



MPHB CAPITAL BERHAD
(1010253 - W)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2014

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Revenue	91,800	80,054	178,558	80,054
Cost of sales	<u>(57,805)</u>	<u>(54,067)</u>	<u>(119,863)</u>	<u>(54,067)</u>
Gross profit	33,995	25,987	58,695	25,987
Other income	212,768	14,492	227,096	14,492
Administrative expenses	(12,321)	(9,970)	(23,730)	(9,970)
Other expenses	<u>(28,182)</u>	<u>(9,438)</u>	<u>(42,650)</u>	<u>(9,439)</u>
Operating profit	206,260	21,071	219,411	21,070
Finance costs	(1,070)	(1,374)	(2,177)	(1,374)
Share of results of an associate	<u>(49)</u>	<u>(21)</u>	<u>(54)</u>	<u>(21)</u>
Profit before tax	205,141	19,676	217,180	19,675
Income tax expense	<u>(7,088)</u>	<u>(5,510)</u>	<u>(10,764)</u>	<u>(5,510)</u>
Profit for the period	<u>198,053</u>	<u>14,166</u>	<u>206,416</u>	<u>14,165</u>
Profit attributable to:				
Owners of the Company	198,863	14,414	207,416	14,413
Non-controlling interests	<u>(810)</u>	<u>(248)</u>	<u>(1,000)</u>	<u>(248)</u>
	<u>198,053</u>	<u>14,166</u>	<u>206,416</u>	<u>14,165</u>
Earnings per share ("EPS") attributable to Owners of the Company (sen per share):				
Basic EPS	27.81	3.88	29.01	3.88
Profit for the period	198,053	14,166	206,416	14,165
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Fair value reserves				
Net gain arising during the period	7,980	6,394	5,597	6,394
Net realised gain transferred to profit or loss	<u>(2,584)</u>	<u>(1,618)</u>	<u>(2,566)</u>	<u>(1,618)</u>
	5,396	4,776	3,031	4,776
Tax effects	<u>(697)</u>	<u>(2,087)</u>	<u>(935)</u>	<u>(2,087)</u>
	4,699	2,689	2,096	2,689
Total comprehensive income for the period	<u>202,752</u>	<u>16,855</u>	<u>208,512</u>	<u>16,854</u>
Total comprehensive income attributable to:				
Owners of the Company	203,562	17,103	209,512	17,102
Non-controlling interests	<u>(810)</u>	<u>(248)</u>	<u>(1,000)</u>	<u>(248)</u>
	<u>202,752</u>	<u>16,855</u>	<u>208,512</u>	<u>16,854</u>

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	86,077	87,324
Investment properties	750,318	744,051
Investment in an associate	496	550
Investment securities	374,363	362,205
Intangible assets	42,716	42,884
Deferred tax assets	11,598	11,598
	<u>1,265,568</u>	<u>1,248,612</u>
Current assets		
Inventories	241	199
Receivables	236,136	228,356
Reinsurance assets	484,154	411,528
Tax recoverable	9,304	6,156
Investment securities	184,167	103,315
Cash and bank balances	414,617	311,422
	<u>1,328,619</u>	<u>1,060,976</u>
Asset held for sale	-	30,195
Total Assets	2,594,187	2,339,783
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	49,933	47,837
Merger deficit	(28,464)	(28,464)
Retained profits	255,497	48,081
	<u>1,288,057</u>	<u>1,078,545</u>
Non-controlling interests	14,389	15,389
Total Equity	1,302,446	1,093,934
Non-current liabilities		
Borrowings	47,202	63,721
Deferred tax liabilities	26,217	24,079
	<u>73,419</u>	<u>87,800</u>
Current liabilities		
Payables	258,200	288,714
Insurance contract liabilities	922,251	816,204
Borrowings	36,038	29,650
Tax payable	1,833	875
	<u>1,218,322</u>	<u>1,135,443</u>
Liability directly associated with asset held for sale	-	22,606
Total Liabilities	1,291,741	1,245,849
Total Equity and Liabilities	2,594,187	2,339,783
Net assets per share attributable to Owners of the Company (RM)	1.80	1.51

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

-----Attributable to Owners of the Company-----

-----Non-distributable----- Distributable

	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Merger Deficit RM'000	Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 January 2013	#	-	-	-	(168)	(168)	-	(168)
Issuance of ordinary shares in connection with the merger and acquisition of subsidiaries	715,000	296,091	58,042	(28,464)	-	1,040,669	16,766	1,057,435
Other comprehensive income for the period	-	-	2,689	-	-	2,689	-	2,689
Profit for the period	-	-	-	-	14,413	14,413	(248)	14,165
Total comprehensive income for the period	-	-	2,689	-	14,413	17,102	(248)	16,854
At 30 June 2013	715,000	296,091	60,731	(28,464)	14,245	1,057,603	16,518	1,074,121
At 1 January 2014	715,000	296,091	47,837	(28,464)	48,081	1,078,545	15,389	1,093,934
Other comprehensive income for the period	-	-	2,096	-	-	2,096	-	2,096
Profit for the period	-	-	-	-	207,416	207,416	(1,000)	206,416
Total comprehensive income for the period	-	-	2,096	-	207,416	209,512	(1,000)	208,512
At 30 June 2014	715,000	296,091	49,933	(28,464)	255,497	1,288,057	14,389	1,302,446

- represents RM2.00

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	6 months ended	
	30.06.2014	30.06.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	217,180	19,675
Adjustments for:		
Depreciation of property, plant and equipment	2,987	1,714
Depreciation of investment properties	885	455
Interest expense	2,177	1,374
Amortisation of premiums	3	2
Amortisation of intangible assets	286	115
Bad debts written off	6	-
Property, plant and equipment written off	2	7
Allowance for impairment of receivables	1,779	-
Write back of allowance for impairment for loans and advances	-	(597)
Share of results of an associate	54	21
Gain on disposal of property, plant and equipment	(16)	-
Gain on disposal of investment properties	(195,862)	-
Realised (gain)/loss on:		
- AFS financial assets	(2,566)	(1,618)
- Financial assets at FVTPL	31	-
Interest income	(20,250)	(8,533)
Dividend income on quoted shares and unit trusts	(1,956)	(1,321)
Gain arising from fair value change in financial assets at FVTPL	(3,620)	(905)
Gain arising from fair value change in investment properties	(90)	-
Operating cash flows before working capital changes	1,030	10,389
Changes in working capital:		
Inventories	(42)	7
Receivables	(14,547)	(17,820)
Reinsurance assets	(72,626)	(9,024)
Insurance contract liabilities	106,047	25,323
Payables	(63,509)	211,461
Cash (used in)/generated from operations	(33,647)	220,336
Income tax paid	(11,751)	(2,497)
Net cash (used in)/generated from operating activities	(45,398)	217,839
INVESTING ACTIVITIES		
Proceeds from disposal of:		
- property, plant and equipment	215	-
- investment properties	226,057	-
- investment securities	77,666	12,217
Redemption of fixed income securities	7,215	-
Purchase of:		
- property, plant and equipment	(1,941)	(128)
- investment properties	(7,062)	(13)
- investment securities	(168,709)	(63,295)
- intangible assets	(118)	(88)
Net dividend received from quoted shares and unit trusts	1,956	1,321
Interest received	25,232	8,533
Interest paid	(1,787)	(1,081)
Cash and cash equivalents of the subsidiaries acquired	-	192,465
Net cash generated from investing activities	158,724	149,931
FINANCING ACTIVITIES		
Net repayment of borrowings	(10,131)	(4,583)
Net movement in cash deposit with licensed bank	(9)	(287)
Net cash used in financing activities	(10,140)	(4,870)
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,186	362,900
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	311,135	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	414,321	362,900
Cash and cash equivalents consist of:		
Deposits, cash and bank balances	414,617	363,187
Cash deposit with licensed bank with maturity period of more than 3 months	(296)	(287)
	414,321	362,900

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")
134**

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent announced financial statements for the year ended 31 December 2013 except for the adoption of the following with effect from 1 January 2014.

A2.1 Adoption of Standards, Amendments and Issues Committee (IC) Interpretations and changes in accounting policies

The Group adopted the following Standards, Amendments and IC Interpretations:-

Adoption of MFRSs and Amendments to MFRSs		Effective for periods beginning on or after
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

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

A2.2 Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs	Effective for periods beginning on or after	
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014	
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014	
MFRS 9	Financial Instruments (IFRS issued by IASB in November 2009 and October 2010)	To be announced
MFRS 9	Financial Instruments: Mandatory Effective date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)	To be announced
MFRS 9	Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The adoption of the above standards and interpretations will have no material impact of the financial statements in the period of initial application except for the adoption of MFRS 9 Financial Instruments. The Group will assess the financial impact of the MFRS 9 when the standard is issued.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not qualified.

A4 Seasonal or Cyclical Factors

The performance of the Group is not affected by any seasonal or cyclical factors but is generally dependent on the state of economic conditions.

A5 Segmental Information

	3 months ended		6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Segmental Revenue				
Insurance	81,275	70,369	158,681	70,369
Credit	907	629	1,213	629
Investments	9,618	9,056	18,664	9,056
Total	91,800	80,054	178,558	80,054
Segmental Results				
Insurance	20,554	16,472	29,680	16,472
Credit	3,416	3,919	5,123	3,919
Investments	181,171	(715)	182,377	(716)
	205,141	19,676	217,180	19,675
Income tax expense	(7,088)	(5,510)	(10,764)	(5,510)
Profit for the period	198,053	14,166	206,416	14,165

Assets and Liabilities as at 30 June 2014

	Assets RM'000	Liabilities RM'000
Insurance	1,408,636	1,082,524
Credit	179,685	683
Investments	1,005,866	208,534
Total	2,594,187	1,291,741

A6 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current financial quarter.

A7 Dividends Paid

No dividend was paid during the quarter under review.

A8 Changes In Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities during the quarter and six months ended 30 June 2014.

A9 Financial Instruments

(i) Financial instruments by category

	Loans and receivables/ other financial liabilities RM'000	Assets at fair value through profit or loss RM'000	Available for sale RM'000	Total RM'000
As at 30 June 2014				
Financial Assets				
Investment securities	-	184,167	374,363	558,530
Receivables	236,136	-	-	236,136
Reinsurance assets	-	-	484,154	484,154
Tax recoverable	9,304	-	-	9,304
Cash and bank balances	414,617	-	-	414,617
Total financial assets	660,067	184,167	858,517	1,702,741
Financial Liabilities				
Payables	258,200	-	-	258,200
Insurance contract liabilities	-	-	922,251	922,251
Borrowings	83,240	-	-	83,240
Total financial liabilities	341,440	-	922,251	1,263,691

(ii) Financial Instruments that are carried at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of all financial instruments carried at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the Group held the following financial instruments carried at fair value:-

		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2014					
Non-current	AFS financial assets	133,546	239,816	1,001	374,363
Current	Financial assets at FVTPL	184,167	-	-	184,167
		317,713	239,816	1,001	558,530
31 December 2013					
Non-current	AFS financial assets	113,495	247,709	1,001	362,205
Current	Financial assets at FVTPL	103,315	-	-	103,315
		216,810	247,709	1,001	465,520

A10 Related Party Disclosures

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
An Associate				
Claims ceded to Insurers	-	(361)	-	(361)
Affiliated companies				
Gross insurance premium receivables	800	557	1,418	557
Insurance commission payable	(114)	(77)	(202)	(77)
Claim paid	(202)	(275)	(265)	(275)
Professional fees paid	(152)	-	(314)	-
IT management fees payable	(17)	(213)	(35)	(213)
Office rental paid	(23)	-	(23)	-
Management fees receivables	469	-	469	-

The above transactions are entered in the normal course of business based on negotiated and mutually agreed terms.

Affiliated companies during the financial period refer to the following:

- Ganda Pesona Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial financial interest.
- MWE Properties Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial financial interest.
- Metra Management Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial financial interest.
- Magnum Berhad, incorporated in Malaysia, which is a company in which a Director has a substantial financial interest.
- Ace Management Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial financial interest.

A11 Contingent Liabilities

As at 20 August 2014, the Board is not aware of any other material contingent liabilities which have become enforceable or are likely to become enforceable which will affect the ability of the Company or any of its subsidiaries to meet its obligations as and when they fall due.

A12 Events After The Reporting Period

Negotiations with an interested party in relation to the strategic alliance with Multi-Purpose Insurans Bhd ("MPIB")

On 22 January 2014, the Company announced that Bank Negara Malaysia ("BNM") had no objection in principle for the Company to commence preliminary negotiations with an interested party in relation to the strategic alliance with MPIB, which may result in the disposal of a minority interest in MPIB.

On 15 May 2014, the Company announced that BNM has no objection in principle for the Company to commence negotiations to grant the said interested party a call option to acquire additional equity interest in MPIB ("Call Option"), which after taking into consideration of the Potential Disposal and in the event that the interested party exercises the Call Option, may result in a possible disposal of a majority equity interest in MPIB.

On 8 August 2014, on behalf of the Board of Directors of the Company, Maybank Investment Bank Berhad announced that the Company and Multi-Purpose Capital Holdings Berhad, a wholly-owned subsidiary of the Company, have jointly submitted an application to BNM to seek the approval of the Minister of Finance pursuant to Section 89 of the Financial Services Act, 2013 for the proposed disposal of 49% equity interest in MPIB, the grant of options to dispose/acquire equity interest in MPIB and the entry into definitive agreements for the aforementioned transactions with an interested party.

Further details on the above have been announced on Bursa Securities on the relevant dates.

A13 Capital Commitments

	As at 30.06.2014 RM'000
Approved and contracted for :-	
Property, plant and equipment	33
Computer software and hardware	1,558
	<u>1,591</u>

A14 Changes In Composition of the Group

There were no changes in the composition of the Group during the quarter and six months ended 30 June 2014.

A15 Operating Lease Arrangements

(I) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for as at the end of the financial period but not recognised as liabilities are as follows:

	As at 30.06.2014 RM'000
Not later than 1 year	1,716
Later than 1 year and not later than 5 years	630
Total future minimum lease payments	<u>2,346</u>

(II) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for as at the end of the financial period but not recognised as receivables are as follows:

	As at 30.06.2014 RM'000
Not later than 1 year	398
Later than 1 year and not later than 5 years	269
Total future minimum lease receivables	<u>667</u>

A16 Unusual Items Affecting Interim Financial Report

There were no other unusual items affecting the interim financial report of the Group for the period ended 30 June 2014.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

2Q 2014 vs 2Q 2013

The Group achieved a profit before tax of RM205.14 million for the 2Q 2014 which was a significant increase of RM185.46 million from pre-tax profit of RM19.68 million posted in 2Q 2013. The gain from the sale of investment properties reported in Investments Division of RM195.86 million has contributed largely to the favourable results.

Insurance

In 2Q 2014, the profit before tax of Insurance Division was 24.77% higher at RM20.55 million as compared to pre-tax profit of RM16.47 million reported in 2Q 2013. This was due to higher underwriting profit and investment income recorded in the current quarter.

Credit

The Credit Division registered a slight drop of RM0.50 million in the profit before tax of RM3.42 million in 2Q 2014 as compared to RM3.92 million recorded in 2Q 2013. The decrease was due to lower interest income which is mitigated by higher gain on fair value adjustment on investment securities in current quarter.

Investments

The exceptional gain from the sale of investment properties in 2Q 2014 has contributed to the profit before tax of RM181.17 million which has increased significantly by RM181.88 million when compared to loss of RM0.71 million incurred in 2Q 2013.

1H 2014 vs 1H 2013

The Group reported profit before tax of RM217.18 million in 1H 2014 which was RM197.50 million higher than RM19.68 million recorded in 1H 2013. The improvement in the results was mainly attributable to the exceptional gain from the disposal of investment properties.

The acquisitions of shares in subsidiaries was completed on 29 Mar 2013 and there were no comparative figures for the 1Q 2013 as the Group adopted the approach of not restating the financial information in the consolidated financial statements for the period prior to the combination under common control.

B2 Material change in Profit before Tax for the current quarter compared with the immediate preceding quarter

2Q 2014 vs 1Q 2014

The Group achieved a profit before tax of RM205.14 million in the current quarter which was RM193.10 million higher than the profit before tax of RM12.04 million registered in the 1Q 2014. This was primarily due to the exceptional gain on disposal of investment properties in Investments Division as well as higher underwriting profit and investment income reported in the Insurance Division.

B3 Prospects

The Malaysian economy is expected to remain firmly on a steady growth path. Private consumption will remain strong, underpinned by stable income growth and healthy labour market conditions. Exports will continue to benefit from the recovery in the advanced economies and regional demand. The country's economic position will be further strengthened by recent increase in the overnight policy rate.

Insurance

The Insurance Division is negotiating to form a strategic alliance with an interested party. The Division aims to increase its market share through the expansion of its extensive network and agency base, recruitment of result oriented marketing personnel and further development on new product schemes and new distribution channels to enhance existing products.

Credit and Investments

The Credit Division is confined to selected clientele.

The Investments Division will focus on opportunities to unlock the value of land via joint ventures with reputable and reliable partners with minimum risk exposure to the Group or outright disposal at the right price.

B4 Profit Forecast and Profit Guarantee

There was no profit forecast or profit guarantee issued by the Company.

B5 Income Tax Expense

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Income tax	4,950	3,422	8,626	3,422
Deferred tax	2,138	2,088	2,138	2,088
Total income tax expense	7,088	5,510	10,764	5,510

The effective tax rate of the Group for the current quarter was significantly lower than the statutory tax rate as certain portion of the income was not subjected to tax .

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables	692	-	1,779	-
Amortisation of intangible assets	142	115	286	115
Amortisation of premiums	1	2	3	2
Bad debts written off	(23)	-	6	-
Depreciation of property, plant and equipment	1,519	1,714	2,987	1,714
Depreciation of investment properties	442	455	885	455
Dividend income on quoted shares and unit trusts	(1,477)	(1,321)	(1,956)	(1,321)
Fund management charges	404	-	539	-
Gain on disposal of property, plant and equipment	(16)	-	(16)	-
Gain on disposal of investment properties	(195,862)	-	(195,862)	-
Gain arising from fair value change in financial assets at FVTPL	(2,484)	(905)	(3,620)	(905)
Gain arising from fair value change in investment properties	(90)	-	(90)	-
Interest expense	1,070	1,374	2,177	1,374
Interest income	(10,937)	(8,533)	(20,250)	(8,533)
Property, plant and equipment written off	2	7	2	7
Rent of land and buildings	930	-	1,866	-
Realised gain on AFS financial assets	(2,584)	(1,618)	(2,566)	(1,618)
Realised loss on financial assets at FVTPL	31	-	31	-
Share of results of an associate	49	21	54	21
Write back of allowance for impairment for loans and advances	-	(597)	-	(597)

B7 Retained profits

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits		
- realised	394,309	226,159
- unrealised	(14,619)	(12,481)
Total share of retained profits from an associate		
- realised	396	450
Less: Consolidation adjustments	(124,589)	(166,047)
Retained profits as per Statements of Changes in Equity	<u>255,497</u>	<u>48,081</u>

B8 Corporate Proposals

Non-Compliance (Property)

Pursuant to the listing of the Company, the Group has undertaken to rectify the following non-compliances by 31 December 2014 (extended from 31 December 2013). As at current date, the non-compliances are as follows:

I) The condition imposed on the land title

Syarikat Perniagaan Selangor Sdn Bhd ("SPSSB") is the registered proprietor of a land held under PM 345, Lot 13501, Mukim Hulu Kelang, District of Gombak, State of Selangor Darul Ehsan. This land can only be used for guards' and keepers' quarters. However, a Tenaga Nasional Berhad ("TNB") sub-station and network pumping station has been erected on the said land. SPSSB is currently liaising with TNB to register a lease in favour of TNB over that portion of land on which the TNB sub-station is situated; and

II) The undetermined status of the certificate of fitness for occupation

In respect of the following lands, the Group has yet to determine the status of the certificate of fitness for occupation to all the old buildings erected thereon. The Group is exploring options available to resolve this non-compliance.

- i) GRN 28274, Lot 643 and GRN 9036, Lot 1199, Seksyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, properties registered under Mulpha Kluang Maritime Carriers Sdn Bhd;
- ii) GRN 28267, Lot 634, Seksyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, property registered under Caribbean Gateway Sdn Bhd; and
- iii) GRN 28273, Lot 642, Seksyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, property registered under Queensway Nominees (Tempatan) Sdn Bhd.

There were no other corporate proposals announced but not completed as at the reporting date.

B9 Borrowings

The Group's borrowings as at 30 June 2014 are as follows:

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Non-Current		
Term loan	41,202	57,721
Revolving Credit	6,000	6,000
	<u>47,202</u>	<u>63,721</u>
Current		
Term loan	33,038	26,650
Revolving Credit	3,000	3,000
	<u>36,038</u>	<u>29,650</u>
Total	<u>83,240</u>	<u>93,371</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

B10 Material Litigation

i) Kuala Lumpur High Court Sult No. S1-22-946-2008

On 6 October 2008, Leisure Dotcom Sdn. Bhd. ("Leisure Dotcom"), a subsidiary, commenced a legal proceeding at the High Court of Malaya ("High Court") at Kuala Lumpur against Globesource Sdn. Bhd. ("GSB") claiming for among others, specific performance for delivery of a piece of freehold land and 2 leases ("the properties") in Kuala Lumpur pursuant to a conditional sale and purchase agreement dated 21 June 2007 entered into between Leisure Dotcom and GSB ("SPA"). Pursuant to the SPA, GSB is to sell and Leisure Dotcom is to purchase the properties for a total consideration of RM72,162,000. Upon the execution of the SPA, Leisure Dotcom paid a deposit of RM7,216,000 representing 10.00% of the purchase price. Subsequent to that, Leisure Dotcom paid the balance purchase price but such sum was returned by GSB. As the result, the sale and purchase under the SPA was not completed.

Hence, Leisure Dotcom filed a claim against GSB. In turn, GSB had counterclaimed, among others, that the SPA had been validly terminated.

On 6 July 2012, Leisure Dotcom's claim was dismissed with costs and GSB'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 GSB 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.

On 25 June 2014, the Court of Appeal unanimously allowed the appeal by Leisure Dotcom and set aside the order made by the High Court. The Court of Appeal also granted, among others, an order for specific performance of the SPA in respect of a piece of freehold land and costs of RM200,000.00 as costs of the proceedings in the Court of Appeal and the High Court.

GSB has filed an application for leave to appeal the decision made by the Court of Appeal to the Federal Court ("Leave Application"). The Leave Application is fixed for hearing on 3 December 2014.

Further details on the above have been announced on Bursa Securities on the relevant dates.

B10 Material Litigation (cont'd)

ii) Kuala Lumpur High Court Suit No. S22-100-2010

Mulpha Kluang Maritime Carriers Sdn. Bhd. ("Mulpha"), a subsidiary, had on 27 June 2013 filed a Notice of Appeal and subsequently on 21 August 2013, a Record of Appeal at the Court of Appeal in respect of the decision of the High Court on 6 June 2013 which dismissed Mulpha's claim with costs under a legal suit commenced against the personal representatives and executors of the estate of Liew Yee Tiam ("Madam Liew") who passed away on 30 October 2010 (after the High Court suit had commenced), namely Chai Hon Keong @ Chye How Keong and Chai Hon Min (as the First and Second Defendants), Thong Honn (Housing Development) Sdn. Bhd. ("Thong Honn") as the Third Defendant and Messrs. Chin & Co ("Messrs. Chin & Co") as the Fourth Defendant in its capacity as the conveyancing solicitors and stakeholders for Madam Liew and Thong Honn.

The High Court suit was filed on 8 February 2010 to claim for the overpayment of RM3,316,942 pursuant to two (2) conditional sale and purchase agreements ("SPAs"), both dated 12 October 2009, which were entered into between Mulpha with Madam Liew and Thong Honn respectively for the acquisition of two pieces of lands in Kuala Lumpur ("Lands") on discovery that the total area described in the SPAs and warranties therein were incorrect as part of each of the Lands had in fact been surrendered to the State Authority previously.

On 11 August 2014, the Court of Appeal unanimously dismissed the appeal by Mulpha with cost of RM15,000.00 to the First and Second Respondents and Thong Honn and RM10,000.00 to Messrs. Chin & Co.

iii) Shah Alam High Court Civil Suit No. 22NCVC-682-11/2013

On 18 November 2013, Mulpha (as defined in (ii) above) commenced a legal proceedings at the Shah Alam High Court ("Court") against the partners of Messrs. Mah-Kamariyah & Philip Koh ("MKPK") claiming for special damages of RM3,316,942 and other damages to be assessed by the court being the losses suffered by Mulpha.

Mulpha claims against MKPK is in their capacity as the conveyancing solicitors for Mulpha whereby MKPK had failed to exercise professional skill, care and diligence in advising Mulpha and in handling the SPAs (as defined in (ii) above). Subsequent to the conclusion of the said SPAs, Mulpha had discovered that the total area described in the SPAs therein were incorrect as part of each of the Lands (as defined in (ii) above) had in fact been surrendered to the State Authority in year 1988 and MKPK had failed, neglected and/or omitted to notify and/or advise Mulpha of the same.

The Court had vacated the Trial fixed on 23 & 24 September 2014.

iv) Johor Bahru High Court Suit No. 21NCvC-20-05/2014

Kelana Megah Development Sdn Bhd ("KMD"), a wholly-owned subsidiary, had on 9 May 2014 filed a civil suit at the High Court of Malaya in Johor Bahru ("High Court") against the Government of the State of Johor and Petroliam Nasional Berhad ("Petronas") (collectively referred to as the "Defendants") in connection with the compulsory land acquisition of 7 plots of land owned by KMD in relation to the RAPID Project in Johor.

This civil suit is filed against the Defendants following breaches of the Federal Constitution, the Land Acquisition Act 1960 and the National Land Code 1965.

KMD's claim which is set out and particularized in the Statement of Claim dated 9 May 2014 seeks "Inter alla" the return of the 7 plots of land illegally acquired and damages arising therefrom.

The civil suit will not have any operational impact on the Company and the Group. There are no losses that could arise from these proceedings except for an order for payment of costs if KMD is unsuccessful in this action or if the Defendants include a counterclaim which is allowed by the High Court.

The High Court has vacated the Case Management fixed on 14th July 2014, and a new Case Management date has yet to be fixed by the High Court.

B11 Dividend

The Board of Directors does not recommend the payment of dividend for the quarter under review.

B12 Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the period.

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Profit attributable to Owners of the Company (RM000)	198,863	14,414	207,416	14,413
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>371,326</u>	<u>715,000</u>	<u>371,326</u>
Basic Earnings Per Share (Sen per share)	<u>27.81</u>	<u>3.88</u>	<u>29.01</u>	<u>3.88</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
20 August 2014