



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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	90,828	78,749	269,386	158,803
Cost of sales	<u>(61,417)</u>	<u>(53,943)</u>	<u>(181,280)</u>	<u>(108,010)</u>
Gross profit	29,411	24,806	88,106	50,793
Other income	27,478	18,135	254,574	32,627
Administrative expenses	(12,295)	(12,168)	(36,025)	(22,138)
Other expenses	<u>(20,587)</u>	<u>(12,098)</u>	<u>(63,237)</u>	<u>(21,537)</u>
<b>Operating profit</b>	24,007	18,675	243,418	39,745
Finance costs	(1,025)	(1,286)	(3,202)	(2,660)
Share of results of an associate	<u>(1)</u>	<u>14</u>	<u>(55)</u>	<u>(7)</u>
<b>Profit before tax</b>	22,981	17,403	240,161	37,078
Income tax expense	<u>(5,645)</u>	<u>(4,754)</u>	<u>(16,409)</u>	<u>(10,264)</u>
<b>Profit for the period</b>	<u><b>17,336</b></u>	<u><b>12,649</b></u>	<u><b>223,752</b></u>	<u><b>26,814</b></u>
<b>Profit attributable to:</b>				
Owners of the Company	17,790	12,853	225,206	27,266
Non-controlling interests	<u>(454)</u>	<u>(204)</u>	<u>(1,454)</u>	<u>(452)</u>
	<u><b>17,336</b></u>	<u><b>12,649</b></u>	<u><b>223,752</b></u>	<u><b>26,814</b></u>
<b>Earnings per share ("EPS") attributable to Owners of the Company (sen per share):</b>				
Basic EPS	2.49	2.64	31.50	5.60
<b>Profit for the period</b>	17,336	12,649	223,752	26,814
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Fair value reserves				
Net gain/(loss) arising during the period	368	(7,188)	5,965	(794)
Net realised gain transferred to profit or loss	<u>(1,769)</u>	<u>(1,322)</u>	<u>(4,335)</u>	<u>(2,940)</u>
	(1,401)	(8,510)	1,630	(3,734)
Tax effects	<u>629</u>	<u>1,253</u>	<u>(306)</u>	<u>(834)</u>
	<u>(772)</u>	<u>(7,257)</u>	<u>1,324</u>	<u>(4,568)</u>
<b>Total comprehensive income for the period</b>	<u><b>16,564</b></u>	<u><b>5,392</b></u>	<u><b>225,076</b></u>	<u><b>22,246</b></u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	17,018	5,596	226,530	22,698
Non-controlling interests	<u>(454)</u>	<u>(204)</u>	<u>(1,454)</u>	<u>(452)</u>
	<u><b>16,564</b></u>	<u><b>5,392</b></u>	<u><b>225,076</b></u>	<u><b>22,246</b></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 SEPTEMBER 2014**

	<b>As at 30.09.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	85,292	87,324
Investment properties	749,875	744,051
Investment in an associate	495	550
Investment securities	331,214	362,205
Intangible assets	43,160	42,884
Deferred tax assets	11,598	11,598
	<b>1,221,634</b>	<b>1,248,612</b>
<b>Current assets</b>		
Inventories	223	199
Receivables	293,581	228,356
Reinsurance assets	505,018	411,528
Tax recoverable	10,974	6,156
Investment securities	137,672	103,315
Cash and bank balances	442,028	311,422
	<b>1,389,496</b>	<b>1,060,976</b>
Asset held for sale	-	30,195
	<b>2,611,130</b>	<b>2,339,783</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to Owners of the Company</b>		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	49,161	47,837
Merger deficit	(28,464)	(28,464)
Retained profits	273,287	48,081
	<b>1,305,075</b>	<b>1,078,545</b>
Non-controlling interests	13,935	15,389
<b>Total Equity</b>	<b>1,319,010</b>	<b>1,093,934</b>
<b>Non-current liabilities</b>		
Borrowings	38,247	63,721
Deferred tax liabilities	25,585	24,079
	<b>63,832</b>	<b>87,800</b>
<b>Current liabilities</b>		
Payables	239,131	288,714
Insurance contract liabilities	950,636	816,204
Borrowings	36,595	29,650
Tax payable	1,926	875
	<b>1,228,288</b>	<b>1,135,443</b>
Liability directly associated with asset held for sale	-	22,606
	<b>1,292,120</b>	<b>1,245,849</b>
<b>Total Liabilities</b>	<b>1,292,120</b>	<b>1,245,849</b>
<b>Total Equity and Liabilities</b>	<b>2,611,130</b>	<b>2,339,783</b>
<b>Net assets per share attributable to Owners of the Company (RM)</b>	<b>1.83</b>	<b>1.51</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 2014

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

I-----Non-distributable-----I 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
<b>At 1 January 2013</b>	#	-	-	-	(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
Profit for the period	-	-	-	-	27,266	27,266	(452)	26,814
Other comprehensive income for the period net of income tax	-	-	(4,568)	-	-	(4,568)	-	(4,568)
Total comprehensive income for the period	-	-	(4,568)	-	27,266	22,698	(452)	22,246
<b>At 30 September 2013</b>	<b>715,000</b>	<b>296,091</b>	<b>53,474</b>	<b>(28,464)</b>	<b>27,098</b>	<b>1,063,199</b>	<b>16,314</b>	<b>1,079,513</b>
<b>At 1 January 2014</b>	715,000	296,091	47,837	(28,464)	48,081	1,078,545	15,389	1,093,934
Profit for the period	-	-	-	-	225,206	225,206	(1,454)	223,752
Other comprehensive income for the period net of income tax	-	-	1,324	-	-	1,324	-	1,324
Total comprehensive income for the period	-	-	1,324	-	225,206	226,530	(1,454)	225,076
<b>At 30 September 2014</b>	<b>715,000</b>	<b>296,091</b>	<b>49,161</b>	<b>(28,464)</b>	<b>273,287</b>	<b>1,305,075</b>	<b>13,935</b>	<b>1,319,010</b>

# - 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 NINE MONTHS ENDED 30 SEPTEMBER 2014**

	9 months ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	240,161	37,078
Adjustments for:		
Depreciation of property, plant and equipment	4,522	3,501
Depreciation of investment properties	1,328	894
Interest expense	3,202	2,660
Amortisation of premiums	5	4
Amortisation of intangible assets	444	246
Bad debts written off	535	-
Property, plant and equipment written off	2	7
Allowance for impairment of receivables	5,393	-
Write back of allowance for impairment for loans and advances	-	(472)
Share of results of an associate	55	7
Gain on disposal of property, plant and equipment	(16)	-
Gain on disposal of investment properties	(195,862)	-
Realised (gain)/loss on:		
- AFS financial assets	(4,335)	(2,940)
- Financial assets at FVTPL	69	-
Interest income	(27,137)	(15,197)
Dividend income on quoted shares and unit trusts	(2,252)	(1,933)
(Gain)/loss arising from fair value changes in financial assets at FVTPL	(10,660)	415
Gain arising from fair value changes in investment properties	(90)	-
<b>Operating cash flows before working capital changes</b>	<b>15,364</b>	<b>24,270</b>
Changes in working capital:		
Inventories	(24)	40
Receivables	(73,436)	(30,868)
Reinsurance assets	(93,490)	(38,898)
Insurance contract liabilities	134,432	82,394
Payables	(72,811)	201,994
<b>Cash (used in)/generated from operations</b>	<b>(89,965)</b>	<b>238,932</b>
Income tax paid	(18,976)	(8,314)
<b>Net cash (used in)/generated from operating activities</b>	<b>(108,941)</b>	<b>230,618</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of :		
- property, plant and equipment	216	-
- investment properties	226,057	-
- investment securities	201,596	17,352
Redemption of fixed income securities	13,523	-
Purchase of :		
- property, plant and equipment	(2,692)	(981)
- investment properties	(7,062)	(10)
- investment securities	(201,934)	(124,507)
- intangible assets	(720)	(514)
Net dividend received from quoted shares and unit trusts	2,252	1,933
Interest received	29,420	8,648
Interest paid	(2,580)	(1,807)
Cash and cash equivalents of the subsidiaries acquired	-	192,465
<b>Net cash generated from investing activities</b>	<b>258,076</b>	<b>92,579</b>
<b>FINANCING ACTIVITIES</b>		
Net repayment of borrowings	(18,529)	(9,649)
Net movement in cash deposit with licensed bank	287	(287)
<b>Net cash used in financing activities</b>	<b>(18,242)</b>	<b>(9,936)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>130,893</b>	<b>313,261</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>311,135</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>442,028</b>	<b>313,261</b>
<b>Cash and cash equivalents consist of :</b>		
Deposits, cash and bank balances	442,028	313,548
Cash deposit with licensed bank with maturity period of more than 3 months	-	(287)
	<b>442,028</b>	<b>313,261</b>

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:-

<b>Adoption of MFRSs and Amendments to MFRSs</b>	<b>Effective for periods beginning on or after</b>
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:

<b>MFRSs</b>	<b>Effective for periods beginning on or after</b>
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
Amendment to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 Clarification of Acceptable Methods of and MFRS 138 Depreciation and Amortisation	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017

## A2 Significant Accounting Policies (cont'd)

### A2.2 Standards issued but not yet effective (cont'd)

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

\* On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. This standard will come into effect on 1 January 2018, with early application permitted.

The adoption of the above standards and interpretations will not have any material impact to the financial statements upon their initial application except for the adoption of MFRS 9 Financial Instruments. The Group will assess the financial impact of the MFRS 9 when the full 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		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
<b>Segmental Revenue</b>				
Insurance	81,712	69,220	240,393	139,589
Credit	315	225	1,528	854
Investments	8,801	9,304	27,465	18,360
<b>Total</b>	<b>90,828</b>	<b>78,749</b>	<b>269,386</b>	<b>158,803</b>
<b>Segmental Results</b>				
Insurance	19,603	13,400	49,283	29,872
Credit	7,894	(954)	13,017	2,965
Investments	(4,516)	4,957	177,861	4,241
	22,981	17,403	240,161	37,078
Income tax expense	(5,645)	(4,754)	(16,409)	(10,264)
<b>Profit for the period</b>	<b>17,336</b>	<b>12,649</b>	<b>223,752</b>	<b>26,814</b>

**A5 Segmental Information (cont'd)**

**Assets and Liabilities as at 30 September 2014**

	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
Insurance	1,498,496	1,099,886
Credit	129,441	606
Investments	983,193	191,628
<b>Total</b>	<b>2,611,130</b>	<b>1,292,120</b>

**A6 Accounting Estimates**

There were no changes in estimates that have had any material effect on the quarter and nine months period ended 30 September 2014.

**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 nine months ended 30 September 2014.

**A9 Financial Instruments**

**(i) Classification**

The following table analyses the financial assets and liabilities of the Group in the condensed consolidated statements by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis.

	<b>Loans and receivables/ other financial liabilities RM'000</b>	<b>Assets at fair value through profit or loss RM'000</b>	<b>Available for sale RM'000</b>	<b>Total RM'000</b>
<b>As at 30 September 2014</b>				
<b>Financial Assets</b>				
Investment securities	-	137,672	331,214	468,886
Receivables	293,581	-	-	293,581
Reinsurance assets	-	-	505,018	505,018
Tax recoverable	10,974	-	-	10,974
Cash and bank balances	442,028	-	-	442,028
<b>Total financial assets</b>	<b>746,583</b>	<b>137,672</b>	<b>836,232</b>	<b>1,720,487</b>
<b>Financial Liabilities</b>				
Payables	239,131	-	-	239,131
Insurance contract liabilities	-	-	950,636	950,636
Borrowings	74,842	-	-	74,842
<b>Total financial liabilities</b>	<b>313,973</b>	<b>-</b>	<b>950,636</b>	<b>1,264,609</b>

**A9 Financial Instruments (cont'd)**

**(ii) Fair value**

The Group uses the following hierarchies 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:-

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 September 2014</b>					
Non-current	AFS financial assets	128,429	201,784	1,001	331,214
Current	Financial assets at FVTPL	137,672	-	-	137,672
		<b>266,101</b>	<b>201,784</b>	<b>1,001</b>	<b>468,886</b>

**A10 Related Party Disclosures**

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>An Associate</b>				
Claims ceded to insurers	-	143	-	(218)
<b>Affiliated companies</b>				
Gross insurance premium receivables	129	17	1,547	574
Insurance commission payable	(20)	(44)	(222)	(121)
Claim paid	(150)	(150)	(415)	(425)
Professional fees paid	(140)	-	(454)	-
IT management fees payable	(18)	(19)	(53)	(232)
Office rental paid	-	-	(23)	-
Management fees receivables	-	-	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 19 November 2014, the Board is not aware of any 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, the Company announced through Maybank Investment Bank Berhad ("Maybank") that the Company and Multi-Purpose Capital Holdings Berhad ("MPCHB"), 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 with an interested party.

On 5 November 2014, the Company announced through Maybank that BNM had approved the following:

- (i) proposed disposal by MPCHB, of 49,000,000 ordinary shares of RM1.00 each in MPIB, representing 49% of the issued and paid-up share capital of MPIB to an interested party; and
- (ii) the grant of options by MPCHB to the Interested Party to acquire or dispose equity interest in MPIB.

The Interested Party and MPCHB have to submit new applications to BNM prior to exercising the call option or put option pursuant to the Financial Services Act, 2013.

As the aforementioned transactions are subject to, among others, the acceptance of certain conditions imposed by BNM as well as the execution of the definitive agreements, further details with regards to the aforementioned transactions will be announced in due course.

## A13 Capital Commitments

Capital commitments for the purchase of property, plant and equipment and computer software and hardware not provided for in the condensed consolidated financial statements as at the end of the financial period were as follows:

	As at 30.09.2014 RM'000
Approved and contracted for :-	
Property, plant and equipment	852
Computer software and hardware	1,185
	<u>2,037</u>

## A14 Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter and nine months ended 30 September 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:

	<b>As at 30.09.2014 RM'000</b>
Not later than 1 year	1,862
Later than 1 year and not later than 5 years	<u>392</u>
Total future minimum lease payments	<u><b>2,254</b></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:

	<b>As at 30.09.2014 RM'000</b>
Not later than 1 year	480
Later than 1 year and not later than 5 years	<u>320</u>
Total future minimum lease receivables	<u><b>800</b></u>

**A16 Unusual Items Affecting Interim Financial Report**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter and nine months ended 30 September 2014.

**B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1 Review of performance of the Group**

3Q 2014 vs 3Q 2013

The Group achieved a profit before tax of RM22.98 million for the 3Q 2014 which is 32.0% higher than the pre-tax profit of RM17.40 million reported in 3Q 2013. Gain from the fair value changes in investment securities, better underwriting and investment income from Insurance Division contributed to the improved performance of the Group.

**Insurance**

The profit before tax of Insurance Division in 3Q 2014 at RM19.60 million is RM6.20 million higher than pre-tax profit of RM13.40 million achieved in 3Q 2013. The increase was mainly due to higher underwriting profit and investment income recorded in the current quarter.

**Credit and Investments**

The profit before tax of the Credit Division increased by RM8.84 million from a loss of RM0.95 million in 3Q 2013 to RM7.89 million in 3Q 2014 which is mainly due to gain from the fair value changes in investment securities.

In 3Q 2014, the Investments Division reported a loss before tax of RM4.51 million as compared to profit before tax of RM4.96 million in 3Q 2013. Higher operating expenses in 3Q2014 and absence of profit from one of its joint venture in property development which was reported in previous corresponding quarter resulted in the shortfall of RM9.47 million.

9M 2014 vs 9M 2013

The Group generated a profit before tax of RM240.16 million in 9M 2014 which was RM203.08 million higher than RM37.08 million recorded in 9M 2013. The increase was mainly attributable to the exceptional gain from the disposal of investment properties in Investment Division and higher gain from fair value changes in investment securities by Credit Division.

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 of the current quarter compared with the immediate preceding quarter**

3Q 2014 vs 2Q 2014

The Group achieved a profit before tax of RM22.98 million in the current quarter which was RM182.16 million lower than the profit before tax of RM205.14 million registered in the 2Q 2014. The lower pre-tax profit was mainly due to the exceptional gain on disposal of investment properties in the Investments Division reported in the preceding quarter.

**B3 Prospects**

The Malaysian economy is expected to expand at a steady pace between 5%-6% in 2015 with the measures from Budget 2015 which support growth, implementation of Economic Transformation Programme and improved global economy. Private consumption is expected to be moderate due to the increase in cost of living and interest rates. Exports will continue to benefit from the recovery in the advanced economies and regional demand.

**B3 Prospects (cont'd)**

**Insurance**

The Insurance Division is in the midst of forming a strategic alliance with an interested party. The Division aims to improve its market share through the alliance, recruitment of capable and result oriented marketing personnel, expansion of its extensive network and agency base as well as emphasis on the development of new product schemes and new distribution channels to enhance existing products.

**Credit and Investments**

The Credit Division is limited to selected clientele.

The Investments Division is always on the lookout for viable opportunities to joint venture with reputable and reliable partners to unlock the value of land with minimum risk exposure to the Group or outright disposal at the right price to potential buyers.

**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		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Income tax	6,583	3,919	15,209	9,429
Deferred tax	(938)	835	1,200	835
Total income tax expense	5,645	4,754	16,409	10,264

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

The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016.

**B6 Profit before tax**

Included in the profit before tax are the following items:

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables	3,614	125	5,393	-
Amortisation of intangible assets	158	131	444	246
Amortisation of premiums	2	2	5	4
Bad debts written off	529	-	535	-
Depreciation of property, plant and equipment	1,535	1,787	4,522	3,501
Depreciation of investment properties	443	439	1,328	894
Dividend income on quoted shares and unit trusts	(296)	(612)	(2,252)	(1,933)
Fund management charges	200	-	739	-
Gain on disposal of property, plant and equipment	-	-	(16)	-
Gain on disposal of investment properties	-	-	(195,862)	-
(Gain)/loss arising from fair value changes in financial assets at FVTPL	(10,660)	1,320	(10,660)	415
Gain arising from fair value changes in investment properties	-	-	(90)	-
Interest expense	1,025	1,286	3,202	2,660
Interest income	(6,887)	(6,664)	(27,137)	(15,197)
Property, plant and equipment written off	-	-	2	7
Rent of land and buildings	875	-	2,741	-
Realised gain on AFS financial assets	(1,769)	(1,322)	(4,335)	(2,940)
Realised loss on financial assets at FVTPL	38	-	69	-
Share of results of an associate	1	(14)	55	7
Write back of allowance for impairment for loans and advances	-	-	-	(472)

**B7 Retained profits**

	<b>As at 30.09.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Total retained profits		
- realised	411,070	226,159
- unrealised	(13,989)	(12,481)
Total share of retained profits from an associate		
- realised	395	450
Less: Consolidation adjustments	<u>(124,189)</u>	<u>(166,047)</u>
Retained profits as per Statements of Changes in Equity	<u>273,287</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 and the Land Office 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 September 2014 are as follows:

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
<b>Non-Current</b>		
Term loan	32,247	57,721
Revolving Credit	6,000	6,000
	<u>38,247</u>	<u>63,721</u>
<b>Current</b>		
Term loan	33,595	26,650
Revolving Credit	3,000	3,000
	<u>36,595</u>	<u>29,650</u>
Total	<u>74,842</u>	<u>93,371</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

## B10 Material Litigation

### i) Kuala Lumpur High Court Suit 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.

**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.

A new Case Management date has yet to be fixed by the High Court.

**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 alia**" 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.

In June 2014, the Defendants filed striking out applications to strike out KMD's claim in the civil suit.

The hearing of the Defendants' striking out applications took place on 29th October 2014. The High Court has reserved its Judgment, and fixed 26th November 2014 for decision of the said striking out applications. 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.

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
Profit attributable to Owners of the Company (RM'000)	17,790	12,853	225,206	27,266
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>487,143</u>	<u>715,000</u>	<u>487,143</u>
Basic Earnings Per Share (Sen per share)	<u>2.49</u>	<u>2.64</u>	<u>31.50</u>	<u>5.60</u>

**By Order Of The Board**  
**Ng Sook Yee**  
**Company Secretary**  
**19 November 2014**