



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Revenue	101,447	90,828	293,351	269,386
Cost of sales	<u>(63,022)</u>	<u>(61,417)</u>	<u>(186,023)</u>	<u>(181,280)</u>
Gross profit	38,425	29,411	107,328	88,106
Other income	12,777	27,478	45,834	254,574
Administrative expenses	(15,043)	(12,295)	(43,568)	(36,025)
Other expenses	<u>(15,694)</u>	<u>(20,587)</u>	<u>(46,791)</u>	<u>(63,237)</u>
Operating profit	20,465	24,007	62,803	243,418
Finance costs	(553)	(1,025)	(1,998)	(3,202)
Share of results of an associate	1	(1)	(11)	(55)
Profit before tax	19,913	22,981	60,794	240,161
Income tax expense	<u>(5,899)</u>	<u>(5,645)</u>	<u>(15,434)</u>	<u>(16,409)</u>
Profit for the period	14,014	17,336	45,360	223,752
Profit attributable to:				
Owners of the Company	7,572	17,790	34,398	225,206
Non-controlling interests	6,442	(454)	10,962	(1,454)
	14,014	17,336	45,360	223,752
Basic earnings per share attributable to owners of the Company (sen per share)	1.06	2.49	4.81	31.50
Profit for the period	14,014	17,336	45,360	223,752
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Fair value reserves				
Net (loss)/gain arising during the year	(5,798)	368	(6,868)	5,965
Net realised gains transferred to profit or loss	<u>(134)</u>	<u>(1,769)</u>	<u>(2,630)</u>	<u>(4,335)</u>
	(5,932)	(1,401)	(9,498)	1,630
Tax effects	1,403	629	2,429	(306)
Total other comprehensive income, net of income tax	<u>(4,529)</u>	<u>(772)</u>	<u>(7,069)</u>	<u>1,324</u>
Total comprehensive income for the period	9,485	16,564	38,291	225,076
Total comprehensive income attributable to:				
Owners of the Company	3,043	17,018	30,974	226,530
Non-controlling interests	6,442	(454)	7,317	(1,454)
	9,485	16,564	38,291	225,076

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 2014 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	82,689	84,266
Investment properties	743,739	748,661
Investment in an associate	528	539
Investment securities	379,764	327,656
Intangible assets	34,882	43,161
Deferred tax assets	11,216	9,838
	1,252,818	1,214,121
Current assets		
Inventories	220	231
Receivables	364,123	341,097
Reinsurance assets	349,652	443,946
Tax recoverable	1,071	5,689
Investment securities	405,265	113,900
Cash and bank balances	530,685	481,714
	1,651,016	1,386,577
Total assets	2,903,834	2,600,698
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	39,287	42,711
Merger deficit	(28,464)	(28,464)
Retained profits	527,595	293,501
	1,549,509	1,318,839
Non-controlling interests	185,016	13,620
Total equity	1,734,525	1,332,459
Non-current liabilities		
Borrowings	11,330	26,848
Derivative financial instrument	4,150	-
Deferred tax liabilities	19,752	21,446
	35,232	48,294
Current liabilities		
Payables	265,010	276,883
Insurance contract liabilities	835,055	897,733
Borrowings	26,917	36,595
Tax payable	7,095	8,734
	1,134,077	1,219,945
Total liabilities	1,169,309	1,268,239
Total equity and liabilities	2,903,834	2,600,698
Net assets per share attributable to owners of the Company (RM)	2.17	1.84

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 2014 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

-----Attributable to owners of the Company-----

	-----Non-distributable-----				Distributable		Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Merger deficit RM'000	Retained profits RM'000	Total RM'000		
At 1 January 2014	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
At 30 September 2014	715,000	296,091	49,161	(28,464)	273,287	1,305,075	13,935	1,319,010
At 1 January 2015	715,000	296,091	42,711	(28,464)	293,501	1,318,839	13,620	1,332,459
Profit for the period	-	-	-	-	34,398	34,398	10,962	45,360
Other comprehensive income for the period, net of income tax	-	-	(3,424)	-	-	(3,424)	(3,645)	(7,069)
Total comprehensive income for the period	-	-	(3,424)	-	34,398	30,974	7,317	38,291
Arising from increase in equity interests in subsidiaries	-	-	-	-	15,485	15,485	(15,485)	-
Arising from part disposal of equity interest in a subsidiary	-	-	-	-	184,211	184,211	179,564	363,775
At 30 September 2015	715,000	296,091	39,287	(28,464)	527,595	1,549,509	185,016	1,734,525

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 2014 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

	9 months ended	
	30.09.2015 RM'000	30.09.2014 RM'000
OPERATING ACTIVITIES		
Profit before tax	60,794	240,161
Adjustments for:		
Depreciation of property, plant and equipment	4,410	4,522
Depreciation of investment properties	1,327	1,328
Interest expense	1,998	3,202
Amortisation of premiums	4	5
Amortisation of intangible assets	576	444
Bad debts written off	53	535
Property, plant and equipment written off	1	2
Allowance for impairment of receivables	4,793	5,393
Share of results of an associate	11	55
Gain on disposal of property, plant and equipment	(4)	(16)
Gain on disposal of investment properties	(2,025)	(195,862)
Realised gain from AFS financial assets	(2,630)	(4,335)
Realised (gain)/loss from financial assets at FVTPL	(34)	69
Interest income	(30,674)	(27,137)
Dividend income from quoted shares and unit trusts	(2,510)	(2,252)
Loss/(gain) arising from fair value change in financial assets at FVTPL	190	(10,660)
Operating cash flows before working capital changes	36,280	15,454
Changes in working capital:		
Inventories	11	(24)
Receivables	(27,478)	(73,526)
Reinsurance assets	94,294	(93,490)
Insurance contract liabilities	(62,678)	134,432
Payables	(14,033)	(72,811)
Cash flows generated from /(used in) operations	26,396	(89,965)
Income tax paid	(13,097)	(18,976)
Net cash flows generated from /(used in) operating activities	13,299	(108,941)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	216
Proceeds from disposal of investment properties	5,620	226,057
Proceeds from disposal of investment securities	142,680	201,596
Redemption of fixed income securities	10,391	13,523
Purchase of intangible assets	(1,500)	(720)
Purchase of property, plant and equipment	(2,831)	(2,692)
Purchase of investment properties	-	(7,062)
Purchase of investment securities	(503,572)	(201,934)
Net cash flow arising from part disposal of equity interest in a subsidiary	374,845	-
Proceeds from derivative financial instrument	4,150	-
Net dividend received from quoted shares and unit trusts	2,510	2,252
Interest received	30,280	29,420
Interest paid	(1,706)	(2,580)
Net cash flows generated from investing activities	60,868	258,076
FINANCING ACTIVITIES		
Net repayment of borrowings	(25,196)	(18,529)
Net movement in fixed deposits with licensed bank	(10)	287
Net cash flows used in financing activities	(25,206)	(18,242)
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,961	130,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	481,418	311,135
CASH AND CASH EQUIVALENTS AT END OF PERIOD	530,379	442,028
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	530,685	442,028
Fixed deposits with licensed bank with maturity period of more than 3 months	(306)	-
	530,379	442,028

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 2014 and the accompanying explanatory notes attached to these interim financial statements.

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)
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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 interim financial statements have also 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 Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia (“BNM”).

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. 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 2014.

A2 Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those adopted in the preparation of the Group’s audited financial statements for the financial year ended 31 December 2014, except for the adoption of Annual improvements to Standards effective as of 1 January 2015.

A2.1 Adoption of Annual Improvements to Standards

The Group has adopted the following Annual improvements to Standards with a date of initial application of 1 January 2015:-

	Effective for periods beginning on or after
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2015
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2015

The adoption of the above pronouncements 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 the interim financial statements, the following Standards, Amendments and Annual improvements to Standards were issued by the MASB but are not yet effective and have not been adopted by the Group:

Description	Effective for periods beginning on or after
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

A2 Significant Accounting Policies (cont'd)

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

Description	Effective for periods beginning on or after
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by International Accounting Standards Board in July 2014)	1 January 2018

The initial adoption of the above standards when they become effective is not expected to have any material impact to the financial statements other than the adoption of MFRS 9 Financial Instruments.

MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. The Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting of financial instruments. The adoption of the Standard will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

The Standard also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, the Standard aligns hedge accounting more closely with risk management, establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model.

The Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

A3 Seasonal or Cyclical Factors

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

A4 Segmental Information

	3 months ended		9 months ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Segmental Revenue				
Insurance	92,104	81,712	266,724	240,393
Credit	360	315	1,758	1,528
Investments	8,983	8,801	24,869	27,465
Total	101,447	90,828	293,351	269,386
Segmental Results				
Insurance	19,242	19,603	62,142	49,283
Credit	2,145	7,894	5,107	13,017
Investments	(1,474)	(4,516)	(6,455)	177,861
	19,913	22,981	60,794	240,161
Income tax expense	(5,899)	(5,645)	(15,434)	(16,409)
Profit for the period	14,014	17,336	45,360	223,752

A4 Segmental Information (cont'd)

Assets and Liabilities as at 30 September 2015

	Assets RM'000	Liabilities RM'000
Insurance	1,488,911	1,042,996
Credit	503,386	6,130
Investments	911,537	120,183
Total	2,903,834	1,169,309

A5 Accounting Estimates

There were no changes in estimates that have had any material effect on the quarter ended 30 September 2015.

A6 Dividends Paid

No dividend was paid during the quarter under review.

A7 Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases and repayments of debt and equity securities during the quarter ended 30 September 2015.

A8 Financial Instruments

(i) Classification

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

	Loans and receivables RM'000	FVTPL financial assets RM'000	AFS financial assets RM'000	Total RM'000
As at 30 September 2015				
Assets				
Receivables	364,123	-	-	364,123
Investment securities	-	405,265	379,764	785,029
Cash and bank balances	530,685	-	-	530,685
	894,808	405,265	379,764	1,679,837

	Other liabilities RM'000	FVTPL financial liability RM'000	Total RM'000
As at 30 September 2015			
Liabilities			
Payables	265,010	-	265,010
Borrowings	38,247	-	38,247
Derivative financial instrument	-	4,150	4,150
	303,257	4,150	307,407

A8 Financial Instruments (cont'd)

(ii) Fair Values

(a) Financial instruments that are carried at fair value

Financial instruments are measured at fair value at different measurement hierarchies (i.e. Level 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the 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).

		Level 1	Level 2	Level 3	Total
		RM'000	RM'000	RM'000	RM'000
30 September 2015					
Assets					
Non-current	AFS financial assets	114,114	264,649	-	378,763
Current	FVTPL financial assets	405,265	-	-	405,265
		519,379	264,649	-	784,028
Liabilities					
Non-current	FVTPL financial liability	-	-	4,150	4,150

(b) Financial instruments that are not carried at fair value

Financial instruments classified as loans and receivables and financial liabilities are carried at amortised cost.

A9 Related Party Disclosures

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Gross insurance premium receivables	33	129	1,344	1,547
Management fees receivable	270	-	598	469
Insurance commission payable	(28)	(20)	(197)	(222)
Claim paid	(168)	(150)	(448)	(415)
Professional fees paid	(141)	(140)	(552)	(454)
Office rental paid	-	-	-	(23)
IT management fees payable	(22)	(18)	(57)	(53)

The above transactions have been entered into in the normal course of business and were based on negotiated and mutually agreed terms.

A9 Related Party Disclosures (cont'd)

Affiliated companies during the financial quarter 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.

A10 Contingent Liabilities

As at 19 November 2015, 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.

A11 Events after the reporting period

There was no material event subsequent to the end of the the quarter ended 30 September 2015.

A12 Capital Commitments

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

	As at
	30.09.2015
	RM'000
Approved and contracted for :-	
Property, plant and equipment	<u>3,770</u>

A13 Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter ended 30 September 2015.

A14 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the quarter ended 30 September 2015 but not recognised as liabilities are as follows:

	As at 30.09.2015 RM'000
Not later than 1 year	1,730
Later than 1 year and not later than 5 years	<u>987</u>
Total future minimum lease payments	<u>2,717</u>

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the quarter ended 30 September 2015 but not recognised as receivables are as follows:

	As at 30.09.2015 RM'000
Not later than 1 year	222
Later than 1 year and not later than 5 years	<u>118</u>
Total future minimum lease receivables	<u>340</u>

A15 Unusual Items Affecting Interim Financial Report

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 September 2015.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

3Q 2015 vs 3Q 2014

The profit before tax ("PBT") of the Group for 3Q 2015 at RM19.91 million was 13.36% lower than the PBT of RM22.98 million recorded in 3Q 2014. The drop was mainly due to the fair value changes in investment securities and lower investment income of the Insurance and Credit Divisions due to adverse market conditions.

Insurance

The revenue of the Insurance Division for 3Q 2015 was RM10.39 million higher than RM81.71 million achieved in 3Q 2014. However, the PBT of RM19.24 million in 3Q 2015 was marginally lower due to drop in investment and other income.

Credit

The PBT of the Credit Division at RM2.15 million in 3Q 2015 was 72.75% lower than the pre-tax profit of RM7.89 million reported in 3Q 2014. Fair value changes in investment securities due to volatility in the stock market has adversely affected the current quarter's results

Investments

The Investments Division registered a loss before tax of RM1.47 million in 3Q 2015, which was an improvement of RM3.05 million compared to loss before tax of RM4.52 million recorded in 3Q 2014 due to decrease in operating and finance costs in 3Q 2015.

9M 2015 vs 9M 2014

The Group reported a PBT of RM60.79 million for 9M 2015 which was RM179.37 million lower than RM240.16 million achieved in 9M 2014. This was mainly due to an exceptional gain from sale of investment properties and favourable fair value changes in the Investment and Credit Divisions respectively. In 3Q 2015, the Insurance Division achieved higher underwriting profit from the general insurance business which contributed to the results of 3Q2015.

B2 Material change in PBT of the current quarter compared with the immediate preceding quarter

3Q 2015 vs 2Q 2015

The PBT of the Group at RM19.91 million in 3Q 2015 was slightly lower than the pre-tax profit of RM20.34 million posted in 2Q 2015, mainly due to lower investment income in Credit and Insurance Divisions.

B3 Prospects

In tandem with moderate growth of the global economy and volatility in the financial markets, the Malaysian economy is expected to grow at 4%-5% supported mainly by domestic demand and Government expenditure. Going forward, the Malaysia economy will be affected by higher rate of inflation, weaker ringgit exchange rate and uncertain economic environment.

Insurance

With the completion of the disposal of 49% stake in MPI Generali Insurans Berhad, the insurance division with its strategic partner, Assicurazioni Generali S.p.A. ("Generali"), is on track to grow into a financially strong and efficient general insurer in the local property and casualty industry.

Credit and Investments

The Credit Business is mainly confined to selected clientele.

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

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	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Income tax	5,901	6,583	16,076	15,209
Deferred tax	(2)	(938)	(642)	1,200
Total income tax expense	<u>5,899</u>	<u>5,645</u>	<u>15,434</u>	<u>16,409</u>

Income tax is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the period.

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate of 25% mainly due to the certain expenses which were not deductible for tax purposes.

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	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables	2,047	3,614	4,793	5,393
Amortisation of intangible assets	221	158	576	444
Amortisation of premiums	-	2	4	5
Bad debts written off	-	529	53	535
Depreciation of property, plant and equipment	1,510	1,535	4,410	4,522
Depreciation of investment properties	441	443	1,327	1,328
Dividend income on quoted shares and unit trusts	(703)	(296)	(2,510)	(2,252)
Fund management charges	210	200	629	739
Gain on disposal of property, plant and equipment	(1)	-	(4)	(16)
Gain on disposal of investment properties	-	-	(2,025)	(195,862)
Loss/(Gain) arising from fair value change in financial assets at FVTPL	476	(10,660)	190	(10,660)
Interest expense	553	1,025	1,998	3,202
Interest income	(8,942)	(6,887)	(30,674)	(27,137)
Property, plant and equipment written off	-	-	1	2
Rent of land and buildings	793	875	2,764	2,741
Realised gain from AFS financial assets	(134)	(1,769)	(2,630)	(4,335)
Realised loss/(gain) from financial assets at FVTPL	(19)	38	(34)	69
Share of results of an associate	(1)	1	11	55

B7 Retained profits

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits		
- realised	647,198	423,815
- unrealised	(8,536)	(11,608)
Total share of retained profits from an associate		
- realised	527	439
Less: Consolidation adjustments	(111,594)	(119,145)
Retained profits as per Statements of Changes in Equity	<u>527,595</u>	<u>293,501</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 2015 (extended from 31 December 2014). 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.

B9 Borrowings

The Group's borrowings as at 30 September 2015 are as follows:

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Non-Current		
Term loan	8,330	23,848
Revolving Credit	3,000	3,000
	<u>11,330</u>	<u>26,848</u>
Current		
Term loan	23,917	33,595
Revolving Credit	3,000	3,000
	<u>26,917</u>	<u>36,595</u>
Total	<u>38,247</u>	<u>63,443</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"). On 17 November 2015, the Federal Court unanimously dismissed the Leave Application with costs of RM20,000.

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 to the First and Second Respondents and Thong Honn and RM10,000 to Messrs. Chin & Co.

B10 Material Litigation (cont'd)

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 High Court on 21 April 2015 had delivered the decision which held that Mulpha's claim for the sum of RM3,316,942 against MKPK is allowed with costs.

On 27 April 2015, MKPK had lodged an appeal to the Court of Appeal against the High Court's decision. The Court of Appeal had fixed the appeal for hearing on 10 December 2015.

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 (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.

On 26 November 2014, the Defendants' striking out applications were allowed with costs. On 8 December 2014, KMD filed its appeals to the Court of Appeal against the High Court's decision on the Defendants' striking out applications ("Appeals").

The hearing of the Appeals is fixed on 8 December 2015.

B11 Dividend

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

B12 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 was not qualified.

B13 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 number of ordinary shares in issue during the quarter.

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Profit attributable to owners of the Company (RM'000)	<u>7,572</u>	<u>17,790</u>	<u>34,398</u>	<u>225,206</u>
Number of ordinary shares in issue ('000)	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>
Basic Earnings Per Share (Sen per share)	<u>1.06</u>	<u>2.49</u>	<u>4.81</u>	<u>31.50</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
19 November 2015