO Reorganisation and IPO.

In the financial years presented, the Group had not operated as an independent stand-alone entity. The audited combined financial statements, therefore, do not reflect what the financial positions, results of operations and cash flows of the Group would have been had the Group operated as a separate, stand-alone entity during the financial years presented or in the future.

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SECTION I
MPHB CAPITAL BERHAD

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I MPHB Capital Berhad

1.0 Background information

MPHB Capital was incorporated as a private limited company in Malaysia, in accordance with the Companies Act, 1965 on 17 July 2012 under the name of MPHB Capital Sdn. Bhd. It was converted into a public limited liability company and assumed its present name on 23 July 2012. The principal activity of the Company is that of investment holding, while the principal activities of Identified Subsidiaries are set out in Note 1.1 of Section II of this Report.

1.1 Share capital

As at the date of this Report, the authorised and issued and paid-up share capital of MPHB Capital since its incorporation are as follows:

a) Authorised

Date of creation	Par value RM	Number of ordinary shares	Cumulative authorised share capital RM
17th July 2012	1	100,000	100,000
30th July 2012	1	1,000,000,000	1,000,000,000

b) Issued and paid-up

Date of allotment	Par value RM	Number of ordinary shares	Consideration	Cumulative issued and paid-up share capital RM
17th July 2012	1	2	2	2
29th March 2013	1	714,999,998	714,999,998	715,000,000

1.2 Dividend

The Company has not paid or declared any dividend since the date of its incorporation.

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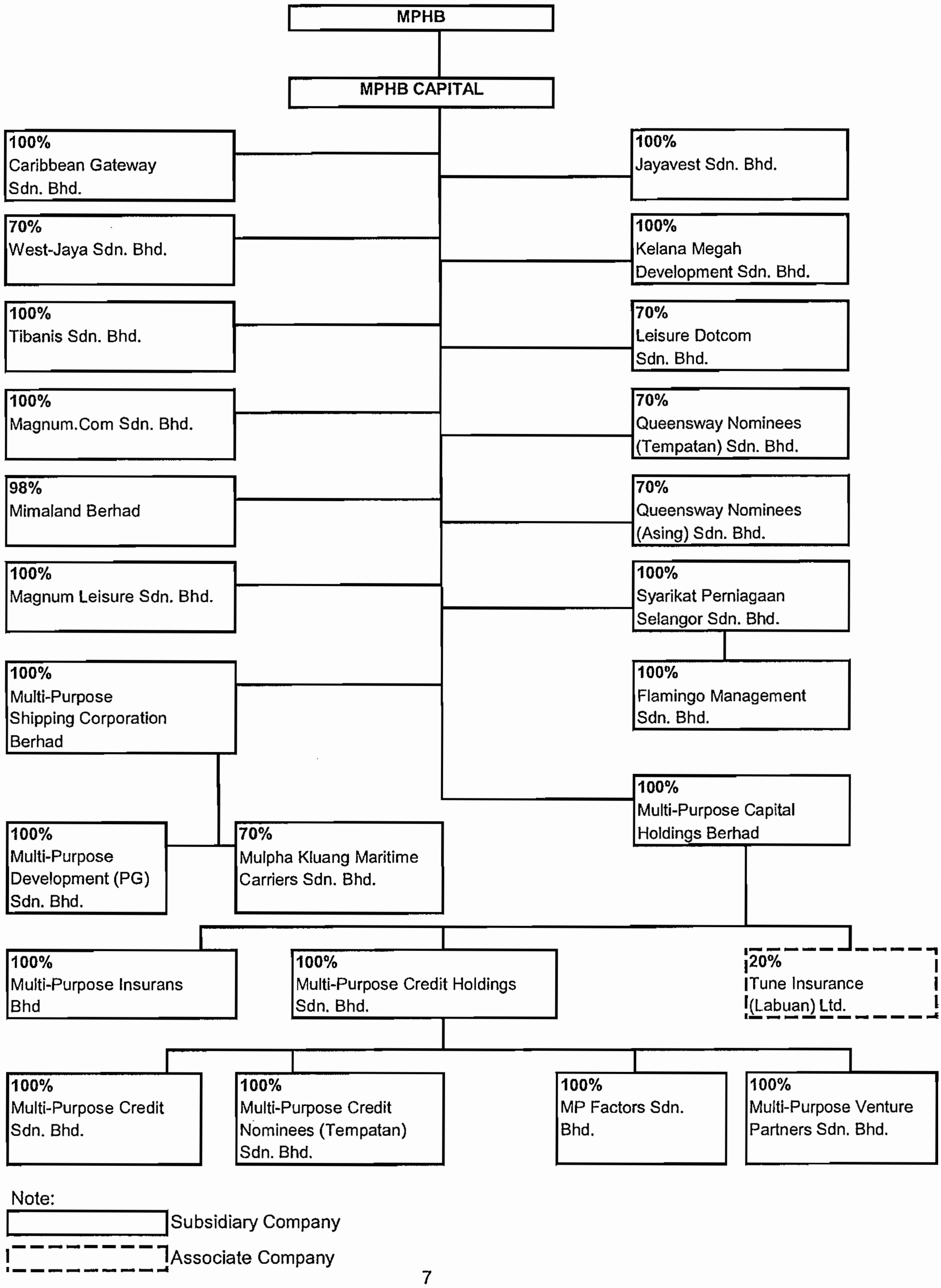
I MPHB Capital Berhad (cont'd.)

1.3 Group structure after the Pre-IPO Reorganisation



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SECTION II
IDENTIFIED SUBSIDIARIES

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II Identified Subsidiaries

1.0 Corporate information

1.1 Background information and principal activities

The Identified Subsidiaries as at the date of this Report, all of which are incorporated in Malaysia, and their principal activities are as follows:

	Date of incorporation	Principal activities	Issued and paid-up share capital RM	Proportion of ownership interest %
Direct subsidiary companies of the Company				
Multi-Purpose Capital Holdings Berhad	9 April 1982	Investment holding	Ordinary: 220,000,000	100
Multi-Purpose Shipping Corporation Berhad	8 March 1982	Investment holding and property investment	Ordinary: 38,877,242	100
West-Jaya Sdn. Bhd.	20 January 1972	Investment holding and property investment	Ordinary: 200,000	70
Queensway Nominees (Tempatan) Sdn. Bhd.	13 May 1982	Property investment	Ordinary: 4,000	70
Queensway Nominees (Asing) Sdn. Bhd.	17 November 1995	Property investment	Ordinary: 10	70
Caribbean Gateway Sdn. Bhd.	21 November 2007	Investment holding	Ordinary: 20	100
Jayavest Sdn. Bhd.	25 March 1981	Investment holding	Ordinary: 50,000	100
Leisure Dotcom Sdn. Bhd.	25 April 2000	Property investment	Ordinary: 100,000	70
Magnum.Com Sdn. Bhd.	19 March 1997	Property investment	Ordinary: 34,296,002	100

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II Identified Subsidiaries (cont'd.)

1.0 Corporate information (cont'd.)

1.1 Background information and principal activities (cont'd.)

	Date of incorporation	Principal activities	Issued and paid-up share capital RM	Proportion of ownership interest %
Direct subsidiary companies of the Company (cont'd.)				
Magnum Leisure Sdn. Bhd.	27 January 1997	Operation of a hotel	Ordinary: 48,100,000	100
Mimaland Berhad	3 December 1971	Property investment	Ordinary: 48,750,000	98
Syarikat Perniagaan Selangor Sdn. Bhd.	20 March 1972	Property investment and management and operation of hotel	Ordinary: 47,936,000	100
Tibanis Sdn. Bhd.	2 January 2004	Property investment	Ordinary: 35,147,002 Preference: 5	100
Kelana Megah Development Sdn. Bhd.	22 May 1991	Plantation and property holding	Ordinary: 111,612,000 Preference: 930,000	100
Subsidiary companies of Multi-Purpose Capital Holdings Berhad				
Multi-Purpose Credit Holdings Sdn. Bhd.	28 June 1995	Investment holding	Ordinary: 15,000,002	100
Multi-Purpose Insurans Bhd	28 May 1973	General insurance	Ordinary: 100,000,000	100

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II Identified Subsidiaries (cont'd.)

1.0 Corporate information (cont'd.)

1.1 Background information and principal activities (cont'd.)

	Date of incorporation	Principal activities	Issued and paid-up share capital RM	Proportion of ownership interest %
Subsidiary companies of Multi-Purpose Credit Holdings Sdn. Bhd.				
Multi-Purpose Credit Sdn. Bhd.	21 November 1978	Credit and leasing business, hire purchases and general loan & financing	Ordinary: 15,000,000	100
MP Factors Sdn. Bhd.	3 May 1995	Business of factoring and property investment	Ordinary: 34,600,000	100
Multi-Purpose Credit Nominees (Tempatan) Sdn. Bhd.	17 August 1994	Nominees services	Ordinary: 2	100
Multi-Purpose Venture Partners Sdn. Bhd.	14 September 1994	Dormant	Ordinary: 2	100
Subsidiary companies of Multi-Purpose Shipping Corporation Berhad				
Mulpha Kluang Maritime Carriers Sdn. Bhd.	3 June 1983	Property investment	Ordinary: 25,000	70
Multi-Purpose Development (PG) Sdn. Bhd.	15 April 1977	Property development	Ordinary: 1,154,506	100
Subsidiary company of Syarikat Perniagaan Selangor Sdn. Bhd.				
Flamingo Management Sdn. Bhd.	11 December 1993	Hotel management	Ordinary: 100,000	100

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II Identified Subsidiaries (cont'd.)

1.0 Corporate information (cont'd.)

1.1 Background information and principal activities (cont'd.)

	Date of incorporation	Principal activities	Issued and paid-up share capital RM	Proportion of ownership interest %
Associate of Multi-Purpose Capital Holdings Berhad				
Tune Insurance (Labuan) Ltd.	27 March 2009	Reinsurance	Ordinary: 143,000 (USD 1 per share)	20

1.2 Pre-IPO Reorganisation and IPO

(a) Pre-IPO Reorganisation

MPHB Capital completed the acquisition of shares held by MPHB in the Identified Subsidiaries for a total consideration of RM905,363,998 of which RM714,999,998 was satisfied by the issuance of 714,999,998 new ordinary shares of RM1.00 each in MPHB Capital at the issue price of RM1.00 per share and the remaining RM190,364,000 was satisfied by cash, of which RM77,574,000 was set off against the amounts due from MPHB.

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

(b) IPO

The IPO comprises the proposed renounceable offer for sale by MPHB of all its 715,000,000 MPHB Capital shares representing 100% equity interest in MPHB Capital, to the shareholders of MPHB on the basis of one MPHB Capital Share of RM1.00 each for every two ordinary shares of RM1.00 each in MPHB held on the entitlement date for the offer for sale.

Upon completion of the Proposed Offer for Sale exercise, the Company will seek the listing of its entire issued and paid-up share capital comprising 715,000,000 ordinary shares of RM1.00 each on the Main Market of Bursa Malaysia Securities.

The expenses to be borne by the Company are estimated to be RM2.1 million, which comprise RM0.7 million stamp duty charges in relation to the Pre-IPO Reorganisation and listing expenses of RM1.4 million. MPHB will be bearing its own expenses comprising professional fees, underwriting fees, real property gains tax and miscellaneous expenses in respect of the Pre-IPO Reorganisation and the Proposed Offer for Sale estimated at a total amount of RM18.5 million.

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II Identified Subsidiaries (cont'd.)

2.0 Auditors and audited financial statements

2.1 Auditors

We are the auditors for the Group for the three FYE 31 December 2010, 2011 and 2012 except for the following entity for which we were only appointed as statutory auditors for FYE 31 December 2012:

Company	Proportion of ownership interest	Auditors
Tune Insurance (Labuan) Ltd.	20%	Horwarth TH Liew Tong

The auditors' report of all audited financial statements for the respective financial years under review were not subject to any qualification or modification except as disclosed below:

Audited financial statements for Leisure Dotcom Sdn. Bhd. ("LDSB") for FYE 31 December 2010 and 2011 contained emphasis of matter whereby the auditors highlighted the uncertainties over the recovery of deposits, stamp duties and brokerage fees paid by LDSB to purchase a piece of freehold land amounting to RM10,133,000 which was subject to the outcome of a lawsuit. In this connection, LDSB filed claim against the vendor for the failure to complete the sale and purchase agreement. Consequently, the recoverability of the amount paid was dependent on the outcome of the lawsuit. As the ultimate outcome of the lawsuit cannot be determined then, no provision in respect of the deposits and other expenses paid were made in these financial years.

The amount was fully provided in the FYE 31 December 2012 pursuant to the outcome of the material litigation as disclosed in Note 5.25.

2.2 Basis of preparation of historical financial information

The historical financial information presented in this Report has been prepared from the audited combined financial statements of the Group, which comprise the combined statements of financial positions as at 31 December 2010, 2011 and 2012, and the combined statements of comprehensive income, statements of changes in equity and statements of cash flows for the FYE 31 December 2010, 2011 and 2012, which we have audited and on which we expressed an audit opinion and reported to the Directors of the Company that these combined financial statements give a true and fair view of the combined financial position as at 31 December 2010, 2011 and 2012 and of the combined financial performance and cash flows for the FYE 31 December 2010 in accordance with FRS and FYE 31 December 2011 and 2012 in accordance with MFRS.

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II Identified Subsidiaries (cont'd.)

2.0 Auditors and audited financial statements (cont'd.)

2.2 Basis of preparation of historical financial information (cont'd.)

The audited combined financial statements are the responsibility of the Directors of MPHB Capital. The audited combined financial statements have been prepared solely in connection with the proposed listing of the shares of MPHB Capital on the Main Market of Bursa Securities and for no other purpose.

The audited combined financial statements have been carved-out from the consolidated financial statements of MPHB, in which the consolidated financial statements of MPHB have been prepared in accordance with FRS for FYE 31 December 2010 and MFRS for FYE 31 December 2011 and 2012. The audited combined financial statements of the Group have been prepared as if the Group have operated as a single economic entity throughout the FYE 31 December 2010, 2011 and 2012, and have been prepared from the books and records maintained by each entity. The financial information as presented in the audited combined financial statements may not correspond to the consolidated financial statements of the Group after incorporating the Pre-IPO Reorganisation and IPO. Further, such financial information from the audited combined financial statements does not purport to predict the Group's financial position, results and cash flows.

The audited combined financial statements do, not therefore necessarily correspond to the results that would have occurred if the Group had been a separate stand-alone entity during the FYE 31 December 2010, 2011 and 2012, or their future results.

No audited combined financial statements of the Group have been prepared in respect of any period subsequent to 31 December 2012.

The historical combined financial statements of the Group for FYE 31 December 2010, 2011 and 2012 are set out respectively in Note 5 of Section II of this Report.

2.3 Use of estimates for audited combined financial information

The preparation of audited combined financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant accounting estimates and judgements are as disclosed in Note 4.4 of Section II of this Report.

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II Identified Subsidiaries (cont'd.)

3.0 Dividends

Dividends paid in respect of the audited combined financial statements for the relevant FYE 31 December 2010, 2011 and 2012 are as set out below:

		RM'000
(i)	FYE 31 December 2010	
	The Identified Subsidiaries had not paid or declared any dividend for the FYE 31 December 2010.	
(ii)	FYE 31 December 2011	
	<u>**Multi-Purpose Capital Holdings Berhad**</u>	
	Single tier dividend of 12.9 sen per share on 220,000,000 ordinary shares paid on 18 May 2011	28,380
	<u>**Syarikat Perniagaan Selangor Sdn. Bhd.**</u>	
	1st Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 28 April 2011	750
	2nd Interim dividend of 25 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 30 May 2011	375
	3rd Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 10 June 2011	750
	4th Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 28 July 2011	750
	5th Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 25 August 2011	750
	6th Interim dividend of 60 sen per share less income tax at at 25% on 2,000,000 ordinary shares paid on 20 October 2011	900
		4,275
	<u>**Jayavest Sdn. Bhd.**</u>	
	1st Interim dividend of 5500 sen per share less income tax at 25% on 50,000 ordinary shares paid on 31 May 2011	2,063
	2nd Interim dividend of 2034 sen per share less income tax at 25% on 50,000 ordinary shares paid on 3 October 2011	762
		2,825

II Identified Subsidiaries (cont'd.)

3.0 Dividends (cont'd.)

		RM'000
(ii)	FYE 31 December 2011 (cont'd)	
	Kelana Megah Development Sdn. Bhd.	
	Interim tax exempt dividend of 1 sen per share on 930,000 Class "A" Redeemable Cumulative Preference Shares ("RCPS") paid on 11 January 2012	10
	Interim dividend of 0.066 sen per share less income tax at 25% on 111,612,000 ordinary shares paid on 11 January 2012	55
	Single tier dividend of 0.79 sen per share on 111,612,000 ordinary shares paid on 11 January 2012	882
		947
	Total dividends paid in respect of FYE 31 December 2011	36,427
(iii)	FYE 31 December 2012	
	Multi-Purpose Capital Holdings Berhad	
	Single tier dividend of 5.8 sen per share on 220,000,000 ordinary shares paid on 29 June 2012	12,760
	Syarikat Perniagaan Selangor Sdn. Bhd.	
	1st Interim dividend of 60 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 30 March 2012	900
	2nd Interim dividend of 130 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 6 April 2012	1,950
	3rd Interim dividend of 75 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 27 April 2012	1,125
	4th Interim dividend of 10 sen per share less income tax at 25% on 47,936,000 ordinary shares paid on 12 July 2012	3,595
		7,570
	Total dividends paid in respect of FYE 31 December 2012	20,330

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies

4.1 Basis of preparation

No audited combined financial statements are presented for the period prior to 1 January 2010.

The audited combined financial statements have been prepared in accordance with:

a) FRS for FYE 31 December 2010; and
b) MFRS for FYE 31 December 2011 and 2012.

The audited combined financial statements of the Group have been prepared on a historical cost basis, except for those financial instruments which have been measured at their fair values and insurance liabilities which have been measured in accordance with the valuation methods specified in the RBC for insurers issued by BNM.

The audited combined financial statements are presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The audited combined financial statements for the FYE 31 December 2010, 2011 and 2012 were authorised for issue by the Board of Directors of MPHB Capital in accordance with a resolution of the directors.

4.2 Changes in accounting policies

a) FRS Financial Statements

The accounting policies have been consistently applied by the Group for the FYE 31 December 2010, except for the changes in accounting policies discussed below:

i) New and amended FRS and IC Interpretations effective for the annual period beginning on or after 1 January 2010:

FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

Amendments to FRSs "Improvements to FRSs (2009)"
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Adoption of the above standards and interpretations did not have any effect on the audited combined financial statements except for those discussed below:

FRS 7 Financial Instruments: Disclosure

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It required the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. The new disclosures are included throughout the Group's audited combined financial statements for the FYE 31 December 2010 onwards.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial information. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial information.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group.

FRS 4 Insurance Contracts

On adoption of FRS 4, expanded disclosures are required and reclassification of certain items in the statement of financial position (including comparatives) previously reported on net basis to gross basis is required.

BNM had in July 2010 issued Guidelines on Financial Reporting for Insurers in order to bring financial reporting for insurers in line with the requirements of FRS issued by MASB. For the purpose of complying with paragraph 58 of FRS 139 and paragraph 20(a) of FRS 4, objective evidence of impairment is deemed to exist where the principal or interest/profit or both for loans/receivables that are individually assessed for impairment, is past due for more than 90 days or 3 months. Previously, BNM required insurers to make full provision for outstanding premiums including agents, brokers and reinsurers balances in arrears for more than 30 days for motor class and 6 months for other classes of insurance from the date on which they become receivable.

The following are effects to the audited combined statements of financial positions as at 31 December 2010 arising from the above change in accounting policy:

	2010 **RM'000**
Increase/(decrease) in:	
Non-current assets	
Reinsurance assets	352,148
Non-current liabilities	
Reserves for unexpired risks	(94,951)
Insurance contract liabilities	619,948
Current liabilities	
Provisions for liabilities	(172,849)

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if titles are not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use were classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 had resulted in certain unexpired land leases to be reclassified as finance leases. The Group had applied this change in accounting policy retrospectively and certain comparatives have been restated.

The following are effects to the audited combined statements of the financial positions as at 31 December 2010 arising from the above change in accounting policy:

	2010 RM'000
Increase/(decrease) in:	
Property, plant and equipment	3,571
Prepaid lease payments	(3,571)

	As previously stated RM'000	**Adjustments RM'000**	**As restated RM'000**
Audited combined financial statements of the financial position as at 31 December 2009			
Property, plant and equipment	103,591	3,616	107,207
Prepaid lease payments	3,616	(3,616)	-

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Prior to 1 January 2010, the purchase method of accounting involved allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Pursuant to the adoption of FRS 127, the accounting policies are shown in Note 4.3(a)(ii).

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard had been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

(i) Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, were designated at 1 January 2010 as available-for-sale financial assets and accordingly were stated at their fair values as at that date amounting to RM29,888,000. The adjustments to their previous carrying amounts were recognised as adjustments to the opening balance of retained earnings as at 1 January 2010. Investments in equity instruments whose fair value cannot be reliably measured amounting to RM1,001,000 at 1 January 2010 then continued to be carried at cost less impairment losses.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd.)

(i) Equity instruments (cont'd.)

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for trading purposes as marketable securities. Such investments were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, these investments were designated at 1 January 2010 as financial assets at fair value through profit or loss and accordingly were stated at their fair values as at that date of RM834,000.

(ii) Debt securities

Prior to 1 January 2010, investments in debt securities were stated at amortised cost using the effective interest rate method. Upon the adoption of FRS 139, these investments were designated at 1 January 2010 as held-to-maturity investments, available-for sale and fair value through profit or loss. The carrying values of held-to-maturity, available-for sale and fair value through profit or loss debt securities as at 1 January 2010 amounted to RM5,000,000, RM146,658,000 and RM29,680,000 respectively.

(iii) Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 but no adjustment is required to be made to the opening balance of retained earnings as at that date due to the short term nature and insignificant impact of accounting.

(iv) Financial instruments

Prior to 1 January 2010, the Group measured its financial instruments as set out below:

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd.)

(iv) Financial instruments (cont'd.)

(i) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) Short term investments

Malaysian Government Securities, Cagamas Papers and unquoted bonds are stated at cost adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis, from the date of purchase to maturity dates. The amortisation of premiums and accretion of discounts are charged or credited to statement of comprehensive income.

Quoted investments, unquoted investments and unit trusts are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Money market fund

Money market fund from the subsidiary is carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

(iv) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the reporting date.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd.)

(iv) Financial instruments (cont'd.)

(v) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(vi) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

iii) New and amended FRS and IC Interpretations effective for the annual period beginning on or after 1 January 2011:

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (Revised)
Amendments to FRS 127: Consolidated and Separate Financial Statements
Amendments to FRS 1: Limited Exemption for First-time Adopters
Amendments to FRS 1: Additional Exemptions for First-time Adopters
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 132: Classification of Right Issues
Amendments to FRS 138: Intangible Assets
IC Interpretation 4: Determining Whether an Arrangement Contains a Lease
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners
IC Interpretation 18: Transfers of Assets from Customers
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
Improvements to FRS issued in 2010

Adoption of the above standards and interpretations did not have any effect on the audited combined financial statements except for those discussed below:

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

iii) New and amended FRS and IC Interpretations effective for the annual period beginning on or after 1 January 2011 (cont'd.):

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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II **Identified Subsidiaries (cont'd.)**

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements (cont'd.)

Changes in significant accounting policies resulting from the revised FRS 127 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss;

- Losses incurred by a subsidiary are allocated to the NCI even if the losses exceed the NCI in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 127 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with NCI, attribution of losses to NCI, and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with NCI. Total comprehensive income within a subsidiary is attributed to the NCI even if that results in a deficit balance.

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments to FRS 5 requires that when a subsidiary is held for sale, all its assets and liabilities shall be classified as held for sale under FRS 5, even when the Group will retain a non-controlling interest in the subsidiary after the sale.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

a) FRS Financial Statements (cont'd.)

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 5.28. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 5.28(b).

b) MFRS Financial Statements

The combined financial statements for FYE 31 December 2011 and 2012 have been prepared in accordance to MFRS.

These combined financial statements are the Group's first MFRS combined financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ended 31 December 2012. *MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")* has been applied.

In preparing its opening MFRS Statements of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation on the transition from FRS to MFRS is set out below. These notes include reconciliations of total comprehensive income for comparative year at date of transition reported under FRS to those reported for those years and at the date of transition under MFRS.

Adoption of the MFRS did not have any effect on the audited combined financial statements except for those discussed below:

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

a) Business Combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group had elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

b) Investment properties

Under FRS, the Group measured all its investment properties at cost, including transaction costs initially. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Upon transition to MFRS, the Group has elected to adopt cost model and has redefined the fair value of certain assets within the Group at the date of transition as its deemed cost.

c) Estimates

The estimates as at 1 January 2011 and 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions as at 1 January 2011, being the date of transition to MFRS and as at 31 December 2011.

d) Cash and cash equivalents

Under FRS, the Group designated its cash in hand and bank balances and all its deposits as cash and cash equivalents.

In accordance with MFRS 107, cash and cash equivalents are held for the purpose of meeting short-term cash commitments (such as cash in hand, at banks and deposits with a maturity of three months or less) rather than investment. The Group and the Company have applied this standard retrospectively. Consequently, certain comparatives in the statement of cash flows have been reclassified.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

The reconciliations of statements of financial position and statements of comprehensive income for comparative periods at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation as at 1 January 2011

	FRS as at 1.1.2011 RM'000	MFRS adjustments RM'000	MFRS as 1.1.2011 RM'000
Statements of financial position			
ASSETS			
Non-current assets			
Property, plant and equipment	101,716	-	101,716
Investment properties	463,301	228,306	691,607
Investment in an associate	3,504	-	3,504
Intangible asset	599	-	599
Reinsurance assets	352,148	-	352,148
Investment securities	6,001	-	6,001
Trade and other receivables	15,016	-	15,016
Deferred tax assets	14,051	-	14,051
	956,336		1,184,642
Current assets			
Inventories	3,804	-	3,804
Investment securities	298,797	-	298,797
Tax recoverable	7,988	-	7,988
Trade and other receivables	201,389	-	201,389
Cash and bank balances	163,219	-	163,219
	675,197		675,197
	1,631,533		1,859,839
EQUITY AND LIABILITIES			
Equity			
Equity contribution and other reserves	400,607	214,559	615,166
Non-controlling interests	4,052	-	4,052
Shareholders' equity	404,659		619,218

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

(i) Reconciliation as at 1 January 2011 (cont'd.)

	FRS as at 1.1.2011 RM'000	MFRS adjustments RM'000	MFRS as 1.1.2011 RM'000
Statements of financial position (cont'd.)			
Non-current liabilities			
Borrowings	55,000	-	55,000
Insurance contract liabilities	619,948	-	619,948
Deferred tax liabilities	16,640	13,747	30,387
	691,588		705,335
Current liabilities			
Trade and other payables	527,154	-	527,154
Borrowings	3,500	-	3,500
Tax payable	4,632	-	4,632
	535,286		535,286
	1,631,533		1,859,839

(ii) Reconciliation as at 31 December 2011

	FRS as at 31.12.2011 RM'000	MFRS adjustments RM'000	MFRS as 31.12.2011 RM'000
Statements of comprehensive income			
Other expenses	44,302	494	44,796
Profit before tax	64,281	(494)	63,787

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

(ii) Reconciliation as at 31 December 2011 (cont'd.)

	FRS as at 31.12.2011 RM'000	MFRS adjustments RM'000	MFRS as 31.12.2011 RM'000
Statements of financial position			
ASSETS			
Non-current assets			
Property, plant and equipment	97,064	-	97,064
Investment properties	463,389	227,812	691,201
Investment in an associate	2,429	-	2,429
Intangible asset	599	-	599
Reinsurance assets	357,054	-	357,054
Investment securities	1,001	-	1,001
Trade and other receivables	24,684	-	24,684
Deferred tax assets	12,533	-	12,533
	958,753		1,186,565
Current assets			
Inventories	2,738	-	2,738
Investment securities	320,189	-	320,189
Tax recoverable	8,844	-	8,844
Trade and other receivables	197,894	-	197,894
Cash and bank balances	181,874	-	181,874
	711,539		711,539
Asset classified as held for sale	841	-	841
	1,671,133		1,898,945

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

(ii) Reconciliation as at 31 December 2011 (cont'd.)

	FRS as at 31.12.2011 RM'000	MFRS adjustments RM'000	MFRS as 31.12.2011 RM'000
Statements of financial position (cont'd.)			
EQUITY AND LIABILITIES			
Equity			
Equity contribution and other reserves	578,406	214,065	792,471
Non-controlling interests	926	-	926
Shareholders' equity	579,332		793,397
Non-current liabilities			
Borrowings	69,255	-	69,255
Insurance contract liabilities	657,227	-	657,227
Deferred tax liabilities	20,195	13,747	33,942
	746,677		760,424
Current liabilities			
Trade and other payables	337,343	-	337,343
Borrowings	3,000	-	3,000
Tax payable	4,781	-	4,781
	345,124		345,124
	1,671,133		1,898,945

The Group has early adopted MFRS 10: Consolidated Financial Statement, MFRS 11 Joint Arrangement, MFRS 12 Disclosure of interests in Other Entities, MFRS 127 Separate Financial Statement, MFRS 128 Investments in Associates and Joint Ventures, MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) which is originally effective for annual periods beginning on or after 1 January 2013.

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II **Identified Subsidiaries (cont'd.)**

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Company financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group.

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective

At the date of authorisation of the audited combined financial statements, the following MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by the Group:

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (cont'd.)

Description	**Effective for annual periods beginning on or after**
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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4.0 Significant accounting policies (cont'd.)

4.2 Changes in accounting policies (cont'd.)

b) MFRS Financial Statements (cont'd.)

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (cont'd.)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 13 Fair Value Measurement</u>

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

Upon adoption of MFRS 13, the Group will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is not expected to result in significant change in fair value of properties of the Group.

<u>MFRS 9 Financial Instruments: Classification and Measurement</u>

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

<u>Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</u>

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies

(a) Subsidiaries and basis of combination

(i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

(ii) Business combination

The audited combined financial statements comprise the financial statements of the Group as at the reporting date. The financial statements of the subsidiaries used in the preparation of the audited combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full, except for unrealised losses, which are not eliminated, when there are indications of impairment.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the audited combined statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of combination (cont'd.)

(ii) Business combination (cont'd.)

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree.

Acquisition costs incurred are recognised in profit and loss and included in administrative expenses. For each business combination, the Group elects whether it measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

(iii) Transactions with NCI

NCI represents the portion of profit or loss and net assets in subsidiaries not held by the Group and is presented separately in profit or loss of the Group and within equity in the audited combined statements of financial position, separately from parent shareholders' equity. Transactions with NCI are accounted for using the entity concept method, whereby, transactions with NCI are accounted for as transactions with owners. On acquisition of NCI, the difference between the consideration and carrying value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to NCI is recognised directly in equity.

Total comprehensive income within a subsidiary is attributed to the NCI even if that results in a deficit balance.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(b) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in associate is accounted for using the equity method. Under the equity method, the investment in associates is measured in the audited combined statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(c) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(c) Intangible assets (cont'd.)

(i) Goodwill (cont'd.)

The cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(ii) Other intangible assets

Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of a subsidiary company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the profit or loss in the period in which the expenditure is incurred. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.3(h).

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful lives are reviewed at least once at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Leasehold land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation.

Freehold land has an unlimited useful lives and therefore is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the annual rates as follows:

	%
Leasehold land	1.0 - 2.0
Hotel building	2.0 - 5.0
Hotel refurbishment	10
Office equipment, furniture, fixtures and fittings and motor vehicles	5.0 - 33.3
Buildings improvement and renovation	12.5
Computer equipment	12.5 - 33.3

Assets under construction included in work-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(e) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is depreciated over the residual lease period. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its use or disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment (Note 4.3(d)).

(f) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

For both FRS and MFRS financial statements, immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs/MFRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5/MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the company is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations acquired exclusively with a view for resale.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(g) Leases

i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(h) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows CGU.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(h) Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost of raw materials comprises costs of purchase. Cost of unsold properties comprises costs associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits which have a maturity period of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(k) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All borrowing costs are recognised in the profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that incurred in connection with the borrowings of funds.

(l) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(l) Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(l) Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Defined benefit plans

The Group contributes at an approved rate to a funded scheme for eligible employees based on a defined benefit plan. This fund is known as the Multi-Purpose Group Retirement Scheme ("MPGRS") and was established pursuant to a trust deed in 1984.

Contributions made are charged to the audited combined statements of comprehensive income.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(m) Employee benefits (cont'd.)

(iii) Defined benefit plans (cont'd.)

The financial position of MPGRS is subject to review by an actuary not less than once in every 3 years and in the event of a deficit, the Trustees of MPGRS may request the Group, subject to the consent of the Director-General of Inland Revenue being obtained, to make such further contributions as recommended by the actuary for the purpose of reducing or eliminating the said deficit.

The latest actuarial valuation of the liabilities of MPGRS was carried out based on the financial position as at 31 December 2010.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Dividend/distribution income from investment securities

Dividend from equity securities and distribution income are recognised when the Group's right to receive payment is established.

(ii) Interest income/interest income on loans

Interest income is recognised using the effective interest method.

For the subsidiaries operating credit business, income on hire purchase and finance lease transactions are computed on the 'sum of digits' method and interest income from housing, mortgage and other loans is recognised on the reducing balance basis. When an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Clients' accounts are classified as non-performing where repayments are in arrears for more than 6 months.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(n) Revenue recognition (cont'd.)

(iii) Insurance premium income

Insurance premium income, other than those of inward treaty business is recognised on the date on which the premium receivable in respect of an insurance policy is first recorded in the books and for inward treaty business on the date of receipt of the statement of accounts. Premium in respect of risks incepted for which billings or policies have not been raised as of the reporting date are accrued at that date.

(iv) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(v) Loan arrangement fees and commissions

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees are recognised as income based on time apportionment.

(vi) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(vii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(n) Revenue recognition (cont'd.)

(viii) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reserves for unexpired risks, claims incurred and additional reserves.

(ix) Commission income

Commission income is derived from reinsurers in the course of ceding of premiums to reinsurers are charged to income statement in the period in which they are incurred.

(x) Dividend/distribution income from unit trust funds

Dividend/distribution income from unit trust funds is recognised on a declared basis, when the company's right to receive payment is established.

(xi) Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investment include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(o) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reinsurances, unearned premium, commissions and claims incurred.

(i) Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

(ii) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(ii) Reinsurance premiums (cont'd.)

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for, under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(iii) Premium liabilities

Premium liability is reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Group level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(a) Unexpired risk reserves

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(b) Unearned premium reserves

The UPR represents 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.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iii) Premium liabilities (cont'd.)

(b) Unearned premium reserves (cont'd.)

In determining the UPR at reporting date, the methods used in calculation of actual unearned premium are as follows:

- 25% method for marine and aviation cargo, and transit business.

- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

- Motor and bonds	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	20%

- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission.

- Non-annual policies are time-apportioned over the period of the risks.

(iv) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liability which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Group level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(v) Acquisition costs

The costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(p) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

FVTPL could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(p) Financial assets (cont'd.)

(ii) Held-to-maturity ("HTM") investments

Financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the HTM investments are derecognised or impaired, and through the amortisation process.

HTM investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iii) Loans and receivables ("LAR")

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR.

Subsequent to initial recognition, LAR are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the LAR are derecognised or impaired, and through the amortisation process.

LAR are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iv) Available-for-sale financial assets ("AFS")

AFS are financial assets that are designated as AFS or are not classified in any of the three preceding categories.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(p) Financial assets (cont'd.)

(iv) Available-for-sale financial assets ("AFS") (cont'd.)

After initial recognition, AFS are measured at fàir value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

AFS are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(v) Insurance receivables

Insurance receivables are recognised when due and measured at the fair value of the consideration received and receivable.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 4.3(r).

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(p) Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

(q) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

(ii) Other financial liabilities

The Group's other financial liabilities include trade payables, other payables and loans and borrowings.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(q) Financial liabilities (cont'd.)

(ii) Other financial liabilities (cont'd.)

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(iii) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(q) Financial liabilities (cont'd.)

(iii) Insurance contract liabilities (cont'd.)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

(r) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(r) Impairment of financial assets (cont'd.)

(ii) Available-for-sale financial assets

If an AFS is impaired, the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity instruments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised as other comprehensive income in available-for-sale reserve.

(iii) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(r) Impairment of financial assets (cont'd.)

(iii) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 5.30, including the factors used to identify the reportable segments and the measurement basis of segment information.

(t) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(u) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the audited combined statements of financial position of the Group.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provision for claims for insurance segment is made for the estimated cost of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the reporting date. Provision is also made for the cost of claims together with related expenses incurred but reported at reporting date, using a mathematical method of estimation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(w) Product classification

The Group issues contracts that transfer insurance risk only.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which Multi-Purpose Insurans Bhd. ("MPIB") (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(w) Product classification (cont'd.)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits.

The Group does not have any investment contracts and the insurance contracts issued do not contain any DPF.

(x) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its insurance businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in income statement.

Gains or losses on buying reinsurance are recognised in income statement immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.3 Summary of significant accounting policies (cont'd.)

(x) Reinsurance (cont'd.)

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(y) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

4.4 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.4 Significant accounting estimates and judgements (cont'd.)

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Classification of inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

A subsidiary of the Group has temporarily rent out the condominium units but has decided to treat them as inventories because it is the subsidiary's intention to dispose of the condominium units should there be potential purchasers.

(iii) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.4 Significant accounting estimates and judgements (cont'd.)

(a) Critical judgements made in applying accounting policies (cont'd.)

(iv) Impairment of AFS financial assets

Significant judgment is required to assess impairment for AFS financial assets. The Group evaluates the duration and extent to which the fair value of an investment is less than it's cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows.

(v) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Group are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Deferred tax assets and tax recoverable

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The directors are of the opinion that total tax recoverable amounting to RM1,286,000 (2011: RM8,844,000 and 2010: RM7,988,000) is recoverable, subject to the agreement of the Inland Revenue Board.

II Identified Subsidiaries (cont'd.)

4.0 Significant accounting policies (cont'd.)

4.4 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (con'd.)

(ii) Valuation of insurance contract liabilities (cont'd.)

For insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims IBNR.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the reporting liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group

Audited Combined Statements of Comprehensive Income

The audited combined statements of comprehensive income of the Group based on its audited combined financial statements for the FYE 31 December 2010, 2011 and 2012 are as follows:

	Note	FRS Framework 2010 RM'000	<-- MFRS Framework --> 2011 RM'000	2012 RM'000
Revenue	5.1	257,986	277,875	325,602
Cost of sales	5.2	(162,230)	(178,881)	(213,745)
Gross profit		95,756	98,994	111,857
Other income	5.3	38,227	41,629	79,387
Administrative expenses		(33,625)	(34,548)	(39,319)
Other expenses		(38,787)	(44,796)	(64,742)
Operating profit	5.4	61,571	61,279	87,183
Finance costs	5.5	(2,323)	(4,517)	(5,041)
Share of profits of associate		5,308	7,025	2,309
Profit before tax		64,556	63,787	84,451
Income tax expense	5.6	(8,820)	(15,093)	(18,026)
Profit for the year		**55,736**	**48,694**	**66,425**
Other comprehensive income:				
Changes in fair value of available-for-sale assets		2,665	3,027	5,566
Total comprehensive income for the year		**58,401**	**51,721**	**71,991**
Profit attributable to:				
Owners of the parent		55,780	49,703	70,643
NCI		(44)	(1,009)	(4,218)
		55,736	48,694	66,425
Total comprehensive income attributable to:				
Owners of the parent		58,445	52,730	76,209
NCI		(44)	(1,009)	(4,218)
		58,401	51,721	71,991

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Financial Position

The audited combined statements of financial position of the Group based on its audited combined financial statements for the FYE 31 December 2010, 2011 and 2012 are as follows:

	Note	FRS Framework 2010 RM'000	MFRS Framework 2011 RM'000	MFRS Framework 2012 RM'000
		Audited	Audited	Audited
ASSETS				
Non-current assets				
Property, plant and equipment	**5.10**	101,716	97,064	93,398
Investment properties	**5.11**	463,301	691,201	650,621
Investment in an associate	**5.12**	3,504	2,429	1,238
Intangible assets	**5.13**	599	599	1,435
Reinsurance assets	**5.14**	352,148	357,054	358,727
Investment securities	**5.15**	6,001	1,001	1,001
Trade and other receivables	**5.16**	15,016	24,684	-
Deferred tax assets	**5.17**	14,051	12,533	12,113
		956,336	1,186,565	1,118,533
Current assets				
Inventories	**5.18**	3,804	2,738	202
Investment securities	**5.15**	298,797	320,189	375,766
Tax recoverable		7,988	8,844	1,286
Trade and other receivables	**5.16**	201,389	197,894	255,025
Cash and bank balances	**5.19**	163,219	181,874	379,425
		675,197	711,539	1,011,704
Asset classified as held for sale	**5.20**	-	841	-
		1,631,533	1,898,945	2,130,237

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Financial Position (cont'd.)

	Note	FRS Framework	<---MFRS Framework--->	
		<--------------------	Audited	-------------------->
		2010	2011	2012
		RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
Equity				
Equity contribution and other reserves		400,607	792,471	1,061,360
NCI		4,052	926	(3,285)
Shareholders' equity		404,659	793,397	1,058,075
Non-current liabilities				
Borrowings	**5.21**	55,000	69,255	93,371
Insurance contract liabilities	**5.14**	619,948	657,227	703,003
Deferred tax liabilities	**5.17**	16,640	33,942	33,898
		691,588	760,424	830,272
Current liabilities				
Trade and other payables	**5.22**	527,154	337,343	218,573
Borrowings	**5.21**	3,500	3,000	17,714
Tax payable		4,632	4,781	5,603
		535,286	345,124	241,890
		1,631,533	1,898,945	2,130,237

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Changes in Equity for the FYE 31 December 2010, 2011 and 2012

	Equity contribution and other reserves RM'000	NCI RM'000	Total equity RM'000
FRS Framework			
At 1 January 2010	342,162	4,096	346,258
Total comprehensive income for the year	58,445	(44)	58,401
At 31 December 2010	400,607	4,052	404,659
MFRS Framework			
At 1 January 2011	400,607	4,052	404,659
MFRS impact - deferred tax	(13,747)	-	(13,747)
MFRS impact - investment properties	228,306	-	228,306
	615,166	4,052	619,218
Total comprehensive income for the year	52,730	(1,009)	51,721
Acquisition of additional NCI in Mimaland Berhad	2,117	(2,117)	-
Dividends paid (Note 5.8)	(36,427)	-	(36,427)
Debt waiver by MPHB on debts due from Multi-Purpose Shipping Corporation Berhad	125,135	-	125,135
Issuance of ordinary shares by Mimaland Berhad	33,750	-	33,750
At 31 December 2011	792,471	926	793,397

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Changes in Equity for the FYE 31 December 2010, 2011 and 2012 (cont'd.)

	Equity contribution and other reserves RM'000	NCI RM'000	Total equity RM'000
At 1 January 2012	792,471	926	793,397
Total comprehensive income for the year	76,209	(4,218)	71,991
Dividends paid (Note 5.8)	(20,330)	-	(20,330)
Issuance of ordinary shares by:			
Magnum.Com Sdn. Bhd.	34,296	-	34,296
Syarikat Perniagaan Selangor Sdn. Bhd.	45,936	-	45,936
Tibanis Sdn. Bhd.	35,147	-	35,147
Magnum Leisure Sdn. Bhd.	48,000	-	48,000
Debt waiver by MPHB on debts due from West-Jaya Sdn. Bhd.	49,638	-	49,638
Disposal of interest in Mulpha Kluang Maritime Carriers Sdn. Bhd. to NCI	(7)	7	-
At 31 December 2012	1,061,360	(3,285)	1,058,075

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Cash Flows (cont'd.)

	FRS Framework	<--MFRS Framework-->	
	<------------------	Audited	------------------>
	2010	2011	2012
	RM'000	RM'000	RM'000
Operating activities			
Profit before tax	64,556	63,787	84,451
Adjustments for:			
Depreciation of property, plant and equipment	7,190	7,384	7,424
Depreciation of investment properties	1,212	1,734	1,721
Amortisation of intangible assets	-	171	326
Investment income - insurance	(19,645)	(20,755)	(24,575)
Interest income	(2,439)	(4,987)	(9,690)
Interest expense	2,323	4,517	5,041
Amortisation of premium less accretion of discounts	12	8	6
Share of profits of an associate	(5,308)	(7,025)	(2,309)
(Gain)/loss on disposal:			
- property, plant and equipment	13	(1)	31
- investment properties	-	(560)	(14,130)
- investment securities	(407)	(2,089)	(4,038)
- AFS financial assets	(3,801)	(3,940)	(7,245)
Fair value adjustments on investment securities	(110)	(538)	8,105
Gross dividend income from investment in quoted shares in Malaysia	-	-	(5)
Property, plant and equipment written off	2	52	30
Write back of impairment loss on financial assets			
- trade receivables	(1,529)	(64)	(3,734)
- investment properties	-	-	(59)
- other receivables	(5,153)	-	(2,957)
Provision for stock obsolescence	-	3	-
Recovery of debts	33	-	-
Allowance of impairment:			
- trade receivables	494	1,743	1,981
- other receivables	-	299	10,275
- investment securities	1,139	2,137	266
Operating cash flows before working capital changes	38,582	41,876	50,915
Changes in working capital:			
Inventories	240	1,063	2,536
Receivables	119,168	(16,600)	37,876
Payables	(133,168)	6,353	62,456
Cash flows generated from operations	24,822	32,692	153,783
Income tax paid	(16,305)	(12,278)	(10,428)
Net cash flows generated from operating activities	8,517	20,414	143,355

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Audited Combined Statements of Cash Flows (cont'd.)

	FRS Framework	<--MFRS Framework-->	
	<--------------------	Audited	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Investing activities			
Proceeds from disposal of:			
- property, plant and equipment	78	187	428
- investment properties	-	736	118,933
- investment securites	167,237	94,286	140,980
Purchase of:			
- property, plant and equipment	(4,330)	(2,970)	(4,247)
- investment properties	(7,134)	(2,345)	(65,044)
- investment securities	(283,851)	(98,135)	(186,921)
- intangible assets	-	(171)	(1,162)
Dividend received from:			
- associated companies	4,232	8,100	3,500
- investment in financial assets	1,738	2,649	2,429
Interest received	20,346	23,093	31,841
Net cash flows (used in)/generated from investing activities	(101,684)	25,430	40,737
Financing activities			
Drawdown of loan	58,500	13,755	38,830
Interest paid	(2,323)	(4,517)	(5,041)
Net, movement in deposits with licensed bank	-	(83,837)	7,992
Dividends paid	-	(36,427)	(20,330)
Net cash flows generated from/(used in) financing activities	56,177	(111,026)	21,451
Net (decrease)/increase in cash and cash equivalents	(36,990)	(65,182)	205,543
Cash and cash equivalents at beginning of year	200,209	163,219	98,037
Cash and cash equivalents at end of year	163,219	98,037	303,580

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.1 Revenue

	FRS Framework	<---MFRS Framework--->	
	<----------	Audited	---------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Net earned premiums [(i)]	219,738	234,520	247,220
Interest income on loans and advances	4,033	4,775	1,886
Gross dividends from investment in unquoted shares in Malaysia	1,500	1,500	500
Rental income	2,702	2,071	2,803
Sale of properties	238	1,650	3,290
Rental of properties	440	436	20
Hotel services	27,919	30,729	33,065
Sale of freehold land and related development expenditure	-	-	35,294
Sale of palm oil	1,416	2,012	1,412
Others	-	182	112
	257,986	277,875	325,602

(i) Net earned premiums comprise:

	2010	2011	2012
(a) Gross premium			
Insurance contracts	440,782	477,884	505,386
Change in premium liabilities	43,484	(8,673)	(31,111)
	484,266	469,211	474,275
(b) Premium ceded			
Insurance contracts	(207,665)	(238,501)	(242,419)
Change in premium liabilities	(56,863)	3,810	15,364
	(264,528)	(234,691)	(227,055)
Net earned premiums	219,738	234,520	247,220

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.2 Cost of sales

(a) Insurance

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited------------------->		
	2010	2011	2012
	RM'000	RM'000	RM'000
Gross claims paid	210,712	208,903	173,795
Claims ceded to reinsurers	(102,020)	(94,685)	(54,203)
Gross change to contract liabilities	(79,304)	28,606	14,665
Change in contract liabilities ceded to reinsurers	98,280	(1,095)	13,691
Net claims incurred (i)	127,668	141,729	147,948
Fee and commission income	(43,965)	(54,191)	(52,341)
Fee and commission expenses	65,896	77,644	79,780
	149,599	165,182	175,387

(b) Others

	2010	2011	2012
Cost of properties sold	250	1,020	2,518
Cost of rental of properties	960	1,111	1,353
Cost of hotel services	11,421	11,568	12,309
Cost of sale of freehold land and related development expenditure sold	-	-	22,178
	12,631	13,699	38,358
	162,230	178,881	213,745

(i) Net claims incurred comprise:

	2010	2011	2012
Gross claims paid less salvage	210,712	208,903	173,795
Reinsurance recoveries	(102,020)	(94,685)	(54,203)
Net claims paid	108,692	114,218	119,592
Gross change in contract liabilities			
At 31 December	480,847	509,453	524,118
At 1 January	(560,151)	(480,847)	(509,453)
	(79,304)	28,606	14,665
Change in contract liabilities ceded to reinsurers			
At 31 December	(307,998)	(309,093)	(295,402)
At 1 January	406,278	307,998	309,093
	98,280	(1,095)	13,691
Net claims incurred	127,668	141,729	147,948

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.3 Other income

(a) Insurance

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited	--------------------	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Investment income (i)	19,642	20,758	24,589
Realised gains and losses (ii)	3,801	3,940	7,245
Other operating revenue (iii)	5,335	7,871	14,211
	28,778	32,569	46,045

(b) Others

	2010	2011	2012
Gain on disposal of			
- investment securities	407	2,089	4,038
- property, plant and equipment	-	4	4
- investment properties	-	560	12,254
Write back of impairment loss on financial assets			
- trade receivables	-	6	3,227
- other receivables	5,153	-	2,957
Interest income on:			
- short term deposits	55	40	315
- quoted shares	-	2,568	-
- loan and receivables	2,384	2,284	4,649
- others	-	95	4,726
Rental income	-	-	47
Gross dividend income from investment in quoted shares in Malaysia	-	-	5
Fair value adjustments on investment securities	110	538	-
Recovery of debts	33	-	-
Others	1,307	876	1,120
	9,449	9,060	33,342
Total other income	38,227	41,629	79,387

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.3 Other income (cont'd.)

(i) Investment income comprises:

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited -------------------	->
	2010	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
AFS Financial assets			
Dividend income			
- equity securities quoted in Malaysia	1,590	2,414	2,402
- equity securities quoted outside Malaysia	148	235	22
Interest income	2,489	319	305
HTM			
Interest income	400	249	-
LAR interest	15,018	17,538	21,846
Rental income from investment properties	9	11	20
Amortisation of premium	(12)	(8)	(6)
	19,642	20,758	24,589

(ii) Realised gains and losses comprises:

	2010 RM'000	2011 RM'000	2012 RM'000
AFS financial assets			
Realised gains:			
Equity securities quoted in Malaysia	3,050	4,174	7,170
Equity securities quoted outside Malaysia	751	-	41
Unit trust fund unquoted in Malaysia	-	23	34
Realised losses:			
Equity securities quoted outside Malaysia	-	(254)	-
Debt securities unquoted in Malaysia	-	(3)	-
	3,801	3,940	7,245

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.3 Other income (cont'd.)

(iii) Other operating revenue comprises:

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Realised losses for property and equipment	(13)	(3)	(5)
Realised gain for investment property	-	-	1,876
Impairment loss on AFS securities	(1,599)	(2,137)	(266)
Income earned from MMIP	6,919	8,952	11,953
Sundry income	28	1,059	653
	5,335	7,871	14,211

5.4 Operating profit

The following amounts have been included in arriving at operating profit:

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	7,190	7,384	7,424
Amortisation of intangible assets	-	171	326
Depreciation of investment properties	1,212	1,734	1,721
Key management personnel (Note a)	45	45	45
Auditors' remuneration			
- statutory audit	231	354	393
- underprovision in prior year	4	-	8
Rental of land and buildings	1,993	1,610	2,017
Loss on disposal of property, plant and equipment	-	-	30
Employee benefits expense (Note b)	35,419	37,471	44,082
Property, plant and equipment written off	2	52	30
Fund management charges	738	802	1,022
Fair value adjustments on investment securities	-	-	8,105
Allowance on/(reversal of) impairment:			
- trade receivables	494	1,743	1,981
- other receivables	-	299	10,275
- investment securities	(460)	-	-
Provision for stock obsolescence	-	3	-
Write back of impairment loss on financial assets			
- insurance receivables	(1,529)	(58)	(507)

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.4 Operating profit (cont'd.)

(a) Key management personnel

Key management personnel is defined as the Board of Directors of the Group whereby the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly lies.

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited-------------------->		
	2010	2011	2012
	RM'000	RM'000	RM'000
Executive directors' remuneration:			
- fees	36	36	36
- emoluments	2	2	2
- benefits-in-kind	7	7	7
	45	45	45

The remaining of the key management personnel's remunerations were borne by MPHB.

(b) Employee benefits expense

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited-------------------->		
	2010	2011	2012
	RM'000	RM'000	RM'000
Wages and salaries	29,353	29,918	35,777
Contributions to defined contribution plan	3,263	3,263	4,626
Other staff related expenses	2,803	4,290	3,679
	35,419	37,471	44,082

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II **Identified Subsidiaries (cont'd.)**

5.0 Historical Financial Information of the Group (cont'd.)

5.5 Finance costs

	FRS Framework	<---MFRS Framework--->	
	<--------------------	Audited	-------------------->
	2010	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
Interest expense	2,323	4,517	5,041

5.6 Income tax expense

The major components of income tax expense for the financial years are:

	FRS Framework	<---MFRS Framework--->	
	<--------------------	Audited	-------------------->
	2010	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
Current income tax:			
Malaysian income tax	11,544	13,283	19,853
Under/(over) provision in prior years	895	(1,712)	(1,045)
	12,439	11,571	18,808
Deferred income tax (Note 5.17):			
Relating to origination and reversal of temporary differences	(1,344)	4,422	811
Over provision in prior years	(2,275)	(900)	(1,593)
	(3,619)	3,522	(782)
Tax expense for the year	8,820	15,093	18,026

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.6 Income tax expense (cont'd.)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years are as follows:

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited------------------>		
	2010	2011	2012
	RM'000	RM'000	RM'000
Profit before tax	64,556	63,787	84,451
Taxation at Malaysian statutory tax rate	16,139	15,947	21,113
Income not subject to tax	(5,953)	(4,261)	(10,182)
Expenses not deductible for tax purposes	5,025	7,756	11,329
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,456)	(469)	(1,019)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	488	-
Under/(over) provision of tax expenses in prior years	895	(1,712)	(1,045)
Over provision of deferred tax in prior years	(2,275)	(900)	(1,593)
Share of result of associate	(1,327)	(1,756)	(577)
Deferred tax recognised in respect of prior year unrecognised tax losses	(1,228)	-	-
	8,820	15,093	18,026

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25% and 2010: 25%) of the estimated assessable profit for the year. Income tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5.7 Earnings per share

No earnings per share disclosure has been made as there is no share capital in the audited combined financial statements.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.8 Dividends

	<----- Dividends in respect of year ----->			<---- Dividends recognised in year ---->		
	FRS Framework	<----MFRS Framework----->		FRS Framework	<----MFRS Framework--->	
	<------ Audited ------>			<------ Audited ------>		
	2010 RM'000	2011 RM'000	2012 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Single tier interim dividend of 12.9 sen per share on 222,000,000 ordinary shares paid on 18 May 2011 by Multi-Purpose Capital Holdings Berhad	-	28,380	-	-	28,380	-
Interim tax exempt dividend of 1 sen per share on 930,000 Class "A" Redeemable Cumulative Preference Shares ('RCPS") paid on 11 January 2012 by Kelana Megah Development Sdn. Bhd.	-	10	-	-	10	-
Interim tax exempt dividend of 0.066 sen per share less income tax at 25% on 111,612,000 paid on 11 January 2012 by Kelana Megah Development Sdn. Bhd.	-	55	-	-	55	-
Single tier interim dividend of 0.79 sen per share on 111,612,000 ordinary shares paid on 11 January 2012 by Kelana Megah Development Sdn. Bhd.	-	882	-	-	882	-
Ist Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 28 April 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	750	-	-	750	-
	-	30,077	-	-	30,077	-

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.8 Dividends (cont'd.)

	<----- Dividends in respect of year ----->			<---- Dividends recognised in year ---->		
	FRS Framework	<----MFRS Framework----->		FRS Framework	<----MFRS Framework--->	
	<--------------------- Audited ------------------->			<--------------------- Audited ------------------->		
	2010 RM'000	**2011 RM'000**	**2012 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**
2nd Interim dividend of 25 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 30 May 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	375	-		375	-
3rd Interim dividend of 50 sen per shares less income tax at 25% on 2,000,000 ordinary shares paid on 10 June 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	750	-	-	750	-
4th Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 28 July 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	750	-	-	750	-
5th Interim dividend of 50 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 25 August 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	750	-	-	750	-
6th Interim dividend of 60 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 20 October 2011 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	900	-	-	900	-
1st Interim dividend of 5500 per share less income tax at 25% on 50,000 ordinary shares paid on 31 May 2011 by Javest Sdn. Bhd.	-	2,063	-	-	2,063	-
	-	5,588	-	-	5,588	-

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.8 Dividends (cont'd.)

	Dividends in respect of year			Dividends recognised in year		
	FRS Framework	MFRS Framework		FRS Framework	MFRS Framework	
	Audited			Audited		
	2010 RM'000	2011 RM'000	2012 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
2nd Interim dividend of 2034 sen per share less income tax at 25% on 50,000 ordinary shares paid on 31 October 2011 by Jayavest Sdn. Bhd.	-	762	-	-	762	-
Single tier interim dividend of 5.8 sen per share on 220,000 ordinary shares paid on 29 June 2012 by Multi-Purpose Capital Holdings Berhad	-	-	12,760	-	-	12,760
1st Interim dividend of 60 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 30 March 2012 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	-	900	-	-	900
2nd Interim dividend of 130 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 6 April 2012 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	-	1,950	-	-	1,950
3rd Interim dividend of 75 sen per share less income tax at 25% on 2,000,000 ordinary shares paid on 27 April 2012 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	-	1,125	-	-	1,125
4th Interim dividend of 10 sen per share less income tax at 25% on 47,936,000 ordinary shares paid on 27 July 2012 by Syarikat Perniagaan Selangor Sdn. Bhd.	-	-	3,595	-	-	3,595
	-	762	20,330	-	762	20,330
	-	36,427	20,330	-	36,427	20,330

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.9 Investment in subsidiaries

Name of subsidiary company	Country of incorporation	Group's proportion of ownership interest held (%) 2010	2011	2012	Principal activities
Direct subsidiary companies of the Company					
Multi-Purpose Capital Holdings Berhad	Malaysia	100	100	100	Investment holding
Multi-Purpose Shipping Corporation Berhad	Malaysia	100	100	100	Investment holding and property investment
West-Jaya Sdn. Bhd.	Malaysia	70	70	70	Investment holding and property investment
Queensway Nominees (Tempatan) Sdn. Bhd.	Malaysia	70	70	70	Property investment
Queensway Nominees (Asing) Sdn. Bhd.	Malaysia	70	70	70	Property investment
Caribbean Gateway Sdn. Bhd.	Malaysia	100	100	100	Investment holding
Jayavest Sdn. Bhd.	Malaysia	100	100	100	Investment holding
Leisure Dotcom Sdn. Bhd.	Malaysia	70	70	70	Property investment
Magnum.Com Sdn. Bhd.	Malaysia	100	100	100	Property investment
Magnum Leisure Sdn. Bhd.	Malaysia	100	100	100	Operation of a hotel

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.9 Investment in subsidiaries (cont'd.)

Name of subsidiary company	Country of incorporation	Group's proportion of ownership interest held (%)			Principal activities
		2010	2011	2012	
Direct subsidiary companies of the Company (cont'd.)					
Mimaland Berhad	Malaysia	95	98	98	Property investment
Syarikat Perniagaan Selangor Sdn. Bhd.	Malaysia	100	100	100	Property investment & management and operation of hotel
Tibanis Sdn. Bhd.	Malaysia	100	100	100	Property investment
Kelana Megah Development Sdn. Bhd.	Malaysia	100	100	100	Plantation and property holding
Subsidiary companies of Multi-Purpose Capital Holdings Berhad					
Multi-Purpose Insurans Bhd	Malaysia	100	100	100	General insurance
Multi-Purpose Credit Holdings Sdn. Bhd.	Malaysia	100	100	100	Investment holding
Subsidiary companies of Multi-Purpose Credit Holdings Sdn. Bhd.					
Multi-Purpose Credit Sdn. Bhd.	Malaysia	100	100	100	Credit and leasing business, hire purchase and general loan financing
MP Factors Sdn. Bhd.	Malaysia	100	100	100	Business of factoring and property investment

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.9 Investment in subsidiaries (cont'd.)

Name of subsidiary company	Country of incorporation	Group's proportion of ownership interest held (%)			Principal activities
		2010	2011	2012	
Subsidiary companies of Multi-Purpose Credit Holdings Sdn. Bhd. (cont'd.)					
Multi-Purpose Venture Partners Sdn. Bhd.	Malaysia	100	100	100	Dormant
Multi-Purpose Credit Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	100	Nominees services
Subsidiary companies of Multi-Purpose Shipping Corporation Berhad					
Mulpha Kluang Maritime Carriers Sdn. Bhd.	Malaysia	100	100	70	Property investment
Multi-Purpose Development (PG) Sdn. Bhd.	Malaysia	100	100	100	Property development
Subsidiary company of Syarikat Perniagaan Selangor Sdn. Bhd.					
Flamingo Management Sdn. Bhd.	Malaysia	100	100	100	Hotel management

On 30 July 2012, one of the Identified Subsidiaries, sold 30% of its equity interest in Mulpha Kluang Maritime Carriers Sdn. Bhd. for a cash consideration of RM7,500 to a third party.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.10 Property, plant and equipment

	Freehold land RM'000	Leasehold land RM'000	Hotel building RM'000	Hotel refurbishment RM'000	Office equipment, furniture, fixtures and fittings and motor vehicles RM'000	Building improvement and renovation RM'000	Computer equipment RM'000	Work-in-progress RM'000	Total RM'000
<u>FRS Framework</u>									
At 31 December 2010									
Cost									
At 1 January 2010	17,410	3,706	72,706	12,942	18,185	6,128	8,616	3,218	142,911
Additions	-	-	-	326	1,944	408	1,526	126	4,330
Disposals	-	-	-	-	(297)	-	(71)	-	(368)
Write offs	-	-	-	-	(2)	-	(16)	-	(18)
Reclassified to investment properties	-	-	-	-	-	-	-	(1,939)	(1,939)
Reclassified to intangible assets	-	-	-	-	-	-	(2,613)	-	(2,613)
At 31 December 2010	17,410	3,706	72,706	13,268	19,830	6,536	7,442	1,405	142,303
Accumulated depreciation									
At 1 January 2010	-	90	15,486	1,294	10,246	1,809	6,779	-	35,704
Depreciation charge for the year	-	45	2,058	1,327	2,829	40	891	-	7,190
Disposals	-	-	-	-	(207)	-	(70)	-	(277)
Write offs	-	-	-	-	(1)	-	(15)	-	(16)
Reclassified to intangible assets	-	-	-	-	-	-	(2,014)	-	(2,014)
At 31 December 2010	-	135	17,544	2,621	12,867	1,849	5,571	-	40,587
Net carrying amount									
At 31 December 2010	17,410	3,571	55,162	10,647	6,963	4,687	1,871	1,405	101,716

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.10 Property, plant and equipment (cont'd.)

MFRS Framework	Freehold land RM'000	Leasehold land RM'000	Hotel building RM'000	Hotel refurbishment RM'000	Office equipment, furniture, fixtures and fittings and motor vehicles RM'000	Building improvement and renovation RM'000	Computer equipment RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2011									
Cost									
At 1 January 2011	17,410	3,706	72,706	13,268	19,830	6,536	7,442	1,405	142,303
Additions	-	-	-	300	1,795	194	681	-	2,970
Disposals	-	-	-	-	(321)	-	(1,045)	-	(1,366)
Write offs	-	-	-	-	(1,459)	-	(381)	-	(1,840)
Reclassification	-	-	-	111	(111)	-	-	-	-
Reclassified to intangible assets	-	-	-	-	-	-	(359)	-	(359)
At 31 December 2011	17,410	3,706	72,706	13,679	19,734	6,730	6,338	1,405	141,708
Accumulated depreciation									
At 1 January 2011	-	135	17,544	2,621	12,867	1,849	5,571	-	40,587
Depreciation charge for the year	-	45	2,098	2,633	1,894	99	615	-	7,384
Disposals		-	-	-	(281)	-	(899)	-	(1,180)
Write offs	-	-	-	-	(1,412)	-	(376)	-	(1,788)
Reclassified to intangible assets	-	-	-	-	-	-	(359)	-	(359)
At 31 December 2011	-	180	19,642	5,254	13,068	1,948	4,552	-	44,644
Net carrying amount									
At 31 December 2011	17,410	3,526	53,064	8,425	6,666	4,782	1,786	1,405	97,064

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.10 Property, plant and equipment (cont'd.)

	Freehold land RM'000	Leasehold land RM'000	Hotel building RM'000	Hotel refurbishment RM'000	Office equipment, furniture, fixtures and fittings and motor vehicles RM'000	Building improvement and renovation RM'000	Computer equipment RM'000	Work-in-progress RM'000	Total RM'000
<u>MFRS Framework</u>									
At 31 December 2012									
Cost									
At 1 January 2012	17,410	3,706	72,706	13,679	19,734	6,730	6,338	1,405	141,708
Additions	-	-	-	-	2,669	230	1,309	39	4,247
Disposals	-	-	-	(29)	(591)	-	(105)	-	(725)
Writte off	-	-	-	(32)	(25)	-	-	-	(57)
At 31 December 2012	17,410	3,706	72,706	13,618	21,787	6,960	7,542	1,444	145,173
Accumulated depreciation									
At 1 January 2012	-	180	19,642	5,254	13,068	1,948	4,552	-	44,644
Depreciation charge for the year	-	44	1,917	1,332	1,894	1,411	826		7,424
Disposals	-	-	-	(11)	(254)	-	(1)	-	(266)
Write offs	-	-	-	(11)	(16)	-	-	-	(27)
At 31 December 2012	-	224	21,559	6,564	14,692	3,359	5,377	-	51,775
Net carrying amount									
At 31 December 2012	17,410	3,482	51,147	7,054	7,095	3,601	2,165	1,444	93,398

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.11 Investment properties

	FRS Framework	<---MFRS Framework--->	
	<---------------------	Audited	--------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Cost			
At 1 January			
As previously stated	464,415	473,488	698,274
Adoption of MFRS	-	223,458	-
At 1 January, restated	464,415	696,946	698,274
Additions	7,134	2,345	65,044
Reclassified (to)/from asset classified as held for sale	-	(841)	841
Write back during the year	-	-	59
Transfer from property, plant and equipment	1,939	-	-
Disposals	-	(176)	(104,803)
At 31 December	473,488	698,274	659,415
Accumulated depreciation and impairment			
At 1 January			
As previously stated	8,975	10,187	7,073
Adoption of MFRS	-	(4,848)	-
At 1 January, restated	8,975	5,339	7,073
Depreciation charge for the year	1,212	1,734	1,721
At 31 December	10,187	7,073	8,794
Net carrying amount	463,301	691,201	650,621
Estimated fair value	811,061	811,104	866,000

Investment properties comprise freehold land and leasehold land and buildings. Freehold land has an unlimited useful life and therefore is not depreciated while leasehold land is being depreciated over their lease terms of 59 to 999 years (2011: 59 to 999 years and 2010: 59 to 999 years).

Investment properties are stated at cost. Estimated fair value is based on valuations performed by an accredited independent valuers with recent experience in the location and category of properties being valued. Fair value is determined using the comparison method of valuation.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.11 Investment properties (cont'd.)

Carrying amounts of certain investment properties of the Group amounting to RM144,523,000 (2011: RM87,156,000 and 2010: RM78,164,000) and RMNil (2011: RM205,634,000 and 2010: RMNil) are pledged as securities for the Group's (Note 5.21) and the ultimate holding company's bank borrowings respectively.

On 19 July 2012, Pejabat Pengarah Tanah dan Galian Johor, made a compulsory acquisition of certain portion of land belonging to Kelana Megah Development Sdn Bhd, one of the Identified Subsidiaries. The freehold land measured 2,840.84 acres was acquired for a cash consideration of RM114,964,000 realising a gain of RM12,253,000.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or development investment properties or for repairs, maintenance and enhancements except for certain joint ventures have been undertaken with Bandaraya Development Berhad in respect of investment properties with carrying amounts of RM302,932,000 (2011: RM293,628,000, 2010: RMNIL). Details of the joint ventures are as follows:

(i) On 29 April 2011, Magnum.Com Sdn. Bhd. ("MCSB"), one of the Identified Subsidiaries, entered into a Joint Venture Agreement ("JVA") with a subsidiary company of Bandar Raya Developments Berhad, Orion Vibrant Sdn. Bhd. ("OVSB"), to undertake development of 20 parcels of land in Pulau Pinang (measuring approximately 80.897 acres) ("PP Land") legally and/or beneficially owned by MCSB.

    In accordance with the JVA, MCSB is to be paid 22% of the cash collected pursuant to billings issued of the proposed development for the PP Land ("the Land Owner's Entitlement") by way of completed units or components, or by a combination of cash payment and completed units or components. Within 30 days from the date of the JVA, MCSB received RM9,000,000 from OVSB as upfront and advance amount towards account of the Land Owner's entitlement (Note 5.22.ii).

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.11 Investment properties (cont'd.)

(ii) On 13 January 2012, MCSB entered into a separate JVA with OVSB, to undertake development of 3 parcels of freehold land in Pulau Pinang measuring 2.1 acres.

In accordance with the JVA, the payment for the purchase of the 3 parcels of land is to be made jointly through OVSB's contribution of 74.53% (or not exceeding RM7,900,000) and through MCSB's contribution of 25.47% (or not exceeding RM2,700,000).

The 3 parcels of land were acquired in FYE 2012 with the land titles registered under MCSB's name and MCSB accordingly recognised the full cost of acquisition as its investment properties, despite only having a beneficial interest of 25.47% while recognising the balance of 74.53% as payable to OVSB. MCSB has received the RM7,751,000 being the 74.53% contribution from OVSB for the acquisition of land in FYE 2012 (Note 5.22.iii).

(iii) On 29 April 2011, Mimaland Berhad ("MB"), one of the Identified Subsidiaries signed a separate JVA with a subsidiary company of Bandar Raya Developments Berhad, Magna Senandung Sdn. Bhd. ("MSSB"), to undertake development of seven parcels of land in Gombak (measuring approximately 324 acres) ("G Land").

In accordance with the JVA, MB is to be paid 22% of the cash collected pursuant to billings issued of the proposed development for the G Land ("the Land Owner's Entitlement") by way of completed units or components, or by a combination of cash payment and completed units or components. Within 30 days from the date of the JVA, MB has received RM34,000,000 from the MSSB as upfront and advance amount towards account of the Land Owner's entitlement (Note 5.22.ii).

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.11 Investment properties (cont'd.)

(iv) On 29 April 2011, Tibanis Sdn. Bhd. ("TSB"), one of the Identified Subsidiaries, entered into a separate JVA with a subsidiary company of Bandar Raya Developments Berhad, Pinggir Mentari Sdn Bhd ("PMSB"), to undertake development of 2 parcels of land in Gombak (measuring approximately 265.13 acres) ("G2 Land").

In accordance with the JVA, TSB is to be paid 22% of the cash collected pursuant to billings issued of the proposed development for the G2 Land ("the Land Owner's Entitlement") by way of completed units or components, or by a combination of cash payment and completed units or components. Within 30 days from the date of the JVA, TSB has received RM22,000,000 from PMSB as upfront and advance amount towards account of the Land Owner's entitlement (Note 5.22.ii).

5.12 Investment in an associate

	FRS Framework	<---MFRS Framework--->	
	<---Audited	-------	--->
	2010 RM'000	2011 RM'000	2012 RM'000
Unquoted shares in Malaysia, at cost	100	100	100
Share of post-acquisition reserves	3,404	2,329	1,138
	3,504	2,429	1,238

Details of the associated company, which is incorporated in Malaysia, are as follows:

Name of associated company	Principal activity	2010	2011	2012
Tune Insurance (Labuan) Ltd.	Reinsurance	20%	20%	20%

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.12 Investment in an associate (cont'd.)

Share of associate's statement of financial positions, revenue and profit:

	FRS Framework	<---MFRS Framework--->	
	<---Audited	---	--->
	2010 RM'000	2011 RM'000	2012 RM'000
Assets	3,851	2,577	768
Liabilities	(331)	(647)	(331)
Revenue	8,451	10,977	2,838
Profit for the year	5,308	7,025	2,309

The summarised financial information of the associates are as follows:

	FRS Framework	<---MFRS Framework--->	
	<---Audited	---	--->
	2010 RM'000	2011 RM'000	2012 RM'000
Assets and liabilities			
Current assets	19,252	12,883	3,841
Non-current assets	4	3	-
Total assets	19,256	12,886	3,841
Current liabilities	1,654	3,234	1,659
Total liabilities	1,654	3,234	1,659

	FRS Framework	<---MFRS Framework--->	
	<---Audited	---	--->
	2010 RM'000	2011 RM'000	2012 RM'000
Results			
Revenue	42,254	54,884	14,193
Profit for the year	26,540	35,125	11,545
Share of profit	5,308	7,025	2,309
Dividend received	4,232	8,100	3,500

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.13 Intangible assets

	FRS Framework	<---MFRS Framework--->	
	<---------------------	Audited	------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Cost			
At 1 January	-	2,613	3,139
Additions	-	171	1,162
Write off	-	(4)	(12)
Reclassified from property, plant and equipment	2,613	359	-
At 31 December	2,613	3,139	4,289
Accumulated amortisation			
At 1 January	-	2,014	2,540
Amortisation charge for the year	-	171	326
Write off	-	(4)	(12)
Reclassified from property, plant and equipment	2,014	359	-
At 31 December	2,014	2,540	2,854
Net carrying amount	599	599	1,435

Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of a subsidiary of the Group.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.14 Reinsurance assets / Insurance contract liabilities

	FRS Framework			MFRS Framework					
	2010			2011			2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
General insurance	619,948	(352,148)	267,800	657,227	(357,054)	300,173	703,003	(358,727)	344,276
The movements are further analysed as follow:									
Provision for claims reported by policy holders	381,184	(242,588)	138,596	382,399	(226,618)	155,781	409,547	(233,728)	175,819
Provision for claims incurred but not reported ("IBNR")	99,663	(65,410)	34,253	127,054	(82,475)	44,579	114,571	(61,674)	52,897
Provision for outstanding claims	480,847	(307,998)	172,849	509,453	(309,093)	200,360	524,118	(295,402)	228,716
Provision for unearned premium	139,101	(44,150)	94,951	147,774	(47,961)	99,813	178,885	(63,325)	115,560
	619,948	(352,148)	267,800	657,227	(357,054)	300,173	703,003	(358,727)	344,276
(a) Provision for outstanding claims									
At 1 January	560,151	(406,279)	153,872	480,847	(307,998)	172,849	509,453	(309,093)	200,360
Claims incurred in current accident year	236,945	(129,870)	107,075	105,485	(46,094)	59,391	114,087	(52,084)	62,003
Claims incurred in prior accident year	35,933	(18,254)	17,679	74,589	(57,549)	17,040	13,842	(5,434)	8,408
Movement in provision of risk margin for adverse deviation of claim liabilities at 75% confidence level	(9,165)	11,070	1,905	12,247	(11,504)	743	(10,535)	12,471	1,936
Movement in claims handling expenses	700	-	700	960	-	960	(60)	-	(60)
Adjustment in IBNR	(40,490)	49,652	9,162	27,392	(17,065)	10,327	(12,483)	20,801	8,318
Other movement in claims incurred during the year	(92,515)	83,663	(8,852)	16,836	36,432	53,268	83,609	(16,266)	67,343
Claims paid during the year	(210,712)	102,020	(108,692)	(208,903)	94,685	(114,218)	(173,795)	54,203	(119,592)
At 31 December	480,847	(307,998)	172,849	509,453	(309,093)	200,360	524,118	(295,402)	228,716
(b) Provision for unearned premiums									
At 1 January	182,585	(101,013)	81,572	139,101	(44,150)	94,951	147,774	(47,961)	99,813
Premiums written in the year	440,782	(207,665)	233,117	477,883	(238,501)	239,382	505,385	(242,419)	262,966
Premiums earned during the year	(484,266)	264,528	(219,738)	(469,210)	234,690	(234,520)	(474,274)	227,051	(247,223)
At 31 December	139,101	(44,150)	94,951	147,774	(47,961)	99,813	178,885	(63,329)	115,556

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II **Identified Subsidiaries (cont'd.)**

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Non-current			
Available-for-sale financial assets			
Unquoted shares in Malaysia, at cost	1,001	1,001	1,001
Held-to-maturity			
Corporate bonds, at cost	5,000	-	-
Total non-current investment securities	6,001	1,001	1,001
Current			
Available-for-sale financial assets			
Quoted corporation in Malaysia	34,078	36,995	58,016
Quoted corporation outside Malaysia	3,626	2,436	3,951
Corporate bonds	4,887	4,276	4,533
Wholesale fund/unit trust	226,599	247,429	290,196
	269,190	291,136	356,696
Fair-value-through-profit and loss			
Quoted shares in Malaysia	800	719	529
Corporate bonds	1,470	774	918
Irredeemable convertible loan stocks ("ICULS")	27,337	27,560	17,623
	29,607	29,053	19,070
Total current investment securities	298,797	320,189	375,766
Total investment securities	304,798	321,190	376,767

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities (cont'd.)

The following table provides information on the interest rate at the reporting date and the maturity or repricing periods, whichever is earlier.

FRS Framework

	2010				
	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Interest rate %
Corporate bonds	6,357	5,000	-	11,357	6.29
ICULS	27,337	-	-	27,337	3.40

MFRS Framework

	2011				
	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Interest rate %
Corporate bonds	5,050	-	-	5,050	6.29
ICULS	27,560	-	-	27,560	3.40

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities (cont'd.)

MFRS Framework

	2012				
	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Interest rate %
Corporate bonds	5,451	-	-	5,451	6.29
ICULS	17,623	-	-	17,623	3.40

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities (cont'd.)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments carried at fair value in the combined statements of financial position:

FRS Framework

31 December 2010

Investment securities	Group RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Not at fair value RM'000
Non-current					
Available-for-sale financial assets	1,001	-	-	-	1,001
	1,001	-	-	-	1,001
Current					
Financial assets at fair value through profit or loss	29,607	29,607	-	-	-
Available-for-sale financial assets	269,190	37,704	231,486	-	-
Total current	298,797	67,311	231,486	-	-
Total investment	299,798	67,311	231,486	-	1,001

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities (cont'd.)

The Group held the following financial instruments carried at fair value in the combined statements of financial position (cont'd.):

MFRS Framework

31 December 2011

Investment securities	Group RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Not at fair value RM'000
Non-current					
Available-for-sale financial assets	1,001	-	-	-	1,001
Current					
Financial assets at fair value through profit or loss	29,053	29,053	-	-	-
Available-for-sale financial assets	291,136	39,431	251,705	-	-
Total current	320,189	68,484	251,705	-	-
Total investment	321,190	68,484	251,705	-	1,001

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.15 Investment securities (cont'd.)

The Group held the following financial instruments carried at fair value in the combined statements of financial position (cont'd.):

MFRS Framework

31 December 2012

Investment securities	Group RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Not at fair value RM'000
Non-current					
Available-for-sale financial assets	1,001	-	-	-	1,001
Current					
Financial assets at fair value through profit or loss	19,070	19,070	-	-	-
Available-for-sale financial assets	356,696	61,968	294,728	-	-
Total current	375,766	81,038	294,728	-	-
Total investment	376,767	81,038	294,728	-	1,001

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables

	Note	FRS Framework	<---MFRS Framework--->	
		<--------------------	Audited	------------------->
		2010	2011	2012
		RM'000	RM'000	RM'000
Non-current				
Other receivable	(a)	15,016	24,684	-
Current				
Loans and advances	(b)	270,800	111,455	104,396
Less: Interest-in-suspense		(189,585)	(69,971)	(69,971)
Allowance for impairment		(33,726)	(23,352)	(22,411)
Security deposit		(1,664)	(1,664)	(1,664)
		45,825	16,468	10,350
Insurance receivable				
Outstanding premium including agents/brokers balance	(c)	55,753	70,949	87,776
Less: Allowance for impairment		(3,088)	(3,199)	(2,584)
		52,665	67,750	85,192
Amounts due from reinsurers/ ceding companies and co-insurers	(c)	19,293	22,283	21,423
Less: Allowance for impairment		(778)	(709)	(817)
		18,515	21,574	20,606
Advance commission		4,666	3,996	704
Total insurance receivable		75,846	93,320	106,502
Trade receivables	(d)	24,568	23,758	3,962
Less: Allowance for impairment		(494)	(494)	-
		24,074	23,264	3,962
Other receivables	(e)	45,395	49,258	56,599
Staff loan		116	51	38
Amount due from MPHB		-	-	77,574
Deposits	(f)	10,133	15,533	-
		55,644	64,842	134,211
Total current receivables		201,389	197,894	255,025
Total receivables		216,405	222,578	255,025
Add: Cash and bank balances (Note 5.19)		163,219	181,874	379,425
Total loans and receivables		379,624	404,452	634,450

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(a) Non-current receivable

The non-current receivable represents present value of future cash flows repayable from a debtor of a subsidiary. The present value of future cash flows repayable is based on a discount rate which approximates the weighted average cost of capital of the subsidiary.

(b) Loan and advances

The ageing analysis of the Group's loan and advances is as follows:

	FRS Framework	<---MFRS Framework--->	
	<---Audited	---	--->
	2010	2011	2012
	RM'000	RM'000	RM'000
Neither past due nor impaired	47,489	18,132	12,014
Impaired and interest-in-suspense	223,311	93,323	92,382
	270,800	111,455	104,396

Loan and advances that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Movements in allowance account are as follows:

	FRS Framework	<---MFRS Framework--->	
	<---Audited	---	--->
	2010	2011	2012
	RM'000	RM'000	RM'000
At 1 January	33,761	33,726	23,352
Charge for the year	-	1,643	1,981
Write back of impairment loss	-	(6)	(2,922)
Write off	(35)	(12,011)	-
At 31 December	33,726	23,352	22,411

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(c) Outstanding premium including agents/brokers balance, amounts due from reinsurers/ceding companies and co-insurers

The ageing analysis of the Group's outstanding premium including agents/brokers balance and amounts due from reinsurers/ceding companies and co-insurers are as follows:

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited------------------->		
	2010 RM'000	2011 RM'000	2012 RM'000
Neither past due nor impaired	40,125	38,503	63,853
1 to 30 days past due not impaired	9,342	13,854	13,296
31 to 60 days past due not impaired	7,620	20,878	5,271
61 days past due not impaired	14,093	16,089	23,378
	31,055	50,821	41,945
Impaired	3,866	3,908	3,401
	75,046	93,232	109,199

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(c) Outstanding premium including agents/brokers balance, amount due from reinsurers/ceding companies and co-insurers (cont'd.)

The Group has outstanding premium including agents/brokers balance and amount due from reinsurers/ceding companies, co-insurers amounting to RM41,945,000 (2011: RM50,821,000 and 2010: RM31,055,000) that are past due at the reporting date but not impaired. As at 31 December 2012, outstanding premium including agents/brokers balance and amount due from reinsurers/ceding companies, co-insurers and advance commission amounting to RM3,401,000 (2011: RM3,908,000 and 2010: RM3,866,000) were fully impaired. Movements in allowance account are as follows:

	FRS Framework	<---MFRS Framework--->	
	<-----Audited----->		
	2010 RM'000	2011 RM'000	2012 RM'000
At 1 January	5,395	3,866	3,908
Charge for the year	-	100	-
Write back of impairment loss	(1,529)	(58)	(507)
At 31 December	3,866	3,908	3,401

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors and the Group's normal trade credit term is 30 to 90 (2011: 30 to 90 and 2010: 30 to 90) days.

(d) Trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	FRS Framework	<---MFRS Framework--->	
	<-----Audited----->		
	2010 RM'000	2011 RM'000	2012 RM'000
Neither past due nor impaired	24,074	23,264	3,962
Impaired	494	494	-
	24,568	23,758	3,962

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(d) Trade receivables (cont'd.)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial years.

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited-------------------->		
	2010	2011	2012
	RM'000	RM'000	RM'000
At 1 January	-	494	494
Charge for the year	494	-	-
Write back during the year	-	-	(305)
Write off during the year	-	-	(189)
At 31 December	494	494	-

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(e) Other receivables

Breakdown of other receivables of the Group are as follows:

	FRS Framework	<---MFRS Framework--->	
	<----------Audited	----------	---------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	6,721	12,505	18,255
Income due and accrued	4,723	5,907	2,101
Deposits and prepayments	324	454	1,025
Amount due from related parties	764	1,052	969
Amount due from stockbrokers	-	10,157	593
Amount due from third party for development	27,219	13,048	26,534
Amount due from contractor	-	-	1,765
Prepayment of property development costs for Imbi land	3,645	3,799	-
Other receivables	1,999	2,336	5,499
	45,395	49,258	56,741
Less: Allowance for impairment	-	-	(142)
Total other receivables	45,395	49,258	56,599

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	FRS Framework	<---MFRS Framework--->	
	<----------Audited	----------	---------->
	2010	2011	2012
	RM'000	RM'000	RM'000
At 1 January	-	-	-
Charge for the year	-	-	142
At 31 December	-	-	142

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

(f) Deposits

		FRS Framework	<---MFRS Framework--->	
		<--------------------Audited	--------------------	-------------------->
		2010	2011	2012
		RM'000	RM'000	RM'000
Leisure Dotcom Sdn. Bhd.				
Purchase of land from Globesource Sdn. Bhd.	(i)	7,216	7,216	7,216
Caribbean Gateway Sdn. Bhd.				
Purchase of land from Abeille D'or Corporation Sdn. Bhd.	(ii)	-	3,023	-
Purchase of land from Projek Ehsan (M) Sdn. Bhd.	(iii)	-	1,850	-
Others		2,917	3,444	2,917
		10,133	15,533	10,133
Allowance for impairment		-	-	(10,133)
		10,133	15,533	-

(i) On 21 June 2007, Leisure Dotcom Sdn. Bhd. entered into Sale And Purchase Agreement with Globesource Sdn. Bhd. for the purchase of approximately 72,162 square metres of land held under GRN 8176, Lot No. 1216, Seksyen 67 in Bandar Kuala Lumpur, District of Kuala Lumpur for a total consideration of RM72,162,000. The deposit amount was fully provided in FYE 2012 pursuant to the outcome of the material litigation as disclosed in Note 5.25.

(ii) On 26 July 2011, Caribbean Gateway Sdn. Bhd. entered into Sale And Purchase Agreement with Abeille D'or Corporation Sdn. Bhd. for the purchase of approximately 940 square metres of land held under GRN 42744, Lot No. 1286, Seksyen 67 in Bandar Kuala Lumpur, District of Kuala Lumpur for a total consideration of RM30,233,000.

As at 31 December 2012, the purchase has been completed. The land is treated as investment property.

(iii) On 22 August 2011, Caribbean Gateway Sdn. Bhd. entered into Sale And Purchase Agreement with Projek Ehsan (M) Sdn. Bhd. for the purchase of approximately 563 square metres of land held under GRN 28267, Lot No. 634, Seksyen 67 in Bandar Kuala Lumpur, District of Kuala Lumpur for a total consideration of RM18,500,000.

As at 31 December 2012, the purchase has been completed. The land is treated as investment property.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.16 Trade and other receivables (cont'd.)

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

5.17 Deferred tax (assets)/liabilities

		FRS Framework	<---MFRS Framework--->	
		<--------------------	Audited	-------------------->
		2010	**2011**	**2012**
		RM'000	**RM'000**	**RM'000**
At 1 January		6,208	2,589	21,409
Effect of adopting MFRS		-	13,747	-
Recognised in statements of comprehensive income (Note 5.6)		(3,619)	3,522	(782)
Recognised in equity		-	1,551	1,158
At 31 December		2,589	21,409	21,785
Presented after appropriate offsetting as follows:				
Deferred tax assets	(a)	(14,051)	(12,533)	(12,113)
Deferred tax liabilities	(b)	16,640	33,942	33,898
		2,589	21,409	21,785

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.17 Deferred tax (assets)/liabilities (cont'd.)

(a) Deferred tax assets

	Allowance for provision doubtful debts RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
FRS Framework				
At 1 January 2010	(1,303)	(11,306)	(175)	(12,784)
Recognised in statements of comprehensive income	-	(755)	(512)	(1,267)
At 31 December 2010	(1,303)	(12,061)	(687)	(14,051)
MFRS Framework				
At 1 January 2011	(1,303)	(12,061)	(687)	(14,051)
Recognised in statements of comprehensive income	326	1,419	(227)	1,518
At 31 December 2011	(977)	(10,642)	(914)	(12,533)
At 1 January 2012	(977)	(10,642)	(914)	(12,533)
Recognised in statements of comprehensive income	299	297	(176)	420
At 31 December 2012	(678)	(10,345)	(1,090)	(12,113)

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.17 Deferred tax (assets)/liabilities (cont'd.)

(b) Deferred tax liabilities

	Investment property, property, plant and equipment and fair value changes on investment RM'000	Others RM'000	Total RM'000
FRS Framework			
At 1 January 2010	18,311	681	18,992
Recognised in statement of comprehensive income	(2,343)	(9)	(2,352)
At 31 December 2010	15,968	672	16,640
MFRS Framework			
At 1 January 2011	15,968	672	16,640
Adoption of MFRS	13,747	-	13,747
At 1 January, restated	29,715	672	30,387
Recognised in statement of comprehensive income	2,305	(301)	2,004
Recognised in equity	1,551	-	1,551
At 31 December 2011	33,571	371	33,942
At 1 January 2012	33,571	371	33,942
Recognised in statement of comprehensive income	(1,857)	655	(1,202)
Recognised in equity	1,158	-	1,158
At 31 December 2012	32,872	1,026	33,898

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.18 Inventories

	FRS Framework	<---MFRS Framework--->	
	<--------------------	Audited	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
At cost:			
Condominium units	3,509	2,506	-
At net realisable value:			
Finished goods	295	232	202
Total	3,804	2,738	202

During the year, the amount of inventories recognised as an expense in cost of sales was RM2,536,000 (2011: RM1,798,000 and 2010: RM1,330,000).

5.19 Cash and bank balances

	FRS Framework	<---MFRS Framework--->	
	<--------------------	Audited	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Cash at banks and on hand	9,607	13,272	12,528
Deposits with licensed banks	153,612	168,602	366,897
Deposits, cash and bank balances	163,219	181,874	379,425
Deposits with licensed banks with maturity period of more than 3 months	-	(83,837)	(75,845)
Cash and cash equivalents	163,219	98,037	303,580

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.19 Cash and bank balances (cont'd.)

Deposits with licensed banks are placed for a period ranging between 1 to 365 days (2011: 1 day to 365 days and 2010: 1 day to 365 days).

The effective interest rates of deposits at the reporting date were 2.3% to 3.53% (2011: 2.3% to 3.20% and 2010: 1.5% to 3.53%) per annum during the financial years.

5.20 Asset classified as held for sale

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010 RM'000	2011 RM'000	2012 RM'000
At 1 January	-	-	841
Reclassified from/(to) investment properties	-	841	(841)
At 31 December	-	841	-

On 21 October 2011, Kelana Megah Development Sdn. Bhd. ("KMDSB") entered into an agreement to dispose of a piece of freehold land held under Geran 95049 for Lot 74, Mukim Pengerang for a cash consideration of RM5.8 million. The said freehold land was classified as asset held for sale of RM841,063 in FYE 2011, subject to approval from relevant estate land board in accordance to the National Land Code 1965. The disposal was disapproved by relevant estate land board in FYE 2012 and consequently it was reclassified back as investment property.

5.21 Borrowings

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010 RM'000	2011 RM'000	2012 RM'000
Non-current			
Secured:			
Revolving credits	-	8,500	9,000
Term loan	55,000	60,755	84,371
	55,000	69,255	93,371

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.21 Borrowings (cont'd.)

	FRS Framework	<---MFRS Framework--->	
	<---------------------	Audited	--------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Current			
Secured:			
Revolving credits	3,500	3,000	3,000
Term loan	-	-	14,714
	3,500	3,000	17,714
Total loans and borrowings			
Revolving credits	3,500	11,500	12,000
Term loan	55,000	60,755	99,085
	58,500	72,255	111,085

The remaining maturities of the borrowings are as follows:

	FRS Framework	<---MFRS Framework--->	
	<---------------------	Audited	--------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
On demand within one year	3,500	3,000	17,714
Later than 1 year and not later than 2 years	18,333	17,714	29,650
Later than 2 years and not later than 5 years	36,667	51,541	63,721
	58,500	72,255	111,085

The short term revolving credit bore interest rate ranging from 4.75% to 5.10% per annum (2011: 4.75 to 5.10% and 2010: 4.75%) during the financial year.

The term loan under Caribbean Gateway Sdn. Bhd., one of the Identified Subsidiaries, amounting to RM99,085,000 (2011: RM60,755,000 and 2010: RM55,000,000) are secured by certain investment properties. A corporate guarantee dated 29 April 2013 has been given by MPHB Capital to a licensed bank for term loan and revolving credit facilities granted to Caribbean Gateway Sdn. Bhd.. The term loan bore interest at rates ranging between 4.62% to 5.04% per annum (2011: 4.62% to 5.04% and 2010: 3.82% to 4.62%) during the financial year.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.22 Trade and other payables

	FRS Framework	<---MFRS Framework--->	
	<----------	Audited	---------->
	2010	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
Trade payables	6,329	23,350	1,056
Amount due to agents, intermediaries, reinsurers and cedants	49,447	48,159	73,055
Amount due to share brokers	-	-	6,040
Deferred revenue [(i)]	5,343	22,285	-
Advances received from Joint Venture Partner [(ii)]	-	65,000	65,000
Amount held in trust for the acquisition of land costs [(iii)]	-	-	7,751
Amount due to related companies	416,607	147,838	3
Amounts due to NCI of a subsidiary	10,614	10,035	10,035
Other payables and accruals	38,814	20,676	55,633
Total trade and other payables	527,154	337,343	218,573
Add: Loans and borrowings (Note 5.21)	58,500	72,255	99,085
Total financial liabilities carried at amortised cost	585,654	409,598	317,658

The normal trade credit terms granted to the Group range from 30 days to 60 days (2011: 30 days to 60 days and 2010: 30 days to 60 days).

(i) Deferred revenue

On 28 September 2009, Multi-Purpose Development (PG) Sdn. Bhd. ("MPDPG"), one of the Identified Subsidiaries, entered into a Joint Venture Agreement ("JVA") with Jiran Cergas Sdn. Bhd. ("JC") to jointly develop a piece of land. In accordance with the JVA, in consideration of MPDPG providing its land measuring 6.0836 acres and JC developing the properties, the agreed selling price shall be shared between MPDPG and JC in the ratio of 50% : 50%. Accordingly, MPDPG fully recognised its deferred revenue to profit and loss in FYE 2012 as all the property units were sold and completed.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.22 Trade and other payables (cont'd.)

(ii) Advances received from Joint Venture Partner

Advances received from joint venture partners relate to the development of investment properties (Notes 5.11(i), 5.11(iii) and 5.11(iv)).

(iii) Amount held in trust for the acquisition of land costs

Amount held in trust for the acquisition of land costs relates to the remaining 74.53% acquisition of land costs received (Note 5.11(ii)).

The amounts due to NCI of a subsidiary represent amounts funded by shareholders for the acquisition of investment properties and are repayable on demand.

The amounts due to related companies, which are other subsidiaries of MPHB, are unsecured, non interest bearing and repayable on demand.

5.23 Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010 RM'000	2011 RM'000	2012 RM'000
Future minimum rentals payable:			
Not later than 1 year	1,295	919	1,467
Later than 1 year and not later than 5 years	764	275	3,111
	2,059	1,194	4,578

5.24 Capital commitments

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010 RM'000	2011 RM'000	2012 RM'000
Approved and contracted for:			
Investment properties	-	43,860	-
Computer hardware and software	1,906	1,688	908

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.25 Contingent liabilities

Material litigation

Kuala Lumpur High Court Suit No. S1-22-946-2008

On 6 October 2008, Leisure Dotcom Sdn Bhd ("LDSB"), one of the Identified Subsidiaries, commenced legal proceedings against Globesource Sdn Bhd ("GSB") claiming for among others, specific performance for delivery of a piece of freehold land and 2 leases in Kuala Lumpur ("Property") pursuant to a conditional sale and purchase agreement entered into between LDSB and GSB ("SPA") on 21 June 2007. Pursuant to the SPA, GSB is to sell and LDSB is to purchase the Property for a total consideration of RM72,160,000 ("Purchase Price"). Upon execution of the SPA, LDSB paid a deposit of RM7,216,000 representing 10% of the Purchase Price. Trial has concluded on 13 March 2012 and the Judicial Commissioner has directed parties to file written submissions by 30 March 2012. The parties have filed written replies and clarification on 18 April 2012.

On 6 July 2012, LDSB's suit was dismissed with costs by the Kuala Lumpur High Court. Subsequently on 9 July 2012, the Company filed a notice of appeal against the decision made by the High Court. On 19 September 2012, the Kuala Lumpur High Court granted the Company, Erinford Injunction order as well as a stay of execution until the Company's appeal to the Court of Appeal is heard. Based on available information and in view of the Decision by High Court, the Company made a full allowance for impairment on the deposit and prepayment of RM10,133,000 in FYE 2012.

5.26 Significant related party transactions

In addition to the related party information disclosed elsewhere in the audited combined financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial years:

	FRS Framework	<---MFRS Framework--->	
	<--------------------Audited	--------------------	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Ultimate holding company-MPHB			
Management fees payable	1,335	2,284	593
Interest expense	-	1,294	728
Interest income	-	(1,847)	(4,643)
Office rental payable	1,608	1,522	-
Insurance commission payable	40	33	16
Gross insurance premium receivables	(265)	(234)	(122)
Claim paid	12	18	18
Inter-companies loan/advances	(28,583)	(268,769)	(147,835)

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.26 Significant related party transactions (cont'd.)

	FRS Framework	<---MFRS Framework--->	
	<--------------------	Audited	-------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Related companies			
Gross insurance premium receivables	(2,660)	(2,205)	(2,140)
Insurance commission payable	510	456	426
Office rental payable	69	69	69
Claim paid	351	347	380
Brokerage payable	5	76	151
IT management fees paid	642	745	784
Associate company			
Premium ceded to reinsurers	42,253	54,884	17,818
Fees and commission income	(13,203)	(17,179)	(5,481)
Claims ceded to reinsurers	(1,222)	(1,123)	(1,212)
Insurance levy recovery	(84)	-	-
Affiliated companies			
Gross insurance premium receivables	(929)	(1,190)	(1,564)
Insurance commission payable	135	167	212
Claim paid	403	1,382	322
Professional fees	2	3	2
Office rental payable	52	57	60

The above transactions are entered into in the normal course of business based on negotiated and mutually agreed terms.

Affiliated companies during the financial year refer to the following:

- Ganda Pesona Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director of a subsidiary of the Identified Subsidiaries has a substantial financial interest.

- MWE Properties Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director of a subsidiary of the Identified Subsidiaries has a substantial financial interest.

The remuneration paid to the key management personnel during the financial year is disclosed in Note 5.3(a) to the audited combined financial statements.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.27 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the the development of the Group's businesses whilst managing its interest rate risk, liquidity risk, credit risk, market price risk and insurance risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

Risk Management Framework of Multi-Purpose Insurans Bhd, a subsidiary of the Group

The Board of Multi-Purpose Insurans Bhd ("MPIB"), one of the Identified Subsidiaries, with the assistance of the management of MPIB, have implemented risk management processes that sets 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.

The Strategic Operations Management Committee ("SOMC"), headed by Chief Executive Officer of MPIB was established with the responsibility to identify on critical risks in terms of likelihood exposures and impact on MPIB's business and the management action plans to manage these risks regularly.

The independent risk management and control functions under the Internal Audit Department provides the necessary support to the committee, and SOMC is responsible to ascertain that the risk policies are implemented and complied with.

The Business Units are responsible for identifying, mitigating and managing risks within their lines of business and ensure that their day-to-day business activities are carried out in accordance with the established risk policies, procedures and limits.

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

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

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.27 Financial risk management objectives and policies

Risk Management Framework of Multi-Purpose Insurans Bhd, a subsidiary of the Group (cont'd.)

Capital Management Plan

Pursuant to the RBC for Insurers issued by BNM, the Board of Directors had approved and adopted a Capital Management Plan ("CMP") for MPIB in line with the requirements set out in the RBC 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 taking into account events that can impact directly or indirectly on the operations and financial resilience of the Group whilst complying with 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 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 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 exercise 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 include a Stress Policy which requires a stress test be conducted twice a year to systematically evaluate the extent by which the 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 the submission to BNM.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.27 Financial risk management objectives and policies

Risk Management Framework of Multi-Purpose Insurans Bhd, a subsidiary of the Group (cont'd.)

Asset/Liability Management ("ALM")

The primary objective of MPIB's asset/liability management policy is to ensure that adequate liquid assets are held at all times and provide a 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 insurance. MPIB's SOMC and Investment Committee are primarily responsible for the asset/liability management based on guidelines approved by the Board of MPIB.

5.28 Financial Instruments

(a) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts and the Group's investments in interest-bearing financial instruments.

For interest-bearing debts, which are floating rate instruments, the Group monitors interest rate trends closely, taking into consideration market and economic factors which impact interest rates.

The investments in financial assets are mainly short term in nature and have been placed in fixed deposits or in short term commercial papers or invested in marketable securities which yield better returns than cash at bank.

For investments in marketable securities, the Group has in place investment policies which comprise among others, the requirement to diversify and optimise its investment portfolio and to manage its investment portfolio's exposure to interest rate risks. The Group's investment committee also meets on a regular basis to review the performance of its investments.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(a) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the profit net of tax.

	2010		2011		2012	
	Increase/ decrease in basis points	Effect on profit net of tax RM'000	Increase/ decrease in basis points	Effect on profit net of tax RM'000	Increase/ decrease in basis points	Effect on profit net of tax RM'000
Group	+25	(131)	+25	(147)	+25	(202)
	- 25	131	- 25	147	- 25	202

(b) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding to meet its refinancing, repayment and funding needs. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group also apportions its investments in marketable securities and other financial investments into different maturity profiles. In addition, the Group strives to maintain a reasonable level of available banking facilities. As far as possible, the Group balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The following policies and procedures are in place to mitigate MPIB's exposure to liquidity risk:

i) A company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk for MPIB. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to MPIB's SOMC as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.

ii) MPIB has set the guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

iii) MPIB's treaty reinsurance contracts contains clauses permitting MPIB to call the reinsurers for funds to meet claim payment should claim events exceed a specify amount.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(b) Liquidity risk (cont'd.)

Financial liabilities:	On demand or within one year RM'000	One to two years RM'000	Two to three years RM'000	Three to four years RM'000	More than four years RM'000	Total RM'000
FRS Framework						
31 December 2010						
Trade and other payables	527,154	-	-	-	-	527,154
Loans and borrowings	6,169	2,761	16,185	19,868	23,546	68,529
Total undiscounted financial liabilities	533,323	2,761	16,185	19,868	23,546	595,683
MFRS Framework						
31 December 2011						
Trade and other payables	337,343	-	-	-	-	337,343
Loans and borrowings	14,569	17,427	21,985	20,973	5,541	80,495
Total undiscounted financial liabilities	351,912	17,427	21,985	20,973	5,541	417,838
31 December 2012						
Trade and other payables	210,570	-	-	-	-	210,570
Loans and borrowings	22,086	33,911	38,777	22,507	6,509	123,790
Total undiscounted financial liabilities	22,982	33,911	38,777	22,507	6,509	334,360

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of SPV Capital Berhad (cont'd.)

5.28 Financial Instruments (cont'd.)

(b) Liquidity risk (cont'd.)

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The Group's policy is to borrow principally on a floating rate basis are being monitored and varied according to changes in interest rates to ensure that the Group's cost of financing is kept at the lowest possible.

(c) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are managed and monitored via strictly limiting the Group's associations to business partners with high creditworthiness.

A credit approval authority limit structure approved by the Board of Directors is in place for all lending activities of the Group. Receivables are monitored on an ongoing basis via the Group's management reporting procedures. Exposure to credit risks is also managed in part by obtaining collaterals from the debtors.

The Group does not have any significant or concentration of credit risk that may arise from exposures to a single debtor or to groups of related debtors.

The Group's investments in debt securities and deposits with financial institutions also expose it to corporate and other forms of credit risks. The Group manages and monitors these risks on a continuous basis, through diversification of its investment portfolio and execution of its investment policy.

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments are listed on the Bursa Securities and Singapore Exchange Limited. The Group is also exposed to risk relating to movement in the price of quoted debt instruments, comprising Malaysian Government Securities and private debt securities. These instruments are classified as available-for-sale and fair value through profit and loss financial assets. The Group does not have exposure to commodity price risk.

The Group manages and monitors market price risk associated with its investments on a continuous basis. The Group mitigates its market risk though diversification of its investment portfolio and execution of its investment decisions based on the investment requirements set out in the RBC and its own internal policy. The Group partially outsource the management of the investments relating to its insurance business to fund managers, who are required to update the investment committee on their performance once every 6 weeks. Further, operations of the internally managed portfolio for its insurance business are carried out by its treasury/investment unit, which reports the portfolio's performance to our investment committee on a weekly basis.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(e) Insurance risk

MPIB, one of the Identified Subsidiaries underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

MPIB also underwrites some non-annual policies with coverage period more than one year such as Mortgage Reducing Personal Accident, Contractor's All Risk and Engineering, Bonds and Workmen Compensation. The majority of the insurance businesses written by the Group are Fire and Motor. Other major lines of business include Contractor's All Risk and Engineering, Workmen Compensation, Liabilities, Personal Accidents and other miscellaneous classes.

MPIB's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. MPIB seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to MPIB by indemnifying the policy holders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Group faces under insurance contracts is that the actual claims and benefits payments differ from expectations, the risks arise from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

MPIB adopts the following measures to manage the insurance risks:

(i) MPIB has in place a claims management and control system to pay claims and control claim wastage or fraud. MPIB has claim review policies to assess all new and ongoing claims, as well as procedures for claims handling procedures and investigation of possible fraudulent claims which are put in place to reduce the risk exposure of MPIB. MPIB further enforces a policy of actively managing and promptly pursuing claims, in order to reduce our exposure to unpredictable future developments that can negatively impact our business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

(ii) MPIB purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to provide market-leading capacity for MPIB's customers while protecting the statement of financial position and optimising MPIB's capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. MPIB's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial instruments (cont'd.)

(e) Insurance risk (cont'd.)

The table below sets out the concentration of the MPIB's insurance contract liabilities by type of insurance product:

	FRS Framework			MFRS Framework					
	31 December 2010			31 December 2011			31 December 2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Claim liabilities									
Motor	124,635	(13,157)	111,478	140,299	(12,223)	128,076	157,361	(11,916)	145,445
Fire	74,637	(58,219)	16,418	70,109	(48,385)	21,724	69,141	(46,772)	22,369
Marine, Aviation & Transit	116,421	(110,357)	6,064	157,097	(149,551)	7,546	147,879	(139,394)	8,485
Miscellaneous	165,154	(126,265)	38,889	141,948	(98,934)	43,014	149,737	(97,320)	52,417
	480,847	(307,998)	172,849	509,453	(309,093)	200,360	524,118	(295,402)	228,716
Premium Liabilities									
Motor	40,844	10,426	51,270	48,927	720	49,647	69,408	(11,273)	58,135
Fire	24,019	(15,452)	8,567	35,180	(21,979)	13,201	25,531	(13,120)	12,411
Marine, Aviation & Transit	18,424	(16,358)	2,066	11,849	(9,548)	2,301	16,799	(14,457)	2,342
Miscellaneous	55,814	(22,766)	33,048	51,818	(17,154)	34,664	67,147	(24,475)	42,672
	139,101	(44,150)	94,951	147,774	(47,961)	99,813	178,885	(63,325)	115,560

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(e) Insurance risk (cont'd.)

Key Assumptions

The principal assumption underlying the liability estimates is that MPIB's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, change in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimation.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign rates.

MPIB has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a minimum 75% of sufficiency, according to the requirement set by BNM under the RBC.

Sensitivities

MPIB has appointed independent actuarial firm to evaluate its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of MPIB's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(e) Insurance risk (cont'd.)

	Change in assumption	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit before tax RM'000	Impact on Equity* RM'000
FRS Framework					
31 December 2010					
Average claim cost	+10%	41,945	17,149	(17,149)	(12,862)
Average number of claims	+10%	31,088	18,370	(18,370)	(13,778)
Average claims settlement period	Increase by 6 months	4,174	4,122	(4,122)	(3,092)
MFRS Framework					
31 December 2011					
Average claim cost	+10%	45,902	18,517	(18,517)	(13,888)
Average number of claims	+10%	29,225	19,761	(19,761)	(14,821)
Average claims settlement period	Increase by 6 months	4,568	4,233	(4,233)	(3,175)
31 December 2012					
Average claim cost	+10%	48,890	20,250	(20,250)	(15,188)
Average number of claims	+10%	36,051	21,607	(21,607)	(16,205)
Average claims settlement period	Increase by 6 months	7,649	4,560	(4,560)	(3,420)

* impact on equity reflects adjustments for tax, when applicable

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd.)

(e) Insurance risk (cont'd.)

Claim Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at reporting date, together with cumulative payments to-date.

In setting provisions for claims, MPIB gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greater when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The management of MPIB believes that the estimate of total claims outstanding as of 31 December 2012 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Information in the claims development table below is provided to the extent available as the current actuary was only appointed in 2007.

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 INSURANCE RISK (CONT'D.)

(e) Claim Development Table (cont'd.)

Gross General Insurance Contract Liabilities

Accident year	Prior 2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	130,622	158,168	201,119	282,098	364,710	273,955	221,090	225,900	
One year later	130,622	158,168	201,119	282,098	283,469	297,469	196,534		
Two years later	130,622	158,168	201,119	232,193	276,209	283,844			
Three years later	130,622	158,168	197,027	227,013	273,541				
Four years later	130,622	158,168	195,365	226,850					
Five years later	129,911	160,274	194,270						
Six years later	125,544	154,456							
Seven years later	134,299								
Current estimate of cumulative claims incurred	134,299	154,456	194,270	226,850	273,541	283,844	196,534	225,900	
At end of accident year	(47,579)	(42,845)	(52,271)	(63,026)	(110,654)	(66,089)	(66,857)	(68,404)	
One year later	(95,206)	(85,871)	(98,334)	(145,216)	(196,934)	(145,219)	(132,063)		
Two years later	(102,381)	(97,434)	(165,102)	(175,215)	(225,951)	(164,223)			
Three years later	(106,803)	(137,545)	(178,272)	(194,030)	(233,745)				
Four years later	(113,978)	(146,123)	(180,874)	(198,157)					
Five years later	(115,462)	(148,695)	(182,046)						
Six years later	(118,876)	(149,743)							
Seven years later	(121,904)								
Cumulative payments to date	(121,904)	(149,743)	(182,046)	(198,157)	(233,745)	(164,223)	(132,063)	(68,404)	
Gross general insurance outstanding liabilities (direct and facultative)	12,395	4,713	12,224	28,693	39,796	119,621	64,471	157,496	439,409
Case reserves reconciliation difference between Statements of Movement of Claims Duration and G Forms									1,099
Gross general insurance outstanding liabilities (treaty inward)									30,538
Best estimate of claim liabilities									471,046
Claim handling expenses									2,819
Fund PRAD at 75% confidence interval									50,253
Gross general insurance contract liabilities per statement of financial position (Note 5.14)									**524,118**

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 INSURANCE RISK (CONT'D.)

(e) Claim Development Table (cont'd.)

Net General Insurance Contract Liabilities

Accident year	Prior 2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	62,617	75,960	88,126	115,506	120,410	125,104	129,888	142,610	
One year later	72,147	78,383	90,454	113,749	118,098	122,605	123,352	-	
Two years later	71,912	79,602	91,988	114,565	119,218	120,211	-	-	
Three years later	72,419	79,334	91,075	113,794	118,971	-	-	-	
Four years later	72,481	79,511	90,489	113,196	-	-	-	-	
Five years later	72,000	78,925	90,095	-	-	-	-	-	
Six years later	70,446	78,471	-	-	-	-	-	-	
Seven years later	72,424	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	72,424	78,471	90,095	113,196	118,971	120,211	123,352	142,610	
At end of accident year	(32,522)	(35,745)	(41,078)	(51,593)	(49,962)	(46,937)	(47,308)	(55,488)	
One year later	(57,172)	(63,467)	(71,976)	(86,076)	(88,065)	(85,718)	(85,415)	-	
Two years later	(61,437)	(68,782)	(77,332)	(97,262)	(100,243)	(96,694)	-	-	
Three years later	(63,415)	(71,356)	(83,181)	(103,078)	(107,282)	-	-	-	
Four years later	(65,455)	(73,940)	(84,819)	(104,786)	-	-	-	-	
Five years later	(66,691)	(75,169)	(85,729)	-	-	-	-	-	
Six years later	(68,281)	(75,750)	-	-	-	-	-	-	
Seven years later	(69,251)		-	-	-	-	-	-	
Cumulative payments to date	(69,251)	(75,750)	(85,729)	(104,786)	(107,282)	(96,694)	(85,415)	(55,488)	
Net general insurance outstanding liabilities (direct and facultative)	3,173	2,721	4,366	8,410	11,689	23,517	37,937	87,122	178,935

Case reserves reconciliation difference between Statements of Movement of Claims Duration and G Forms	1,098
Net general insurance outstanding liabilities (treaty inward)	30,538
Best estimate of claim liabilities	210,571
Claim handling expenses	2,819
Fund PRAD at 75% confidence interval	15,326
Net general insurance contract liabilities per statement of financial position (Note 5.14)	**228,716**

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.28 Financial Instruments (cont'd)

(f) Fair values

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Quoted investments

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business on the reporting date.

(ii) Malaysian government securities, government investment issue, unit trusts and corporate bonds

The fair values are based on the indicative prices at the reporting date.

(iii) Cash and cash equivalents, receivables, payables and borrowings

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of term loans is approximated to the fair values based on current lending rates for similar types of lending and borrowing arrangements.

(iv) Unquoted investments

The fair value of the unquoted investment of the Group, except for the unquoted shares in Malaysia and Investment Management Funds, are determined based on quoted market price at the reporting date or valued using valuations models which uses both observable and non-observable data.

It is not practicable to estimate the fair value of the Group's and of the Company's non-current unquoted investments in Malaysia and Investments Management Funds because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.29 Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Group includes within its net debt, term loan, payables, insurance contract liabilities less cash and bank balances and short term deposits. Capital of the Group represents total equity.

Gearing ratio is not presented or computed for the combined financial statements because the equity of the combined entities are not in accordance with the Group's policy in computing the gearing ratio.

The Group's net debt and total equity of the combined financial statements for the years are as follows:

	FRS Framework	<---MFRS Framework--->	
	<-------------------	Audited	------------------->
	2010	2011	2012
	RM'000	RM'000	RM'000
Trade and other payables	527,154	337,343	218,573
Loans and borrowings	58,500	72,255	111,085
Insurance contract liabilities	619,948	657,227	703,003
Less: Cash and cash equivalents	(163,219)	(98,037)	(303,580)
Net debt	1,042,383	968,788	729,081
Total equity	404,659	793,397	1,058,173
Capital and net debt	1,447,042	1,762,185	1,787,254

5.30 Segment information

Business segment:

The Group is organised into three major business segments:

(i) Insurance - underwriting of all classes of general insurance business;

(ii) Credit - provision of credit and related services; and

(iii) Investments - property investment and management of buildings and landbank.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business based on negotiated and agreed mutual terms.

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.30 Segment information (cont'd.)

FRS Framework	Insurance RM'000	Credit RM'000	Investments RM'000	Adjustments and eliminations RM'000	Total RM'000
2010					
Revenue					
External	219,738	5,533	32,715	-	257,986
Results					
Segment results	47,051	6,711	7,809	-	61,571
Finance costs					(2,323)
Share of profit of associates					5,308
Profit before tax					64,556
Income tax expense					(8,820)
Profit for the year					55,736
Assets and liabilities					
Segment assets	889,184	239,571	854,697	(377,462)	1,605,990
Investment in associates					3,504
Unallocated corporate assets					22,039
Total assets					1,631,533
Segment liabilities	706,786	-	646,702	(147,886)	1,205,602
Unallocated corporate liabilities					21,272
Total liabilities					1,226,874
Other information					
Capital expenditure	4,145	-	7,319	-	11,464
Depreciation	1,233	-	7,169	-	8,402
Amortisation	12	-	-	-	12

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II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.30 Segment information (cont'd.)

MFRS Framework	Insurance RM'000	Credit RM'000	Investments RM'000	Adjustments and eliminations RM'000	Total RM'000
2011					
Revenue					
External	234,520	6,275	37,080	-	277,875
Results					
Segment results	48,001	6,265	7,013	-	61,279
Finance costs					(4,517)
Share of profit of associates					7,025
Profit before tax					63,787
Income tax expense					(15,093)
Profit for the year					48,694
Assets and liabilities					
Segment assets	961,889	226,691	1,138,255	(451,696)	1,875,139
Investment in associates					2,429
Unallocated corporate assets					21,377
Total assets					1,898,945
Segment liabilities	737,917	424	540,627	(212,143)	1,066,825
Unallocated corporate liabilities					38,723
Total liabilities					1,105,548
Other information					
Capital expenditure	2,896	-	2,590	-	5,486
Depreciation	1,300	-	7,818	-	9,118
Amortisation	179	-	-	-	179

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.30 Segment information (cont'd.)

MFRS Framework	Insurance RM'000	Credit RM'000	Investments RM'000	Adjustments and eliminations RM'000	Total RM'000
31 December 2012					
Revenue					
External	247,220	2,386	75,996	-	325,602
Results					
Segment results	60,016	3,850	23,317	-	87,183
Finance costs					(5,041)
Share of profit of associates					2,309
Profit before tax					84,451
Income tax expense					(18,026)
Profit for the year					66,425
Assets and liabilities					
Segment assets	1,106,236	185,083	986,451	(162,170)	2,115,600
Investment in associates					1,238
Unallocated corporate assets					13,399
Total assets					2,130,237
Segment liabilities	826,172	1,680	365,711	(160,902)	1,032,661
Unallocated corporate liabilities					39,501
Total liabilities					1,072,162
Other information					
Capital expenditure	8,466	-	61,987	-	70,453
Depreciation	1,356	-	7,789	-	9,145
Amortisation	332	-	-	-	332

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

5.31 Significant events

Other than significant events disclosed in Notes 5.9, 5.11, 5.20 and 5.25 to the financial statements. The significant events are disclosed as below:

As part of the Pre-IPO Reorganisation, the Company has entered into the following agreements with its holding company:

i) a conditional share sale agreement ("SSA 1") for the proposed disposal by MPHB of all MPHB's shares in SSA 1 Companies to MPHB Capital for a total consideration of RM399,742,000 to be satisfied by a combination of cash payment of RM40,036,000 and the issuance of 359,706,000 new MPHB Capital Shares at RM1.00 per share;

ii) a conditional share sale agreement ("SSA 2") for the proposed disposal by MPHB of MPHB's entire equity interest in the SSA 2 Companies to MPHB Capital for a total cash consideration of RM112,790,000;

iii) a conditional share sale agreement ("SSA 3") for the proposed acquisition by the Company of the 100% equity interest in Multi-Purpose Capital Holdings Berhad from MPHB for a total consideration of RM392,831,000 to be satisfied by a combination of cash payment of RM37,538,000 and the issuance of 355,293,000 new MPHB Capital Shares at RM1.00 per share.

iv) a debt novation agreement under which the Company agreed to assume from MPHB, an amount owing by MPHB to Multi-Purpose Capital Holdings Berhad of RM37,538,000;

v) a debt novation agreement under which the Company agreed to assume from MPHB, an amount owing by MPHB to Kelana Megah Development Sdn. Bhd. of RM534,000; and

vi) a debt novation agreement under which the Company agreed to assume from MPHB, an amount owing by MPHB to Mimaland Berhad of RM39,502,000.

Upon completion of the above, MPHB has proposed to undertake a renounceable offer for sale of 715,000,000 MPHB Capital Shares, representing MPHB's entire equity interest in the Company to the entitled shareholders of MPHB ("Proposed Offer for Sale").

In conjunction with the Proposed Offer for Sale, the Company is proposing to seek a listing of and quotation for its entire issued and paid-up share capital on the Main Market of Bursa Securities.

ERNST & YOUNG

II Identified Subsidiaries (cont'd.)

5.0 Historical Financial Information of the Group (cont'd.)

Ernst & Young
AF: 0039
Chartered Accountants

Low Khung Leong
No. 2697/13/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2013

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MPHB CAPITAL BERHAD

(1010253-W)

Registered office:

39th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

15 May 2013

The Shareholders
MPHB Capital Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of MPHB Capital Berhad ("**MPHB Capital**"), I report after due inquiry that during the period from 31 December 2012 (being the date to which the last audited combined financial statements of MPHB Capital and its subsidiaries ("**MPHB Capital Group**") have been made up) to the date herein (being a date not earlier than 14 days before the issue of this Prospectus):

(a) the business of MPHB Capital Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited combined financial statements of the MPHB Capital Group which have adversely affected the trading or the value of the assets of the MPHB Capital Group;

(c) the current assets of the MPHB Capital Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantee or indemnity given by the MPHB Capital Group;

(e) there has been, since the last audited combined financial statements of the MPHB Capital Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in respect of any borrowings; and

(f) save as disclosed in this Prospectus, there has been, since the last audited combined financial statements of the MPHB Capital Group, no material change in the published reserves or any unusual factor affecting the profits of the MPHB Capital Group.

Yours faithfully
For and on behalf of the Board of Directors of
MPHB CAPITAL BERHAD

Ng Kok Cheang
Director

Registered Address : 39th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel. No.: 03-26948333 Fax No.: 03-26946849

15. STATUTORY AND OTHER GENERAL INFORMATION

15.1 Share capital

(i) 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.

(ii) There is no founder, management or deferred share in our Company. As at the LPD, our Company has 1 class of shares, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.

(iii) Save as disclosed in this Prospectus, no shares, stocks or debentures of our Group have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years preceding the LPD.

(iv) None of the share capital of our Company or any of our subsidiaries is under option, or agreed conditionally or unconditionally to be put under option.

(v) Our Company does not have any outstanding convertible debt security as at the LPD.

15.2 Articles of Association

The following is extracted from our Company's Articles of Association and is qualified in its entirety by the remainder of the provisions of our Company's Articles of Association and by applicable law. The words, terms and expressions appearing in the following provisions shall bear the same meanings as they are used in the Articles of Association unless they are otherwise defined here or the context otherwise requires.

15.2.1 Changes in capital and variation of class rights

"22. Class rights may be modified

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of not less than three fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons holding or representing by proxy not less than one tenth of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply."

"23. Rights on creation or issue of further shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects pari passu therewith."

15.2.2 Remuneration of Directors

"121. Remuneration of Directors

The Directors shall be paid by way of fees for their services such fixed sum (if any) as from time to time be determined by the Company by an ordinary resolution in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fee related to the period during which he has held office. Provided always that:-

(a) fees payable to non-executive Directors shall be by a fixed sum of money and not by a commission on or percentage of profits or turnover;

(b) remuneration payable to Director(s) holding executive position(s) under Article 150(1) need not be determined by the Company in general meeting but such remuneration may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter."

15.2.3 Transfer of securities

"48. Form of Transfer

Subject to the provisions of the Act, these Articles, the Central Depositories Act and the Rules with respect to transfer of Deposited Security, all transfers of securities which are shares:-

(a) to the Central Depository or its nominee company; or

(b) prior to the listing and quotation of such shares on the Exchange,

may be effected by transfer in writing in the usual common form conforming with the Act and/or approved by the Exchange, or such form as may from time to time, be prescribed under the Act or approved by the Exchange. Subject to these Articles, there shall be no restriction on the transfer of fully paid-up shares except where required by law."

"49. Transfer of securities by book entry

The transfer of any Deposited Security shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Deposited Security."

"50. Transmission of securities from Foreign Register

Where:

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request by a Depositor, permit a transmission of securities held by such Depositor from the Foreign Register to the Malaysian Register and vice versa provided that there shall be no change in the ownership of such securities."

"51. Obligation to keep register not affected

Nothing in these Articles shall be construed as affecting the obligation of the Company to keep a Register under Section 158 of the Act and a register of option holders under Section 68A of the Act and to open them for inspection in accordance with the provisions of the Act except that the Company shall not be obliged to enter in such registers the names and particulars of Depositors who are deemed to be members or option holders."

"52. Instrument of Transfer

Subject to the Central Depositories Act and the Rules, the instrument of transfer of any Deposited Security lodged with the Company for registration must be signed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register."

"53. Restriction of Transfer

Subject to the Central Depositories Act and the Rules, no security shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind."

"54. Maintenance of Register of Transfers

Subject to Article 49, the Central Depositories Act and the Rules, the Company shall maintain a book called "Register of Transfers" which shall be kept by the Secretary or such other person authorised by the Directors. Subject to the provisions of the Central Depositories Act, the Rules and Article 49, particulars of the transfer or transmission of every security shall be entered into the Register of Transfers."

"55. Directors may refuse registration of transfer

(1) With the exception of transfer in favour of the Central Depository and subject to the provisions of the Central Depositories Act and the Rules, the Directors may subject to Article 55(4) decline to register the transfer of any securities (not being fully paid securities) and may also decline to register the transfer of any securities on which the Company has a lien or if the registration of the transfer would result in a contravention of or failure to observe the provisions of a law in Malaysia.

(2) Subject to the Central Depositories Act and the Rules, the Directors may decline to recognise any instrument of transfer, unless:

(a) such fee, not exceeding Ringgit Malaysia Three (RM3.00) per transfer or such other sum as may be permitted by the Exchange plus the amount of the proper duty with which each certificate is chargeable under the law relating to stamp duty as the Directors may from time to time require, is paid to the Company in respect thereof; and

(b) the instrument of transfer together with the certificate is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so.

(3) Subject to the Central Depositories Act and the Rules, all instruments of transfers which are registered may be retained by the Company or its agents.

(4) Subject to the provisions of the Central Depositories Act and the Rules, if the Directors decline to register any transfer they shall within ten (10) Market Days (or such other period specified by the Exchange) after the date on which the transfer was lodged with the Company send to the transferor, lodging broker and the transferee written notice of refusal and the precise reasons thereof. Any instrument of transfer which the Directors may decline to register shall be returned to the person who tendered the same for registration save and except in cases where the Directors suspect fraud."

"56. Suspension of registration of transfers

The registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. At least ten (10) Market Days' (or such other period specified by the Exchange) notice of such closure shall be given to the Exchange stating the period and the purpose or purposes of such closure. In relation to such closure, the Company shall give notice, in accordance with the Central Depositories Act and the Rules, to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors."

15.2.4 Voting and borrowing powers of Directors

"140. Directors may elect and remove a chairman

The Directors may from time to time elect and remove a chairman and deputy chairman of the Board and determine the period for which they are respectively to hold the office. The chairman so elected, or in his absence the deputy chairman, shall preside at all meetings of the Directors but if no such chairman or deputy chairman be elected, or if at any meeting the chairman or deputy chairman be not present within fifteen (15) minutes after the time appointed for holding the same, the Directors present shall choose one of their number to act as chairman of such meeting."

"142. Director not to vote in contracts where he has an interest

No Director may vote in respect of any other contract or proposed contract or arrangement in which he is directly or indirectly interested nor any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that company or as a holder of shares or other securities in that other company."

"144. Voting right of Director

A Director may be or become or continue to be a director, managing director, manager or other officer or member of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise, or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer of or member of, or from his interest in, such corporation, whether as a nominee of the Company or otherwise, unless the Company otherwise directs at the time of his appointment. The Director may, provided that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles, exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by him as director of such other corporation in such manner and in all respects as he thinks fit but a Director may not vote in favour of the exercise of such voting rights in the manner as aforesaid, if he may be, or is about to be appointed, a director, managing director, manager or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid."

"126. Power of Directors to borrow money

(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of its subsidiaries.

(2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(3) The Directors shall cause a proper register to be kept in accordance with Section 115 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 108 of the Act in regard to the registration of mortgages and charges therein specified and otherwise.

(4) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability. "

15.2.5 Voting rights

"100. Rights and votes of members

(1) Subject to Article 57 and any special rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney or other duly authorised representative and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

(2) Subject to Article 57 and any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a show of hands every person present who is a member or a member's representative, or holder of preference shares or proxy or attorney or other duly authorised representative shall have one (1) vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorized representative shall have one (1) vote for every share held by him upon which all calls due to the Company have been paid. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way. Subject to Article 57, the shares held or represented by a member present in person or by proxy or by attorney or other duly authorised representative shall, in relation to shares of a Depositor, be the number of shares entered against his name in the Record of Depositors.

(3) Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable."

"101. Corporation as member

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or any class of members and the person so authorised shall, in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company."

"102. Votes of joint-holders

Subject to the Central Depositories Act and the Rules, when there are joint-holders of any share, any one (1) of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, and if more than one (1) of such joint-holders be present at any meeting personally or by proxy, the person whose name stands first on the Register or to the extent permissible under the Central Depositories Act and the Rules, on the Record of Depositors in respect of such share shall alone be entitled to vote in respect thereof."

15.2.6 Limitation on the right to hold securities and/or exercise voting rights

"103. Votes of lunatic, deceased or bankrupt member

(1) Any member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote by his committee, receiver curator bonis, or other legal guardian or such other person as properly has the management of his estate. Any one (1) of such person may vote either personally or by proxy or by attorney provided such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than four (4) days before the time appointed for holding the meeting.

(2) The legal personal representative of a deceased member or the person entitled under Article 61 to 65 to any share in consequence of the death or bankruptcy of any member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any member unless the Directors shall have previously admitted his right to vote in respect thereof."

"104. Member in default

No member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a member nor be counted as one of the quorum unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid."

"105. Time for objection

No objection shall be raised as to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman at the meeting, whose decision shall be final and conclusive."

Save as disclosed above, there is no limitation on the right to own securities, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on such securities, which is imposed by Malaysian law or by the constituent documents of the Company.

15.2.7 Issue of Shares

"5. Issue of Shares

(1) Subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements and the conditions, restrictions and limitations expressed in these Articles, the Directors may issue, allot, grant options over or otherwise dispose of the unissued share capital of the Company to such person or persons, at such times and on such terms as they think proper, PROVIDED ALWAYS THAT:-

(a) no shares shall be issued at a discount except in compliance with the provision of the Act;

(b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in general meeting;

(c) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles;

(d) subject to Article 5(3) and notwithstanding the existence of a resolution pursuant to Section 132D of the Act, no shares or convertible securities shall be issued if the nominal value of those shares or convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten per centum (10%) of the nominal value of the issued and paid-up capital of the Company, except where the shares or convertible securities are issued with the prior approval of the members in general meeting of the precise terms and conditions of the issue; and

(e) every issue of shares or options to employees and/or Directors shall be approved by the members in general meeting and in relation to a Director such approval shall specifically detail the amount of shares or options to be issued to such Director.

(2) Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferential, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

(3) Except in the case of an issue of securities on a pro rata basis to members, there shall be no issue of shares or other convertible securities to a Director, major shareholder, Chief Executive or person connected with any Director, major shareholder or Chief Executive (hereinafter referred to as "the interested Director", "interested major shareholder", "interested Chief Executive" or "interested person connected with a Director, major shareholder or Chief Executive" respectively) unless the members in general meeting have approved of the specific allotment to be made to such aforesaid Director, major shareholder, Chief Executive or person connected with such Director, major shareholder and Chief Executive.

(4) In a meeting to obtain members' approval in respect of the allotment referred to under Article 5(3) above:-

(a) the interested Director, interested major shareholder, interested Chief Executive or interested person connected with a Director, major shareholder or Chief Executive; and

(b) where the allotment is in favour of an interested person connected with a Director, major shareholder or Chief Executive, such Director, major shareholder or Chief Executive,

must not vote on the resolution approving the said allotment. An interested Director, interested major shareholder or interested Chief Executive must ensure that persons connected with him abstain from voting on the resolution approving the said allotment.

(5) The notice of the meeting referred to in Article 5(3) shall state:-

(a) the number of securities to be allotted;

(b) the purpose of allotment;

(c) the precise terms and conditions of the allotment; and

(d) the identity and relationship of the persons connected with the Director, major shareholder or Chief Executive, where applicable.

(6) In this Article, “major shareholder”, “Chief Executive” and “person connected with any Director, major shareholder or Chief Executive” shall have the meaning ascribed thereto in the Listing Requirements.”

15.3 General

During the last financial year and the current financial period up to the LPD, there were no:

(i) public take-over offers by third parties in respect of our Company's securities; and

(ii) public take-over offers by our Company in respect of any other company's securities.

15.4 Material contracts

Save as disclosed below, our Company and our subsidiaries have not entered into any material contracts with parties outside of our Group which are not in the ordinary course of our Group's business during the 2 years preceding the LPD:

(i) A JV agreement dated 29 April 2011 was entered into between Tibanis and Pinggir Mentari Sdn Bhd, a wholly-owned subsidiary of BRDB for the proposed development by Pinggir Mentari Sdn Bhd of 2 parcels of land owned by Tibanis located in Daerah Gombak, Selangor and measuring approximately 265.1 acres into a mixed development which comprises link houses, bungalows and a commercial village. Under the terms of this agreement, Tibanis is entitled to 22.0% of the total cash collected pursuant to the billings issued in respect of the proposed development on the land. Pinggir Mentari Sdn Bhd is responsible for all costs arising from and incidental to the proposed development on the land.

(ii) A JV agreement dated 29 April 2011 was entered into between Mimaland and Magna Senandung Sdn Bhd, a wholly-owned subsidiary of BRDB, for the proposed development by Magna Senandung Sdn Bhd of 7 parcels of land owned by Mimaland located in Daerah Gombak, Selangor and measuring approximately 324.1 acres into a housing development which comprises bungalows and condominiums. Under the terms of this agreement, Mimaland is entitled to 22.0% of the total cash collected pursuant to the billings issued in respect of the proposed development on the land. Magna Senandung Sdn Bhd is responsible for all costs arising from and incidental to the proposed development on the land.

(iii) In respect of the proposed development of the lands located in Daerah Barat Daya, Pulau Pinang, the following agreements were entered into:

(a) a JV agreement dated 29 April 2011 ("**Principal JV**") was entered into between Magnum.Com and Orion Vibrant Sdn Bhd ("**Orion**"), a wholly-owned subsidiary of BRDB for the proposed development by Orion of 20 parcels of land owned by Magnum.Com located in Daerah Barat Daya, Pulau Pinang and measuring approximately 80.9 acres into a housing development which comprises bungalows, semi-detached houses and a condominium ("**Proposed Development**"). Under the terms of this agreement, Magnum.Com is entitled to 22.0% of the total cash collected pursuant to the billings issued in respect of the Proposed Development while Orion is responsible for all costs arising from and incidental to the Proposed Development;

(b) a supplemental JV agreement dated 13 January 2012 was entered into between Orion and Magnum.Com for the acquisition by the parties of adjacent parcels of land held under documents of title Geran Mukim numbers 1010, 1013 and 1014 for lot numbers 1282, 1285 and 1287 respectively, all located in Mukim 12 in Daerah Barat Daya, Pulau Pinang and measuring in total area approximately 2.1 acres ("**Adjacent Lands**") to enhance the Proposed Development. The purchase price of not more than RM10,600,000.00 shall be jointly paid by Orion and Magnum.Com in cash in the proportion of 74.5% and 25.5% respectively. All other terms, conditions and provisions of the Principal JV shall apply to the development of the Adjacent Lands; and

(c) a sale and purchase agreement dated 20 April 2012 was entered into between Magnum.Com, Wong Lean Keow @ Wong Ah Kau, Loh Yee Seng and Loh Hock Sin for the acquisition by Magnum.Com of the lands held under documents of title Geran Mukim numbers 1010, 1013 and 1014 for lot numbers 1282, 1285 and 1287 respectively, all located in Mukim 12 in Daerah Barat Daya, Pulau Pinang for a cash consideration of RM10,400,000.00.

(iv) A deed of assignment dated 8 August 2012 was entered into between our Company and MPHB for the assignment of trademarks 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. As at the LPD, the Registrar of Trade Marks has yet to register our Company as the proprietor of the said trademarks.

(v) In respect of the Pre-IPO Reorganisation set out in Section 6.2 of this Prospectus, the following agreements were entered into:

(a) a share sale agreement dated 29 March 2013 was entered into between our Company and MPHB for the acquisition by our Company of MP Capital for the sum of RM392,831,000.00 to be satisfied by the allotment and issuance of 355,293,000 ordinary shares of RM1.00 each in our Company and by payment in cash of RM37,538,000.00;

(b) a share sale agreement dated 15 August 2012 was entered into between our Company and MPHB for the acquisition by our Company of CGSB, Tibanis, Magnum.Com, Mimaland, Magnum Leisure, Leisure Dotcom, QNASB, QNTSB, WJSB and Kelana Megah for the sum of RM399,742,998.00 to be satisfied by the allotment and issuance of 359,706,998 ordinary shares of RM1.00 each in our Company and by payment in cash of RM40,036,000.00;

(c) a share sale agreement dated 15 August 2012 was entered into between our Company and MPHB for the acquisition by our Company of SPSSB, MP Shipping and Jayavest for the sum of RM112,790,000.00 to be satisfied by payment in cash;

(d) a novation agreement dated 15 August 2012 was entered into between our Company, MPHB and MP Capital, for the novation and transfer to our Company of all the obligations of MPHB to pay to MP Capital, the amount of which is per the balance standing in the books of MPHB and MP Capital as at 30 June 2012, and which has been verified and agreed as between the parties, including all interest, fees and other charges whatsoever thereon;

(e) a novation agreement dated 15 August 2012 was entered into between our Company, MPHB and Kelana Megah, for the novation and transfer to our Company of all the obligations of MPHB to pay to Kelana Megah, the amount of which is per the balance standing in the books of MPHB and Kelana Megah as at 30 June 2012, and which has been verified and agreed as between the parties, including all interest, fees and other charges whatsoever thereon; and

(f) a novation agreement dated 15 August 2012 was entered into between our Company, MPHB and Mimaland, for the novation and transfer to our Company of all the obligations of MPHB to pay to Mimaland, the amount of which is per the balance standing in the books of MPHB and Mimaland as at 30 June 2012, and which has been verified and agreed as between the parties, including all interest, fees and other charges whatsoever thereon.

(vi) Underwriting Agreement as disclosed in Section 4.13 of this Prospectus.

15.5 Material litigation

Save as disclosed below, as at the LPD, neither our Company nor our subsidiaries is involved in any litigation or arbitration, either as plaintiff or defendant, which may have a material and adverse effect on the business or financial position of our Group, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material and adverse effect on the business or financial position of our Group:

(i) On 6 October 2008, Leisure Dotcom commenced a legal proceeding at the High Court of Malaya ("**High Court**") at Kuala Lumpur against Globesource Sdn Bhd ("**GBS**") claiming for among others, specific performance for delivery of a piece of freehold land and 2 leases in Kuala Lumpur pursuant to a conditional sale and purchase agreement dated 21 June 2007 entered into between Leisure Dotcom and GBS. Pursuant to the agreement, GBS is to sell and Leisure Dotcom is to purchase the properties for a total consideration of RM72,162,000.00. Upon the execution of the agreement, Leisure Dotcom paid a deposit of RM7,216,000.00 representing 10.00% of the purchase price. Subsequent to that, Leisure Dotcom paid the balance purchase price but such sum was returned by GBS. The sale and purchase under the agreement dated 21 June 2007 was not completed. Hence, Leisure Dotcom filed a claim against GBS. In turn, GBS had counterclaimed, among others, that the agreement had been validly terminated.

On 6 July 2012, Leisure Dotcom's claim was dismissed with costs and GBS's counterclaim was allowed with costs by the High Court. On 9 July 2012, Leisure Dotcom filed a notice of appeal and subsequently on 24 August 2012, a record of appeal at the Court of Appeal. On 19 September 2012, the High Court granted Leisure Dotcom an Erinford injunction against GBS and a stay of execution of the High Court decision pending the appeal. On 26 November 2012, Leisure Dotcom further filed a supplemental record of appeal at the Court of Appeal to include the grounds of judgment for the High Court case which was received on 8 November 2012. In light of the grounds of judgment of the High Court case, Leisure Dotcom had on 20 December 2012, further filed a second supplemental record of appeal to include an amended memorandum of appeal. Subsequently, Leisure Dotcom had on 22 February 2013 filed an application for leave to amend the memorandum of appeal, which was allowed by the Court of Appeal on 1 April 2013.

As at the LPD, no date has been fixed for either case management or hearing for the Court of Appeal case. Leisure Dotcom believes, following consultation with its solicitors, that Leisure Dotcom has a good prospect of succeeding in the appeal against the High Court's decision.

(ii) On 8 February 2010, Mulpha commenced legal proceedings in the High Court of Malaya ("**High Court**") at Kuala Lumpur against Liew Yee Tiam ("**First Defendant**" or "**Deceased**"), Thong Honn (Housing Development) Sdn Bhd ("**Second Defendant**") and Messrs. Chin & Co ("**Third Defendant**") to claim for the overpayment of RM3,316,941.60 ("**Overpayment**") pursuant to 2 conditional sale and purchase agreements, both dated 12 October 2009 entered into between Mulpha, the First Defendant and the Second Defendant respectively ("**SPAs**") for the acquisition of lands.

Pursuant to the SPAs, Mulpha had initially paid a deposit and part payment and subsequently the balance purchase price of the lands to the Third Defendant which was the stakeholder for the First Defendant and Second Defendant. Following the payment of the balance purchase price of the lands and the presentation of the transfer documents for the lands, Mulpha discovered that the total area described in the SPAs and warranted to be correct by the First Defendant and the Second Defendant respectively was actually incorrect as part of each of the 2 lands had been voluntarily surrendered by the First Defendant and the Second Defendant to the State Authority. Hence, this legal proceeding was commenced by Mulpha against the First Defendant, the Second Defendant and Third Defendant for the Overpayment.

The trial was postponed following the death of the First Defendant on 30 October 2010; and the High Court judge who heard the case has been transferred to the Shah Alam High Court. On 19 November 2012, the trial was heard and concluded before the learned judge in the Shah Alam High Court. The High Court has fixed 5 June 2013 for its decision to be handed down. In support of its claim for damages, Mulpha has been advised by its solicitors that an independent valuation report of the value of the actual size of the lands delivered ("**Report**") be commissioned and adduced as evidence.

Further to an application filed by Mulpha on 29 November 2012, the High Court had, on 11 January 2013, granted Mulpha with the leave to adduce the Report on the 2 lands by way of assessment of damages before the Registrar, in the event the High Court finds in favour of Mulpha.

Mulpha believes, following consultation with its solicitors, that Mulpha has a good prospect of succeeding in this suit.

In connection with the case above ("**Civil Suit**") and subsequent to the death of First Defendant, Mulpha filed a summons for directions on 18 October 2011 at the Kuala Lumpur High Court ("**Summons for Direction**") in view that the Civil Suit and the sale proceeds pursuant to the conditional sale and purchase agreement dated 12 October 2009 entered into between Mulpha and the Deceased ("**SPA 1**") were not listed in the list of assets of the Deceased's estate in the petition, by the Deceased's children for grant of probate over the Deceased's estate.

The Summons for Directions requested, amongst others, for an order:

(a) that the sale proceeds of the property pursuant to the SPA 1 form part of the assets of the Deceased's estate ("**Issue 1**");

(b) that the Civil Suit ought to be disclosed in the list of liabilities of the Deceased's estate ("**Issue 2**"); and

(c) whether the grant of probate ought to be granted to the Deceased's children ("**Issue 3**").

On 24 February 2012, the Kuala Lumpur High Court allowed Mulpha's prayer in respect of Issue 2 and also held that the sum of RM824,736.26 retained by Messrs. Chin & Co forms part of the assets of the Deceased's estate and is to be included in the list of assets and liabilities of the Deceased's estate.

Mulpha had on 21 March 2012 filed a notice of appeal to the Court of Appeal to appeal against the High Court's decision for not granting orders for Issue 1 and Issue 3 of the Summons for Directions ("**Appeal Case**").

On 27 June 2012, the Court of Appeal dismissed the Appeal Case with cost. Mulpha will not appeal the Court of Appeal's decision.

15.6 Letters of consent

The written consents of our Principal Adviser, Managing Underwriter, Underwriters, Legal Adviser, Principal Bankers, Share Registrar and Independent Valuers as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context which they appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our proforma consolidated statements of financial position as at 31 December 2012 in the form and context which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Frost & Sullivan for the inclusion of its name, the Executive Summary of the Independent Market Research Report and its letter and all references thereto in the form and context which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Messrs Wong Kian Kheong for the inclusion in this Prospectus of its name in the form and context which it appears has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.7 Documents available for inspection

Copies of the following documents may be inspected at our registered office at 39th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia during normal working hours for a period of 12 months from the date of this Prospectus:

(i) Memorandum and Articles of Association of our Company;

(ii) Reporting Accountants' letter on our proforma consolidated statements of financial position as included in Section 12.4 of this Prospectus;

(iii) Accountants' Report referred to in Section 13 of this Prospectus;

(iv) Directors' Report referred to in Section 14 of this Prospectus;

(v) the letters of consent referred to in Section 15.6 of this Prospectus;

(vi) material contracts referred to in Section 15.4 of this Prospectus;

(vii) cause papers for material litigation referred to in Section 15.5 of this Prospectus;

(viii) the service agreement of an Executive Director referred to in Section 9.7 of this Prospectus;

(ix) audited combined financial statements of our Group for the years ended 31 December 2010, 2011 and 2012;

(x) audited financial statements of our Company for the year ended 31 December 2012 and audited consolidated financial statements and/or audited financial statements of our subsidiaries for the years ended 31 December 2010, 2011 and 2012;

(xi) Independent Market Researcher's Report and its Executive Summary referred to in Section 8 of this Prospectus;

(xii) Undertakings referred to in Section 4.12 of this Prospectus;

(xiii) Letter dated 12 April 2013 by Messrs Wong Kian Kheong referred to in note 3 of Annexure B of this Prospectus; and

(xiv) Independent valuation reports of our material property assets prepared by the Independent Valuers referred to in Section 7.3 of this Prospectus.

15.8 Responsibility statements

Our Directors, the Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which, if omitted, would make any statement in this Prospectus false or misleading.

CIMB as our Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. PROCEDURES FOR ACCEPTANCE AND APPLICATION

As an Entitled Shareholder, your CDS account will be duly credited with the number of Provisional Offer Shares which you are entitled to acquire under the terms and conditions of the Offer for Sale. You will find enclosed with this Prospectus, the NPO notifying you of the crediting of the Provisional Offer Shares into your CDS account.

16.1 NPO

The Provisional Offer Shares are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the Provisional Offer Shares will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS accounts when making applications.

16.2 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Offer Shares must be made on the OAF issued together with this Prospectus and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not strictly conform to the terms and conditions of this Prospectus or the OAF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board and the Selling Shareholder. Our Share Registrar will not contact you and/or your renouncee(s) (if applicable) for acceptances which do not strictly conform to the terms and conditions of this Prospectus or the OAF or the notes and instructions contained in these documents or which are illegible.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL OFFER SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENTS ARE SET OUT IN THIS PROSPECTUS AND THE ACCOMPANYING OAF. YOU ARE ADVISED TO READ THIS PROSPECTUS AND THE ACCOMPANYING OAF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement to the Provisional Offer Shares, please complete Part I and Part III of the OAF in accordance with the notes and instructions contained in the OAF. Each completed and signed OAF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to our Share Registrar at the following address:

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
Facsimile no. : +603 2694 8571

so as to arrive not later than 5.00 p.m. on the Closing Date.

In the event that the closing date and/or time for acceptance, application and payment (including the Excess Application) of the Offer Shares is extended, the last dates 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.

If you lose, misplace or for any other reasons require another copy of this Prospectus or OAF, you may obtain additional copies from your stockbroker, Bursa Securities' website (http://www.bursamalaysia.com) or our Share Registrar.

One OAF must be used for acceptance of the Provisional Offer Shares standing to the credit of 1 CDS account. Separate OAFs must be used for the acceptance of Provisional Offer Shares standing to the credit of more than 1 CDS account. The Offer Shares accepted by you will be credited into your CDS account(s) where the Provisional Offer Shares are standing to the credit.

The minimum number of Offer Shares that can be accepted is 1 Offer Share. However, you should take note that a trading board lot comprises 100 Offer Shares. Fractions of an Offer Share will be dealt with as our Board and the Selling Shareholder may at their absolute discretion deem fit and expedient and in the best interest of our Company.

A reply envelope is enclosed with this Prospectus. To facilitate the processing of the OAFs by our Share Registrar, you are advised to use 1 reply envelope for each completed OAF.

Each completed OAF must be accompanied by the appropriate remittance in RM for the **FULL** amount payable for the Offer Shares accepted in the form of Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "**MPHB ROS ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and **endorsed on the reverse side with your name, contact number and address in block letters and your CDS account number** to be received by our Share Registrar by 5.00 p.m. on the Closing Date. The payment must be made for the **EXACT** amount. Any excess payment will not be refunded or insufficient payment may be rejected at the absolute discretion of our Board and the Selling Shareholder. Cheques or other mode(s) of payment are not acceptable.

ACCEPTANCES ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD AND THE SELLING SHAREHOLDER.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE OAF OR APPLICATION MONIES IN RESPECT OF THE OFFER SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD AND THE SELLING SHAREHOLDER RESERVE THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

YOU SHOULD NOTE THAT ALL OAFS AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL OFFER SHARES.

ALL OFFER SHARES TO BE TRANSFERRED PURSUANT TO THE OFFER FOR SALE WILL BE CREDITED INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Provisional Offer Shares (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on the Closing Date, the Provisional Offer Shares or the remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

Our Board and the Selling Shareholder will then have the right to allot such Offer Shares not applied for to applicants applying for the Excess Offer Shares in the manner as set out in Section 4.3.1(iii) of this Prospectus.

16.3 Procedures for part acceptance

You are entitled to accept part of your entitlement to the Provisional Offer Shares PROVIDED ALWAYS that:

(i) the minimum number of Offer Shares that may be accepted is 1 Offer Share; and

(ii) any part acceptance shall be in the multiple of 1 Offer Share.

You must complete both Part I of the OAF by specifying the number of Offer Shares which you are accepting (in the stipulated multiples) and Part III of the OAF and deliver the completed and signed OAF together with the relevant payment to our Share Registrar in the same manner as set out in Section 16.2 of this Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE OAF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE OAF.

16.4 Procedures for sale or transfer of Provisional Offer Shares

As the Provisional Offer Shares are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Offer Shares to one or more persons, you may do so through your stockbroker for the period up to the last date and time for sale or transfer of the Provisional Offer Shares (in accordance with the Rules of Bursa Depository) without first having to request us for a split of the Provisional Offer Shares standing to the credit of your CDS account. To sell or transfer all or part of your entitlement to the Provisional Offer Shares, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository for the period up to the last date and time for sale or transfer of the Provisional Offer Shares (in accordance with the Rules of Bursa Depository).

IN SELLING OR TRANSFERRING ALL OR PART OF YOUR ENTITLEMENT TO THE PROVISIONAL OFFER SHARES, YOU NEED NOT DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL OFFER SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

If you have sold or transferred only part of your entitlement to the Provisional Offer Shares, you may still accept the balance of your entitlement to the Provisional Offer Shares by completing Part I and Part III of the OAF. Please refer to Section 16.2 of this Prospectus for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ALL OAFS AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

16.5 Procedures for Excess Application

If you wish to apply for Excess Offer Shares, you may do so by completing Part II of the OAF (in addition to Part I and Part III of the OAF) and submitting it with a separate remittance made in RM for the **FULL** amount payable on the Excess Offer Shares applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on the Closing Date.

Payment for the Excess Offer Shares applied for should be made in the same manner as described in Section 16.2 of this Prospectus **EXCEPT THAT** the Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office in Malaysia must be made payable to "**MPHB EXCESS ROS ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and should also be **endorsed on the reverse side with your <u>name, contact number and address in block letters</u> and your CDS account number**. The payment must be made for the **EXACT** amount. Any excess payment will not be refunded or insufficient payment may be rejected at the absolute discretion of our Board and the Selling Shareholder. Cheques or other mode(s) of payment are not acceptable.

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:

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

(ii) 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.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD AND THE SELLING SHAREHOLDER.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS APPLICATIONS OR THE APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOU ARE SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DAY FOR APPLICATION AND PAYMENT FOR THE EXCESS OFFER SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL EXCESS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DAY FOR APPLICATION AND PAYMENT FOR THE EXCESS OFFER SHARES.

16.6 Procedures to be followed by renouncees

As a renouncee, the procedures for acceptance, selling or transferring of Provisional Offer Shares, applying for the Excess Offer Shares, payment and/or CDS account are the same as those which are applicable to the Entitled Shareholders as described in Sections 16.2, 16.3, 16.4, and 16.5 of this Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Prospectus and/or accompanying OAF, you may request for the same from your stockbroker or our Share Registrar or download the same from Bursa Securities' website at http://www.bursamalaysia.com.

RENOUNCEES ARE ADVISED TO READ AND ADHERE TO THIS PROSPECTUS AND THE OAF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THIS PROSPECTUS AND THE OAF.

16.7 CDS account

Bursa Securities has already prescribed the MPHB Capital Shares as securities to be deposited with Bursa Depository. Accordingly, the Offer Shares are prescribed securities and as such, all dealings in the Offer Shares shall be subject to the SICDA and the Rules of Bursa Depository. You must have a CDS account in order to apply for the Offer Shares. Failure to comply with these specific instructions or inaccuracy of the CDS account number may result in your application being rejected.

Your applying for the Offer Shares shall mean that you have consented to receive such Offer Shares as deposited securities which will be credited directly into your CDS account. No physical share certificates will be issued.

If you apply for the Excess Offer Shares, you must state your CDS account number and if the Offer Shares are applied for in full or in part, then such Offer Shares shall be credited directly into your CDS account.

If you have multiple CDS accounts into which the Provisional Offer Shares have been credited, you cannot use a single OAF to apply for all these Provisional Offer Shares. Separate OAFs must be used for separate CDS accounts. If successful, the Offer Shares that you applied for will be credited into the CDS accounts where the Provisional Offer Shares are standing to the credit.

16.8 Foreign MPHB shareholders

The Offering Documents have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of the Offering Documents, as well as the acceptance of the Provisional Offer Shares and the application for or the acquisition of the Offer Shares may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdictions under the relevant laws of those countries or jurisdictions.

The Offering Documents are not intended to be (and will not be) issued, circulated or distributed, and the Offer for Sale will not be made or offered, or deemed made or offered, in any country or jurisdiction other than Malaysia, or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Offer for Sale to which this Prospectus relates is only available to persons receiving the Offering Documents within, or who are otherwise within, Malaysia.

As a result, the Offering Documents have not been (and will not be) sent to our Foreign Addressed Shareholders. However, Foreign Addressed Shareholders may collect the Offering Documents from our 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, who is entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Offering Documents.

If you are a foreign shareholder, you are eligible to accept or apply for Offer Shares only if you are not an Excluded Party, and we and the Selling Shareholder will not make or be bound to make any enquiry as to whether you have an address or an address for service in Malaysia if not otherwise stated in MPHB's Record of Depositors as at the Entitlement Date or if not otherwise stated in the OAF, and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

We and the Selling Shareholder will assume that the Offer for Sale and the acceptance thereof by you would be in compliance with the terms and conditions of the Offer for Sale and would not be in breach of the laws of any jurisdiction. We and the Selling Shareholder will further assume that you had accepted the Offer for Sale in Malaysia with a Malaysian address provided to us in the OAF and you will at all applicable times be subject to the laws of Malaysia.

Any Entitled Shareholder (and in particular any Foreign Addressed Shareholder) and/or his renouncee(s) (if applicable) may only accept or renounce all or any part of their entitlements and exercise any other rights in respect of the Offer for Sale if he is not an Excluded Party, and provides us with his Malaysian address in the OAF to the extent that it would be lawful to do so under the laws of any jurisdiction, and to the extent that we, our Board and officers, the Selling Shareholder, CIMB and/or any other persons involved in the IPO ("**Parties**"), would not in connection with the Offer for Sale, be in breach of the laws of any country or jurisdiction to which the Foreign Addressed Shareholder and/or his renouncee(s) (if applicable) is or might be subject. All Entitled Shareholders and/or their renouncee(s) (if applicable) shall be solely responsible to seek advice from their legal and/or professional advisers as to the laws of the countries or jurisdictions to which they are or might be subject. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholder and/or his renouncee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. Such Entitled Shareholders and/or their renouncee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of their entitlement.

We and the Selling Shareholder reserve the right, in our absolute discretion, to treat any acceptances or applications as invalid, if we and the Selling Shareholder believe or have reason to believe that such acceptance or application may violate applicable legal or regulatory requirements. The Provisional Offer Shares relating to any acceptance or application which is treated as invalid will become Excess Offer Shares available for Excess Application by the other Entitled Shareholders and/or their renouncee(s) (if applicable).

Each person, by accepting the delivery of the Offering Documents, accepting any Provisional Offer Shares by signing any of the forms accompanying this Prospectus, and/or applying for or acquiring the Offer Shares, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Offer for Sale, be in breach of the laws of any jurisdiction to which the Entitled Shareholder and/or his renouncee(s) is or might be subject to;

(ii) that person is not an Excluded Party, and has complied with the laws to which he and/or his renouncee(s) (if applicable) is or might be subject to in connection with the acceptance or renunciation;

(iii) that person is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Offer Shares, be in breach of the laws of any jurisdiction to which that person is or might be subject to;

(iv) that person is aware that his/her entitlement to the Provisional Offer Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) that person has obtained a copy of this Prospectus and understands the contents of this Prospectus, and had relied on their own evaluation to assess the merits and risks of the investment; and

(vi) that person has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of applying for or purchasing the Offer Shares, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Offer Shares.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO APPLY FOR OR ACQUIRE ANY OFFER SHARES UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

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ANNEXURE A: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD

Our Board has declared that, as at the LPD, our Group possess the necessary licences, permits, approvals and certificates required for the operations of our financial services and investment divisions.

(i) Licence, permit, approval and certificate for our financial services division

No.	Licensee/ Grantee	Authority/ Issuer	Licence, permit, approval or certificate number	Date of issue	Duration and date of expiry	Description and nature of licence, permit, approval or certificate	Salient conditions	Status of compliance and remarks
1.	MPIB	MoF	Not applicable	27 June 1997	Not applicable	Insurance licence to carry out the business of general insurance	Not applicable	Not applicable
2.	MP Credit	Registrar of Moneylenders, Malaysia	0004307 WL3754/14/01-5/231114 (renewal number)	19 December 2012	Valid from 24 November 2012 until 23 November 2014	Moneylending business licence	(i) All moneylending transactions must be carried out in the name of MP Credit and at the business address as specified in the licence; (ii) The licence is not transferable and other person shall not be allowed to use the rights conferred by the licence without approval of the registrar of moneylenders; and (iii) The licence cannot be used for the business of pawn broking.	Complied

ANNEXURE A:LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD *(cont'd)*

(ii) Licence, permit, approval and certificate for our investment division

No.	Licensee/ Grantee	Authority/ Issuer	Licence, permit, approval or certificate number	Date of issue	Duration and date of expiry	Description and nature of licence, permit, approval or certificate	Salient conditions	Status of compliance and remarks
1.	Magnum Leisure	Majlis Perbandaran Pulau Pinang	2013011695 (Bill number*) (*Bill printed by the council or authorised agents is considered an official licence)	Bill was printed on 31 December 2012	Valid from 27 October 2010 until 31 December 2013	Licence to (among others) operate a hotel	(i) The payment for the renewal of the licence shall be made before or at the end of February of every year. (ii) The payment for a new licence shall be made within one month from the date the licence was issued. (iii) If payment is not made within the foregoing prescribed periods, the business of the licensee shall be deemed carried out without a licence and the licensee can be compounded. (iv) This licence must always be displayed at the licensed premises and must be provided to any officer of Majlis Perbandaran Pulau Pinang that is authorised to request for the same.	Complied

ANNEXURE A:LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD *(cont'd)*

No.	Licensee/ Grantee	Authority/ Issuer	Licence, permit, approval or certificate number	Date of issue	Duration and date of expiry	Description and nature of licence, permit, approval or certificate	Salient conditions	Status of compliance and remarks
							(v) This licence can be revoked at any time if the conditions are not complied with.	
2.	Hotel Flamingo by the lake, Ampang, Selangor	Majlis Perbandaran Ampang Jaya	L0017638-5 91028 (serial number)	18 December 2012	Valid until 31 December 2013	Licence to (among others) operate a hotel	(i) This licence must always be displayed at the licensed premises. (ii) This licence must be renewed starting from 1 October of every year.	Complied

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ANNEXURE B – LIST OF PROPERTIES

Annexure B sets out key details of the properties owned by our Group as at the LPD.

Our Board wishes to highlight that, to the best of their knowledge and belief and save as disclosed in this Prospectus, the properties stated below:

(i) have not breached any of the land-use conditions/permissible land use; and

(ii) comply with current statutory requirements, land rules or building requirements.

Save as disclosed in this Prospectus, our Company has not granted a long-term lease over any of its properties nor has our Group been granted a long-term lease.

I. Our non-JV properties

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
A.	**Bukit Bintang** (Lots 1282, 1283, 200, 646, 1199, 643 and 644 are adjacent, while Lots 637, 642, 1286 and 634 are adjacent)								
1.	Off Jalan Imbi and Jalan Sultan Ismail, near the Kuala Lumpur City Centre GRN 47410, Lot 1282; and GRN 42982, Lot 1283, both in Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	MP Factors	Abandoned project[2] Tenanted for an advertising panel Freehold	Land area: 1.4 acres Built-up area: not applicable	Not applicable	Lot 1282: Restriction in interest: None Condition: Complied Lot 1283: Restriction in interest: None Condition: None	Lot 1282: (i) Private caveat on land by Lim Tek Huat @ Lim Teck Huat, lodged on 14 August 2008[3]; (ii) Private caveat on land by Art Script Sdn Bhd, lodged on 13 January 2009[3]; and (iii) Private caveat on land by Tan Chong Aik, lodged on 10 December 2009[3];	61,790	100,500

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
A.	**Bukit Bintang** *(cont'd)*								
							Lot 1283: (i) Private caveat on land by Art Script Sdn Bhd, lodged on 13 January 2009[3]; and (ii) Private caveat on land by Tan Chong Aik, lodged on 10 December 2009[3]		
2.	No. 115-121, Jalan Imbi, 55100 Kuala Lumpur GRN 12089, Lot 200, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	QNASB	Open air car park Tenanted Freehold	Land area: 1.5 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: None	(i) Two charges in favour of Malayan Banking Berhad, both registered on 17 September 2009; and (ii) Charge in favour of Malayan Banking Berhad, registered on 3 August 2011	68,067	130,500
3.	3N, Jalan Horley, 55100 Kuala Lumpur GRN 28268, Lot 637, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	WJSB	Vacant land Freehold	Land area: 0.1 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	(i) Two charges in favour of Malayan Banking Berhad, both registered on 17 September 2009; and (ii) Charge in favour of Malayan Banking Berhad, registered on 3 August 2011	4,161	5,110

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
A.	**Bukit Bintang** *(cont'd)*								
4.	3S, Jalan Horley, 55100 Kuala Lumpur GRN 28273, Lot 642, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	QNTSB	Single-storey bungalow Tenanted Freehold	Land area: 0.2 acres Built-up area: not available[4]	Age of building: not available[4] Status of Certificate of Fitness (**"CFO"**) is undetermined[5]	Restriction in interest: None Condition: Complied	(i) Two charges in favour of Malayan Banking Berhad, both registered on 17 September 2009; and (ii) Charge in favour of Malayan Banking Berhad, registered on 3 August 2011	3,072	6,185
5.	3Q, Jalan Horley, 55100 Kuala Lumpur GRN 28276, Lot 646, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	QNTSB	Single-storey bungalow Vacant Freehold	Land area: 0.2 acres Built-up area: not available[4]	Age of building: not available[4] Status of CFO is undetermined[6]	Restriction in interest: None Condition: Complied	(i) Two charges in favour of Malayan Banking Berhad, both registered on 17 September 2009; and (ii) Charge in favour of Malayan Banking Berhad, registered on 3 August 2011; and	2,864	6,425

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
A.	**Bukit Bintang** *(cont'd)*								
6.	3C, Jalan Imbi, 55100 Kuala Lumpur GRN 28274, Lot 643, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	Mulpha	Single-storey bungalow Tenanted Freehold	Land area: 0.2 acres[7] Built-up area: not available[4]	Age of building: not available[4] Status of CFO is undetermined[5]	Restriction in interest: None Condition: Complied	(i) Charge in favour of Malayan Banking Berhad, registered on 23 December 2010; and (ii) Charge in favour of Malayan Banking Berhad, registered on 28 December 2012	8,992 (items 6 and 7)	8,990 (items 6 and 7)
7.	Off Jalan Imbi and Jalan Sultan Ismail, near the Kuala Lumpur City Centre GRN 28275, Lot 644, Seksyen 67 in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	Mulpha	Vacant land Freehold	Land area: 0.2 acres[8] Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	Charge in favour of Malayan Banking Berhad, registered on 23 December 2010		
8.	3R, Jalan Horley, 55100 Kuala Lumpur GRN 9036, Lot 1199, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	Mulpha	4-storey apartment building Tenanted Freehold	Land area: 0.1 acres Built-up area: not available[4]	Age of building: not available[4] Status of CFO is undetermined[5]	Restriction in interest: None Condition: None	Charge in favour of Malayan Banking Berhad, registered on 9 May 2012	6,337	4,770

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
A.	**Bukit Bintang** *(cont'd)*								
9.	Off Jalan Imbi and Jalan Sultan Ismail, near the Kuala Lumpur City Centre GRN 42744, Lot 1286, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	CGSB	Vacant land Freehold	Land area: 0.2 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	Charge in favour of Malayan Banking Berhad, registered on 18 May 2012	31,661	8,095
10.	No. 3K, Jalan Benjamin, 55100 Kuala Lumpur GRN 28267, Lot 634, Seksyen 67, in the town of Kuala Lumpur, district and state of Wilayah Persekutuan Kuala Lumpur	CGSB	1½-storey bungalow Tenanted Freehold	Land area: 0.1 acres Built-up area: not available[4]	Age of building: not available[4] Status of CFO is undetermined[5]	Restriction in interest: None Condition: Complied	Charge in favour of Malayan Banking Berhad, registered on 26 July 2012	19,369	4,846
	Sub-total			**4.2 acres[9]**				**206,313**	**275,421**

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
B.	**Hotel Flamingo by the lake** (Hotel Flamingo by the lake and Plaza Flamingo are adjacent)								
1.	5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor PM 343, Lot 13499; PM 344, Lot 13500; and PM 345, Lot 13501, in Mukim Hulu Kelang, district of Gombak, state of Selangor Darul Ehsan	SPSSB	Hotel Flamingo by the lake, a 5-storey hotel complex Lot 13499: Hotel; Lot 13501: Tenaga Nasional Berhad substation and network pumping station; and Lot 13500: Boathouse / Leasehold of 99 years, expiring on 21 April 2091	Land area: 12.3 acres Built-up area for the hotel: 175,177 sq ft (estimated) Built-up area for the boathouse: 25,565 sq ft	Age of building for hotel: 18 years Age of building for boathouse: 17 years Lot 13499: CFO issued on 14 June 2000 Lot 13500: CFO issued on 30 March 1998 Lot 13501: CFO not applicable	Lot 13499: Restriction in interest: Requires the approval of the State Authority[10] Condition: Complied Lot 13501: Restriction in interest: Requires the approval of the State Authority[10] Condition: This land can only be used for the guards' and keepers' quarters. Not complied[11] Lot 13500: Restriction in interest: Requires the approval of the State Authority[10] Condition: Complied[12]	There are no encumbrances on these lands	36,568	82,000

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
C.	**Plaza Flamingo** (Hotel Flamingo by the lake and Plaza Flamingo are adjacent)								
1.	2, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor No. Hakmilik: 435, Lot 18207 Seksyen 2; PM 435/M1 /B1/1 and 7, Lot 18207; PM 435/M1 /1/2-6 and 8-11, Lot 18207; PM 435/M1 /2/12-20, Lot 18207; PM 435/M1 /3/21-29, Lot 18207; and PM 435/M1 /4/30-32, Lot 18207; in Bandar Ulu Kelang, district of Gombak, state of Selangor Darul Ehsan	SPSSB	Plaza Flamingo, a 4-storey commercial complex Tenanted Leasehold of 99 years, expiring on 21 April 2091	Land area: 2.7 acres Built-up area: 188,236 sq ft	Age of building: 16 years CFO issued on 22 October 1999	Restriction in interest: Requires the approval of the State Authority[10] Condition: Complied	Grant of perpetual easements, registered on 26 April 1993 Lease of a portion of the land to Tenaga Nasional Berhad, for a period of 30 years commencing from 28 May 1998 and expiring on 27 May 2028, registered on 14 September 1998[13]	39,012	48,000

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
D.	**Balik Pulau**								
1.	Off Jalan Sungai Rusa, near Balik Pulau Town Centre GRN Mukim 101, Lot 199; GRN Mukim 102, Lot 200; GRN Mukim 147, Lot 348; GRN Mukim 268, Lot 304; GRN 10519, Lot 362; GRN 45123, Lot 364; GRN 26597, Lot 332; in Mukim B, district of Barat Daya, state of Pulau Pinang	MP Shipping	Vacant land Freehold	Land area: 207.6 acres Built-up area: not applicable	Not applicable	Lot 332: Restriction in interest: Dividing or partitioning the land[14] Conditions: Complied Lot 199, Lot 200, Lot 364: Restrictions in interest: None Conditions: Complied Lot 348, Lot 304 and Lot 362: Restrictions in interest: None Conditions: Complied	Lot 199, Lot 200, Lot 348 and Lot 304: private caveat on land by MP Shipping, lodged on 7 August 2007 Lot 362, Lot 364 and Lot 332: private caveat on land by MP Shipping, lodged on 6 August 2007	31,465	63,300
E.	**Hotel Flamingo by the beach**								
1.	Jalan Tanjung Bungah 11200 Tanjung Bungah, 11200 Penang GRN 60996, Lot 4071 in the town of Tanjung Bungah, district of Timor Laut, state of Pulau Pinang	Magnum Leisure	Hotel Flamingo by the beach, a 18-storey hotel complex with 1-storey basement Freehold	Land area: 2.3 acres Built-up area: 312,153 sq ft (estimated)	Age of building: 20 years CFO issued on 26 May 1993	Restriction in interest: None Conditions: Complied	Lease of a portion of the land to Tenaga Nasional Berhad, for a period of 30 years commencing on 2 February 1991 and expiring on 1 February 2021, registered on 18 October 1991	45,200	84,000

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
F.	**Minden Heights**								
1.	Off Jalan Bukit Gambir, near Universiti Sains Malaysia Parcels number 8, 9, 10, 11, and 12, developed in Phase 1 on: GM Mukim 3434, Lot 11670; GM Mukim 1751, Lot 2926; in Mukim 13, district of Timor Laut, state of Pulau Pinang The properties are under Phase 1 development referred to in item 1 of section O below	MPIB (MPIB is not yet the registered owner of these properties, as the separate title to these properties have not been issued)	5 units of 3-storey link houses Vacant Freehold	Land area: 0.2 acres[15] Built-up area: 10,113 sq ft	The buildings are newly completed Occupancy certificate issued on 27 February 2013	Lot 11670 and Lot 2926: Restriction in interest: None Conditions: As set out in the note below[16]	Lot 11670 and Lot 2926: Registrar's caveat on land, lodged on 28 June 2011	3,240	3,240[17]

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
G.	**MPIB's Penang office**								
1.	Unit No. 41-G-1, 41-1-1-B, and 41-1-1, Wisma Prudential, Jalan Cantonment, 10250 Penang HBM172/M1/1/1, Petak No.1, Tingkat No.1, Bangunan No.M1, Petak-Petak Aksesori A15, A35, and A36, Lot No.2618; HBM172/M1/2/3, Petak No.3, Tingkat No.2, Bangunan No.M1, Lot No.2618; and HBM172/M1/2/4, No. Petak 4, Tingkat No.2, Bangunan No.M1, Petak-Petak Aksesori A29, A30, A31, A32, A33 and A34, Lot No.2618; in the town of Georgetown, Seksyen 1, district of Timur Laut, state of Pulau Pinang	MPIB	3 floors of office spaces (of a 7-storey commercial office building), together with 9 units of car park Save for the ground floor (Unit No. 41-G), together with 4 units of car park (accessory parcels A29, A30, A31 and A36) that are tenanted to the Bank of China (Malaysia) Berhad, MPIB uses the properties as its office Freehold	Land area: not applicable, as these are strata-titled units Built-up area (not including car park): 11,668.08 sq ft	Age of building: 20 years Occupancy certificate issued (not dated)	Restriction in interest: None Conditions: Complied	There are no encumbrances on these lands	4,493	4,493[17]

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
H.	**Pengerang** (All the lands in Pengerang are adjacent)								
1.	Off Jalan Tanjung Pengelih, leading to Kampung Pengerang GRN 456954, Lot 437; and GRN 121896, Lot 201 in Mukim Pengerang, district of Kota Tinggi, state of Johor Darul Takzim	Kelana Megah	Agriculture land Farming Freehold	Land area: 65.0 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: None	There are no encumbrances on these lands	64,229 (Represents NBV for Lot 437, Lot 201, Kelana Megah Lands No. 2, Lot 992, 993 and 994)	74,965
2.	Off Jalan Tanjung Pengelih, leading to Kampung Pengerang GRN 82700, Lot 519; GRN 84211[18], Lot 1104; GRN 83563, Lot 109; GRN 121929, Lot 980; GRN 106049, Lot 919; and GRN 83581, Lot 364 in Mukim Pengerang, district of Kota Tinggi, state of Johor Darul Takzim (collectively referred to as the "**Kelana Megah Lands No. 2**")	Kelana Megah	Agriculture land Farming Freehold	Land area: 968.8 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: None	There are no encumbrances on these lands		

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
H.	**Pengerang** *(cont'd)*								
3.	Off Jalan Tanjung Pengelih, leading to Kampung Pengerang PN 13368, Lot 992; PN 58271, Lot 993; and PN 58272, Lot 994; in Mukim Pengerang, district of Kota Tinggi, state of Johor Darul Takzim	Kelana Megah	Agriculture land Farming Leasehold of 999 years, expiring on 25 October 2910	Land area: 769.4 acres Built-up area: not applicable	Not applicable	Lot 992: Restriction in interest: None Condition: None Lot 993 and Lot 994: Restriction in interest: Requires the approval of the State Authority[10] Condition: None	There are no encumbrances on these lands	As stated above	As stated above
	Sub-total			**1,803.2 acres[9]**				**64,229**	**74,965**
I.	**Penarik, Setiu**								
1.	Off Kuala Terengganu/Penarik/ Kampung Raja main road, near Kampung Mangkok GN 12771, Lot 1028 in Mukim Pantai Setiu, state of Terengganu Darul Iman	MP Credit	Abandoned project[2] Vacant land Freehold	Land area: 7.7 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Conditions: Complied	There are no encumbrances on this land	2,200	2,200[17]

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
J.	**MPIB's Malacca office**								
1.	No. 308A, 1st & 2nd Floor, Jalan Melaka Raya 1, Taman Melaka Raya, 75000 Melaka PN 2189, Lot 219, in the town area XXXIX, district of Melaka Tengah, state of Melaka	MPIB	3-storey intermediate unit of shop lot Office Leasehold of 99 years expiring on 4 October 2082	Land area: 0.04 acres Built-up area: 4,755 sq ft	Age of building: 30 years Date of Sijil Kesempurnaan: 8 October 1983[19]	Restriction in interest: Requires the approval of the State Authority[20] Conditions: Complied	There are no encumbrances on this land	124	124 [17]
K.	**MPIB's Kelantan office**								
1.	Lot 385, Blok 13, Jalan Jambatan Sultan Yahya Petra, Kg Sireh, 15050 Kota Bahru, Kelantan PN 6108, Lot 337, Seksyen 17, in the town and district of Kota Bharu, state of Kelantan	MPIB	3-storey intermediate unit of shop lot Office Leasehold of 99 years expiring on 20 August 2102	Land area: 0.04 acres Built-up area: 4,680 sq ft (estimated)	Age of building: 4 years CFO issued on 5 November 2009	Restriction in interest: None Condition: Complied	There are no encumbrances on this land	817	817 [17]
	TOTAL (NON-JV PROPERTIES)			**2,040.1 acres[9]**				**433,661**	**638,560**

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

II. Our JV properties

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
L.	**Rawang** (All the lands in Rawang are adjacent)								
1.	Off Jalan Batu Arang, within the locality of Sungai Bakau PM 854, Lot 1048, in the town of Kundang, district of Gombak, state of Selangor Darul Ehsan	Tibanis	Tenanted for the purpose of rearing fish fry[21] Leasehold of 99 years, expiring on 13 December 2091	Land area: 2.2 acres Built-up area: not applicable	Not applicable	Restriction in interest: Requires the approval of the State Authority[10] Condition: Land can only be used for duck rearing. Not complied[22]	There are no encumbrances on this land		
2.	Off Jalan Batu Arang, within the locality of Sungai Bakau H.S.(D) 73892, PT 37379, in the Mukim of Rawang, district of Gombak, state of Selangor Darul Ehsan	Tibanis	Vacant land[21] Freehold	Land area: 20.3 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	There are no encumbrances on this land	129,799 (Represents NBV for Lot 1048, PT 37379 and PT 37380	170,000
3.	Off Jalan Batu Arang, within the locality of Sungai Bakau H.S.(D) 73893, PT 37380, in the Mukim of Rawang, district of Gombak, state of Selangor Darul Ehsan	Tibanis	Tenanted for the purpose of rearing fish fry and growing cow-grass[21] Freehold	Land area: 242.6 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	There are no encumbrances on this land		
	Sub-total			**265.1 acres[9]**				**129,799**	**170,000**

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
M.	**Gombak** (All the lands in Gombak are adjacent)								
1.	17.6km, Jalan Gombak, 53000 Selangor GRN 307402, Lot 2947, in Pekan Mimaland, district of Gombak, state of Selangor Darul Ehsan	Mimaland	Abandoned structure[21] Vacant land Freehold	Land area: 104.1 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	There are no encumbrances on this land	117,632 (Represents value for Lot 2947, Lot 3003, PT B, PT 7546, PT A, PT 5300 and PT 5301)	150,000
2.	17.6km, Jalan Gombak, 53000 Selangor GRN 49265, Lot 3003, in Mukim Setapak, district of Gombak, state of Selangor Darul Ehsan	Mimaland	Abandoned structure[21] Vacant land Freehold	Land area: 20.3 acres Built-up area: not applicable	Not applicable	Restriction in interest: None Condition: Complied	There are no encumbrances on this land		
3.	17.6km, Jalan Gombak, 53000 Selangor H.S.(D) 40430, PT B; H.S.(D) 40431, PT 7546; and H.S.(D) 1767, PT A, in Mukim Setapak, district of Gombak, state of Selangor Darul Ehsan	Mimaland	Abandoned structure[21] Vacant land Leasehold of 99 years, expiring on 7 June 2069	Land area: 197.1 acres Built-up area: not applicable	Not applicable	PT A and PT B: Restriction in interest: Requires the approval of the State Authority[10] Condition: Complied PT 7546: Restriction in interest: Requires the approval of the State Authority[10] Condition: None	There are no encumbrances on these lands		

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
M.	**Gombak** *(cont'd)*								
4.	17.6km, Jalan Gombak, 53000 Selangor H.S.(M) 1726, PT 5300; and H.S.(M) 1727, PT 5301, in Mukim Setapak, district of Gombak, state of Selangor Darul Ehsan	Mimaland	Abandoned structure[21] Vacant land Leasehold of 99 years, expiring on 25 May 2091	Land area: 2.6 acres Built-up area: not applicable	Not applicable	Restriction in interest: Requires the approval of the State Authority[10] Condition: Complied	There are no encumbrances on these lands	As stated above	As stated above
	Sub-total			**324.1 acres[9]**				**117,632**	**150,000**

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
N.	**Teluk Tempoyak** (All the lands in Teluk Tempoyak are adjacent)								
1.	Off Jalan Teluk Tempoyak, near Kampung Teluk Tempoyak / GM Mukim 528, Lot 296; GM Mukim 529, Lot 302; GM Mukim 531, Lot 306; GM Mukim 654, Lot 1675; GM Mukim 656, Lot 1677; GM Mukim 659, Lot 1688; GM Mukim 672, Lot 1713; GM Mukim 673, Lot 1714; GM Mukim 886, Lot 1462; GM Mukim 887, Lot 1463; GM Mukim 888, Lot 1464; GM Mukim 889, Lot 1465; GM Mukim 909, Lot 1460; GM Mukim 910, Lot 1461; GM Mukim 1008, Lot 1278; GM Mukim 1011, Lot 1283; GM Mukim 1015, Lot 1288; GM Mukim 1047, Lot 2343; GM Mukim 1443, Lot 14895; and GRN 47939, Lot 2346; in Mukim 12, district of Barat Daya, state of Pulau Pinang	Magnum. Com	Vacant lands[23] Freehold	Land area: 80.9 acres Built-up area: not applicable	Not applicable	Lot 1677, Lot 1688 and Lot 14895: Restriction in interest: None Conditions: Complied Lots 296, 306, 1460, 1461, 1465, 1675, 1713, 1714, 2343 and 2346: Restriction in interest: None Conditions: Complied Lot 302, Lot 1462, Lot 1463, Lot 1464, Lot 1278, Lot 1283 and Lot 1288: Restriction of interest: None Conditions: Complied	There are no encumbrances on these lands	45,000	71,500

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	
N.	**Teluk Tempoyak** *(cont'd)*								
2.	No. 163, Block K, Mukim 12, Teluk Tempoyak, Bayan Lepas, 11960 Penang GM1010, Lot 1282; GM1013, Lot 1285; and GM1014, Lot 1287, in Mukim 12, district of Barat Daya, state of Pulau Pinang	Magnum. Com	Single-storey bungalow Vacant[23] Freehold	Land area: 2.1 acres Built-up area: not available[4]	Age of building: not available[4] The status of the CFO is undetermined[6]	Restriction in interest: None Conditions: Complied	There are no encumbrances on these lands	10,501	5,400
	Sub-total			**83.0 acres[9]**				**55,501**	**76,900**
O.	**Minden Heights**								
1.	Off Jalan Bukit Gambir, near Universiti Sains Malaysia Phase 1 GM Mukim 3434, Lot 11670; and GM Mukim 1751, Lot 2926; in Mukim 13, district of Timor Laut, state of Pulau Pinang	Jayavest	Joint venture project[24] Phase 1 (i) 72 units of 3-storey link houses; and (ii) 2 units of 3-storey link houses Phase 2 Under property development Freehold	Phase 1 Land area: 4.2 acres Built-up area for the 72 units of 3-storey link houses: aggregate of 144,607 sq ft Built-up area for the 2 units of 3-storey link houses: 2,626 sq ft	Phase 1 The buildings are newly completed Occupancy certificate issued on 27 February 2013 Phase 2 Age of building: not applicable	Lot 11670 and Lot 2926: Restriction in interest: None Conditions: As set out in the note below[16] Lot 11493: Restriction in interest: None Condition: Complied Lot 11494: Restriction in interest: None Condition: Complied	Lot 11670 and Lot 2926: Registrar's caveat on land, lodged on 28 June 2011 Lot 11493 and Lot 11494: There are no encumbrances on these lands	- (Under the JV agreement, the lands are deemed disposed)	-

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

No.	Location/Title particulars	Registered owner	Description of property/ Existing use/ Tenure of land (years)	Land area/ Built-up area	Age of building/Date of issuance of Certificate of Fitness	Restriction in interest/ Status of compliance of conditions	Encumbrances	Audited NBV as at 31 December 2012	Market value as at 28 February 2013[1]
								RM 000	RM 000
O.	**Minden Heights** *(cont'd)*								
	Phase 2 GM Mukim 3336, Lot 11493; and GM Mukim 3337, Lot 11494; in Mukim 13, district of Timor Laut, state of Pulau Pinang			Phase 2 Land area: 5.5 acres Built-up area: not applicable					
P.	**Paya Terubong**								
1.	Taman Suria Vista, Tingkat Paya Terubong 4, 11700 Penang GM 3354, Lot 11506; and GM 3356, Lot 11507; in Mukim 13, district of Timor Laut, state of Pulau Pinang	MP Development	Lot 11506: 3-4 storey town houses and one 20-storey apartment[25] Completed property development Freehold Lot 11507: Vacant land Freehold	Land area: 5.1 acres Built-up area for the 112 units of 3-4 storey town houses: aggregate of 195,616 sq ft Built-up area for the 20-storey apartment: 178,944 sq ft (not including car park)	Age of buildings: 1 year Town houses: CFO issued on 9 March 2012 Apartment: CFO issued on 30 April 2012	Restriction in interest: None Conditions: Complied	Lot 11506: Two leases over portions of the land to Tenaga Nasional Berhad, for a period of 30 years both commencing on 11 May 2011 and expiring on 10 May 2041, registered on 20 December 2011 Lot 11507: There are no encumbrances on these lands	- (Under the JV agreement, the lands are deemed disposed)	-
	TOTAL (JV PROPERTIES)			**687.0 acres[9]**				**302,932**	**396,900**
	TOTAL (ALL PROPERTIES)			**2,727.1 acres[9]**				**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. 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) These abandoned projects, along with the lands they were built on, came into the possession of MP Factors and MP Credit (the "**Finance Companies**") following a default on the loans taken up by the developers of these abandoned projects from the Finance Companies. Currently, we have no intention to continue with the development of these abandoned projects nor do we intend to remove the structures currently built on the lands. We intend to enter into a JV with a property developer, who has the technical expertise or is able to procure such technical expertise to deal with the said structures and the development of the lands. Alternatively, we may seek to dispose of the lands (together with the existing structures) as a means to realise the value of these assets.*

*(3) There is no relationship between our Group and these individuals and/or the company that had lodged the caveats on Lots 1282 and 1283 ("**MP Factor's Lands**"). We had, through our solicitors, Messrs Wong Kian Kheong, extracted a copy of the entry of caveat forms (i.e Form 19B, NLC – Application For Entry Of A Private Caveat) lodged by these parties and the said forms revealed that the caveators were previous purchasers of the abandoned project who entered into sale and purchase agreements with the previous developers of the said project. We had, on 28 December 2012, filed applications (i.e. Form 19H, NLC – Application For Removal Of Private Caveat) to the registrar of Titles ("**Registrar**") for the removal of these caveats. By a letter dated 12 April 2013, our solicitors had advised that although the caveators are entitled to challenge our application for the removal of their caveats, the caveators do not have a caveatable interest nor do they have a legitimate claim over MP Factor's Lands.*

With regard to the caveats lodged by Art Script Sdn Bhd, Lim Tek Huat @ Lim Teck Huat and Tan Chong Aik, our solicitors have been informed that the Registrar is currently in the midst of serving the Form 19C, NLC (Notice Of Intended Removal Of Caveat) on these parties. Our solicitors had further been informed by the Registrar that it will make 3 attempts to serve the said forms on the respective caveators. The first attempt was carried out by hand, which was unsuccessful, which lead to the Registrar sending out the said forms to the respective caveators by A.R. registered post on 18 April 2013. As at the LPD, this second attempt of service is still pending. Should this service of the said forms by A.R. registered post fail, the Registrar will then proceed with serving the said Forms 19C by substituted service in accordance with Section 432 of the NLC.

According to Section 326(1B) of the NLC, once the said Form 19C has been served on Art Script Sdn Bhd, Lim Tek Huat @ Lim Teck Huat and Tan Chong Aik, respectively, their respective caveats shall lapse and be of no effect after 2 months from the date specified in the said Form 19C, unless the Registrar receives a Court Order to extend the 2-month period. On our solicitors' advice that these caveators do not have a caveatable interest nor a legitimate claim over MP Factor's Land, we intend to continue pursuing the matter until these caveats have been removed.

(4) These buildings are old, and were in existence prior to the purchase. The relevant documentation to determine the built-up area and the exact age of the buildings were not available at the point of the purchase. The intention is eventually to demolish such buildings and enter into a strategic partnership with a property developer to develop the land.

(5) The building is currently tenanted but its rental is insignificant as compared to our revenue. The decision by our Group to let the building is to prevent squatters and trespassers from occupying the building while our Group makes preparations for redevelopment of the lands. The intention is eventually to demolish such building and enter into a strategic partnership with a property developer to develop the land. QNTSB, Mulpha and CGSB have undertaken to the SC pursuant to the Offer for Sale that they will rectify the existing non-compliance no later than 31 December 2013.

(6) The building is currently unoccupied and the land was purchased for its value as an investment property, without any specific plans for use of the building on the land. The intention is eventually to demolish such buildings and enter into a strategic partnership with a property developer to develop the land.

(7) The land area of approximately 0.2 acres (or 8,915.898 sq ft) is as stated in the land title. This includes approximately 0.1 acres (or approximately 3,133 sq ft) that has been surrendered to the State Authority in 1988, and therefore the actual land area should be approximately 0.1 acres (or approximately 5,783 sq ft). Please refer to Section 15.5(ii) of this Prospectus for further details.

(8) The land area of approximately 0.2 acres (or 7,064.655 sq ft) is as stated in the land title. This includes approximately 0.07 acres (or approximately 1,614 sq ft) that has been surrendered to the State Authority in 1988, and therefore the actual land area should be approximately 0.1 acres (or approximately 5,451 sq ft). Please refer to Section 15.5(ii) of this Prospectus for further details.

(9) Represents land area.

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

(10) These lands cannot be transferred, leased or charged save with the approval of the State Authority. Although these lands are subjected to a restriction in interests, these restrictions in interests are commonly found endorsed on titles to leasehold lands and our Group had been able to deal with the land in compliance with such restriction. Therefore, we do not view these restrictions in interests as having a material effect on our ability to realise the value of these assets.

(11) Lot 13501 does not comply with the condition imposed on the land title. SPSSB has undertaken to the SC pursuant to the Offer for Sale that it will ensure compliance of the aforesaid conditions no later than 31 December 2013. Please refer to Section 5.1.19 of this Prospectus for further details.

(12) Based on the issue document of title for Lot 13500, no condition has been endorsed on the title. However, a land title search result reveals a condition wherein the land may only be used for recreational purposes, which the land is currently being used for. There is a discrepancy between these 2 records. It is intended that this discrepancy be clarified with the land office, and that a removal of the said condition will be sought for the title to Lot 13500 (if required). As we are currently in compliance with the condition reflected in the said land title search result, SPSSB has undertaken to the SC pursuant to the Offer for Sale that it will proceed with enquiries to the land office within 1 month from the date the matter with Lots 13499 and 13501 has been concluded, in any event, no later than 31 December 2013.

(13) A lease agreement was entered into between SPSSB (as the lessor) and Tenaga Nasional Berhad (as the lessee) for the lease of a portion of the land and following which, the lease was registered on 14 September 1998. However, the land title reflects a lease over the whole land, and to SPSSB as the lessee instead of Tenaga Nasional Berhad. SPSSB had on 15 April 2013 submitted to the land office a formal request for an investigation to be conducted for the purpose of rectifying the error to the leased area as well as the identity of the lessee.

(14) If the lessee is desirous of dividing or partitioning the land, he may apply to the lessor to accept the surrender of this lease and to demise the land in parcels: whereupon the lessor, if satisfied with the title of the lessee and on payment by the lessee of all costs and expenses of or consequent upon such application and if satisfied also that the parcels will be of such size that they can be efficiently managed, may in his discretion accept a surrender of this lease and may issue in lieu thereof to the lessee leases of the said land in such portions as the lessee desires. Such leases shall be subject to the same terms and conditions imposed on this land.

(15) 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 described under section O.1. above.

(16) These lands are subject to the following conditions:

(i) This land should be used for the purpose of residence only (for housing plots follow array plan approved by the Municipal Council of Penang Island), or

This land should be used for the purpose of business only (for shop house plots follow array plan approved by the Municipal Council of Penang Island);

(ii) Construction of the building should be started 6 months from the date of subdivision approval; and

(iii) Building plan should be as approved by the Local Authority Municipal Council of Penang Island.

These conditions have been complied with.

*In addition, another condition imposed on the titles to Lot 11670 and Lot 2926 is that 30% of the residential units on the land must be low-cost residential units. In the case of this condition, we have been informed by the developer of the land, PPM Realty Sdn Bhd ("**PPM Realty**"), that the Penang State Government has granted its approval that, by PPM Realty acquiring from a third party a quota of 104 units of medium-low cost flats on Lot 7686, Mukim 13, district of Timur Laut, Paya Terubong, state of Pulau Pinang, the said condition has been complied with. PPM Realty has since acquired the said quota. Thereafter, PPM Realty applied to the Penang State Government for the removal of this condition from the titles. The Penang State Government, however, has subsequently sought to impose a requirement for a premium to be paid in conjunction with such removal of the condition. PPM Realty is presently in the process of resolving this matter with the Penang State Government.*

(17) Represents audited NBV of the land/property. No independent valuation was carried out for the land/property as the land/property is deemed not material.

(18) The land area is approximately 1,380.0 acres (or approximately 60,112,801.476 sq ft), of which an area of approximately 661.3 acres (or approximately 28,804,762.471 sq ft) has been compulsorily acquired by the State Authority pursuant to the Land Acquisition Act, 1960. The land title has been surrendered and we are awaiting the issuance of a new title for the land area retained.

(19) The Sijil Kesempurnaan was issued under section 120 of the Malacca (Municipal) Building Bylaws for the building.

ANNEXURE B – LIST OF PROPERTIES *(cont'd)*

(20) *This land is subject to the following restrictions:*

(i) This land which has been granted cannot be transferred or charged in any manner whatsoever except for all infrastructure including drains and entryway which is required by the State Authority for this whole project until total completion and approval by the State Authority. This restriction is excluded if the owner develops this project; and

(ii) This land which has been granted cannot be transferred, charged or rented to any person and in any manner whatsoever except upon getting written approval from the State Authority. This restriction is excluded for the first transfer between developer and buyer.

Although this land is subjected to restrictions in interests, these restrictions in interests are commonly found endorsed on titles to leasehold lands and our Group had been able to deal with the land in compliance with such restriction. Therefore, we do not view these restrictions in interests as having a material effect on our ability to realise the value of this asset.

(21) *These plots of land are subject to JVs for housing development. The developers are currently preparing the layout plans to be submitted to the relevant authorities. Please refer to Section 7.3 of this Prospectus for further details of the JVs.*

(22) *Lot 1048 does not comply with the land conditions imposed on the land title. This plot of land is currently subject to a JV project where vacant possession is expected to be handed to the developer in the third quarter of 2013. The developer will be responsible to comply with any regulatory requirements including land conditions for its development project. The approvals of applications made to the land office to comply with the land conditions, and the timing for the approvals of the said applications, are determined by the land office. In any event, Tibanis has undertaken to the SC pursuant to the Offer for Sale that it will comply with the land conditions imposed on the land title by 31 December 2013, or within the time frame as stipulated in the notice requesting for compliance/rectification of the breach of the land conditions as may be issued by the land office, whichever is the earlier.*

(23) *These plots of land are subject to a JV with Orion Vibrant Sdn Bhd, a wholly-owned subsidiary of BRDB (the "**Developer**"), for housing development. The Developer is currently preparing the layout plans to be submitted to the relevant authorities. Please refer to Section 7.3 of this Prospectus for further details of the JV.*

(24) *These plots of land are subject to a JV with PPM Realty for housing development. The said development has been launched and is currently under construction. Phase 1 of the development has been completed. Please refer to Section 7.3 of this Prospectus for further details of the JV.*

(25) *These plots of land are subject to a JV with Jiran Cergas Sdn Bhd for housing development. The said development has been completed and is pending the release of 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 of the JV.*