



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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	111,566	101,861	212,948	191,904
Cost of sales	(79,649)	(68,261)	(149,479)	(123,001)
Gross profit	31,917	33,600	63,469	68,903
Other income	21,639	16,991	39,881	33,057
Administrative expenses	(17,254)	(14,282)	(34,333)	(28,525)
Other expenses	(17,242)	(15,298)	(32,775)	(31,097)
<b>Operating profit</b>	<b>19,060</b>	<b>21,011</b>	<b>36,242</b>	<b>42,338</b>
Finance costs	(225)	(666)	(515)	(1,445)
Share of results of an associate	-	(3)	(5)	(12)
<b>Profit before tax</b>	<b>18,835</b>	<b>20,342</b>	<b>35,722</b>	<b>40,881</b>
Income tax expense	(5,542)	(4,773)	(9,039)	(9,535)
<b>Profit for the period</b>	<b>13,293</b>	<b>15,569</b>	<b>26,683</b>	<b>31,346</b>
<b>Profit attributable to:</b>				
Owners of the Company	6,185	10,809	13,722	26,826
Non-controlling interests	7,108	4,760	12,961	4,520
	<b>13,293</b>	<b>15,569</b>	<b>26,683</b>	<b>31,346</b>
<b>Earnings Per Share attributable to owners of the Company (sen per share)</b>	<b>0.87</b>	<b>1.51</b>	<b>1.92</b>	<b>3.75</b>
<b>Profit for the period</b>	<b>13,293</b>	<b>15,569</b>	<b>26,683</b>	<b>31,346</b>
<b>Items that are or may be subsequently reclassified to profit or loss:</b>				
Net fair value changes in available-for-sale (AFS) financial assets	(5,929)	(1,938)	(4,974)	(3,566)
Tax effects	1,462	526	1,334	1,026
Total other comprehensive loss, net of income tax	(4,467)	(1,412)	(3,640)	(2,540)
<b>Total comprehensive income for the period</b>	<b>8,826</b>	<b>14,157</b>	<b>23,043</b>	<b>28,806</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	3,907	9,397	11,866	25,711
Non-controlling interests	4,919	4,760	11,177	3,095
	<b>8,826</b>	<b>14,157</b>	<b>23,043</b>	<b>28,806</b>

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	<b>As at 30.06.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	79,906	81,570
Investment properties	831,554	832,125
Investment in an associate	510	515
Investment securities	402,988	396,964
Intangible assets	34,928	34,859
Deferred tax assets	1,523	1,561
	<b>1,351,409</b>	<b>1,347,594</b>
<b>Current assets</b>		
Inventories	265	269
Receivables	329,941	289,783
Reinsurance assets	404,660	434,278
Tax recoverable	2,529	720
Investment securities	410,127	409,252
Cash and bank balances	504,845	532,180
	<b>1,652,367</b>	<b>1,666,482</b>
<b>Total assets</b>	<b>3,003,776</b>	<b>3,014,076</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	40,248	42,104
Merger deficit	(28,464)	(28,464)
Retained profits	571,466	557,744
	<b>1,594,341</b>	<b>1,582,475</b>
Non-controlling interests	209,943	198,766
<b>Total equity</b>	<b>1,804,284</b>	<b>1,781,241</b>
<b>Non-current liabilities</b>		
Borrowings	-	4,997
Derivative financial instruments	1,840	4,150
Deferred tax liabilities	10,290	11,625
	<b>12,130</b>	<b>20,772</b>
<b>Current liabilities</b>		
Payables	221,893	253,224
Insurance contract liabilities	940,231	929,881
Derivative financial instruments	2,310	-
Borrowings	14,663	21,851
Tax payable	8,265	7,107
	<b>1,187,362</b>	<b>1,212,063</b>
<b>Total liabilities</b>	<b>1,199,492</b>	<b>1,232,835</b>
<b>Total equity and liabilities</b>	<b>3,003,776</b>	<b>3,014,076</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>2.23</b>	<b>2.21</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 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 2016

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

	I-----Non-distributable-----I				Distributable	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Merger deficit				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>	715,000	296,091	42,711	(28,464)	293,501	1,318,839	13,620	1,332,459
Profit for the period	-	-	-	-	26,826	26,826	4,520	31,346
Other comprehensive loss for the period, net of income tax	-	-	(1,115)	-	-	(1,115)	(1,425)	(2,540)
Total comprehensive income for the period	-	-	(1,115)	-	26,826	25,711	3,095	28,806
Arising from increase in equity interests in subsidiaries	-	-	-	-	15,485	15,485	(15,485)	-
Arising from part disposal of equity interests in a subsidiary	-	-	-	-	184,210 *	184,210	179,564	363,774
<b>At 30 June 2015</b>	<b>715,000</b>	<b>296,091</b>	<b>41,596</b>	<b>(28,464)</b>	<b>520,022</b>	<b>1,544,245</b>	<b>180,794</b>	<b>1,725,039</b>
<b>At 1 January 2016</b>	715,000	296,091	42,104	(28,464)	557,744	1,582,475	198,766	1,781,241
Profit for the period	-	-	-	-	13,722	13,722	12,961	26,683
Other comprehensive loss for the period, net of income tax	-	-	(1,856)	-	-	(1,856)	(1,784)	(3,640)
Total comprehensive income for the period	-	-	(1,856)	-	13,722	11,866	11,177	23,043
<b>At 30 June 2016</b>	<b>715,000</b>	<b>296,091</b>	<b>40,248</b>	<b>(28,464)</b>	<b>571,466</b>	<b>1,594,341</b>	<b>209,943</b>	<b>1,804,284</b>

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

\* Amount arising from part of disposal of equity interests in a subsidiary as at 30 June 2015 has been restated.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2016**

	6 months ended	
	30.06.2016	30.06.2015
	RM'000	RM'000 (Restated)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	35,722	40,881
Adjustments for:		
Depreciation of property, plant and equipment	2,971	2,900
Depreciation of investment properties	884	886
Interest expense	515	1,445
Amortisation of premiums	70	4
Amortisation of intangible assets	521	355
Bad debts written off	17	53
Property, plant and equipment written off	-	1
Allowance for impairment of receivables	1,836	2,746
Share of results of an associate	5	12
Gain on disposal of property, plant and equipment	-	(3)
Loss/(gain) on disposal of investment properties	1,946	(2,025)
Realised gain on:		
- AFS financial assets	(6,886)	(2,496)
- Financial assets at FVTPL	(3,094)	(15)
Interest income	(23,729)	(21,732)
Dividend income on quoted shares and unit trusts	(1,444)	(1,807)
Loss/(gain) arising from fair value change in financial assets at FVTPL	1,296	(286)
<b>Operating cash flows before working capital changes</b>	<b>10,630</b>	<b>20,919</b>
Changes in working capital:		
Inventories	4	(25)
Receivables	(36,899)	(12,612)
Reinsurance assets	29,618	92,906
Insurance contract liabilities	10,350	(66,758)
Payables	(33,689)	(45,816)
<b>Cash flows used in operations</b>	<b>(19,986)</b>	<b>(11,386)</b>
Income tax paid	(9,653)	(3,925)
<b>Net cash flows used in operating activities</b>	<b>(29,639)</b>	<b>(15,311)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of :		
- property, plant and equipment	-	1
- investment properties	-	5,620
- investment securities	286,729	52,979
Redemption of fixed income securities	-	8,891
Purchase of :		
- intangible assets	(590)	(640)
- property, plant and equipment	(1,306)	(687)
- investment securities	(289,888)	(411,720)
Net cash flow arising from part disposal of equity interest in a subsidiary	-	340,729
Net cash flow arising from derivative financial instrument	-	4,150
Net dividend received from quoted shares and unit trusts	1,444	1,807
Interest received	18,517	21,652
Interest paid	(417)	(1,083)
<b>Net cash flows generated from investing activities</b>	<b>14,489</b>	<b>21,699</b>
<b>FINANCING ACTIVITIES</b>		
Net repayment of borrowings	(12,185)	(16,797)
Net movement in fixed deposits with maturity date of more than 3 months	8,584	69,771
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(3,601)</b>	<b>52,974</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(18,751)</b>	<b>59,362</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>96,031</b>	<b>38,927</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>77,280</b>	<b>98,289</b>
<b>Cash and cash equivalents consist of :</b>		
Deposits, cash and bank balances	504,845	471,305
Fixed deposits with licensed bank with maturity period of more than 3 months	(427,565)	(373,016)
	<b>77,280</b>	<b>98,289</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 2015 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 condensed consolidated 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 2015. 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 2015.

**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 2015, except for the following:

**A2.1 Standards, Amendments and Annual Improvements to Standards effective for the financial periods beginning on or after 1 January 2016**

Description	Effective for periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127 : Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101 : Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 141 : Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 : Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 : Regulatory Deferral Accounts	1 January 2016
MFRS 15 : Revenue from Contracts with Customers	1 January 2018
MFRS 9 : Financial Instruments	1 January 2018
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 : Sale of contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The initial adoption of the above standards when they become effective are expected to have no material impact to the financial statements other than the following:

**MFRS 9 Financial Instruments**

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurements of financial assets and liabilities, impairment of financial assets and hedge accounting.

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 is effective for annual periods beginning on or after 1 January 2018 with either a full or modified retrospective application and early adoption is permitted.

**MFRS 16 Leases**

MFRS 16 Leases supersedes MFRS 117. MFRS 16 introduces a single accounting model for lessee accounting where leases will no longer be classified between finance and operating leases. All material leases will be recorded in the balance sheet as assets and liabilities. Lessor accounting however, will continue to be classified as finance and operating leases separately.

The Group is in the process of assessing financial implication for adopting the MFRS 16.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, where early adoption is permitted provided MFRS 15 is applied concurrently.

**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		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<b>Segmental Revenue</b>				
Insurance	98,961	92,750	190,766	174,620
Credit	2,615	1,114	3,831	1,398
Investments	9,990	7,997	18,351	15,886
<b>Total</b>	<b>111,566</b>	<b>101,861</b>	<b>212,948</b>	<b>191,904</b>
<b>Segmental Results</b>				
Insurance	18,604	20,649	33,382	42,900
Credit	5,789	1,849	10,238	2,962
Investments	(5,558)	(2,156)	(7,898)	(4,981)
	18,835	20,342	35,722	40,881
Income tax expense	(5,542)	(4,773)	(9,039)	(9,535)
<b>Profit for the period</b>	<b>13,293</b>	<b>15,569</b>	<b>26,683</b>	<b>31,346</b>

**Assets and Liabilities as at 30 June 2016**

	Assets	Liabilities
	RM'000	RM'000
Insurance	1,592,350	1,105,878
Credit	518,197	6,609
Investments	893,229	87,005
<b>Total</b>	<b>3,003,776</b>	<b>1,199,492</b>

**A5 Accounting Estimates**

There were no changes in estimates that have had any material effect on the quarter ended 30 June 2016.

**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 June 2016.

**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/ other liabilities RM'000	FVTPL financial assets RM'000	AFS financial assets RM'000	Assets/ liabilities not in scope of MFRS 139 RM'000	Total RM'000
<b>As at 30 June 2016</b>					
<b>Assets</b>					
Property, plant and equipment	-	-	-	79,906	79,906
Investment properties	-	-	-	831,554	831,554
Investment in an associate	-	-	-	510	510
Intangible assets	-	-	-	34,928	34,928
Deferred tax assets	-	-	-	1,523	1,523
Inventories	-	-	-	265	265
Receivables	329,941	-	-	-	329,941
Reinsurance assets	-	-	-	404,660	404,660
Investment securities	-	410,127	402,988	-	813,115
Tax recoverable	-	-	-	2,529	2,529
Cash and bank balances	504,845	-	-	-	504,845
	<b>834,786</b>	<b>410,127</b>	<b>402,988</b>	<b>1,355,875</b>	<b>3,003,776</b>

	Loans and receivables/ other liabilities RM'000	FVTPL financial assets RM'000	AFS financial assets RM'000	Assets/ liabilities not in scope of MFRS 139 RM'000	Total RM'000
<b>As at 30 June 2016</b>					
<b>Liabilities</b>					
Payables	221,893	-	-	-	221,893
Insurance contract liabilities	-	-	-	940,231	940,231
Derivative financial instruments	-	4,150	-	-	4,150
Borrowings	14,663	-	-	-	14,663
Tax payable	-	-	-	8,265	8,265
Deferred tax liabilities	-	-	-	10,290	10,290
	<b>236,556</b>	<b>4,150</b>	<b>-</b>	<b>958,786</b>	<b>1,199,492</b>

**(ii) Fair Values**

The table below analyses those financial instruments carried at fair value by their valuation methods and non-financial assets which are carried at cost in the statements of financial position, of which their fair value are disclosed. The different levels have been defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value observable for the assets, either directly or indirectly.

Level 3: inputs for the assets that are not based on observable market data (unobservable inputs).

As at 30 June 2016, 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 June 2016</b>					
Non-current	AFS financial assets	135,814	266,173	-	401,987
Current	FVTPL financial assets	410,127	-	-	410,127
		<b>545,941</b>	<b>266,173</b>	<b>-</b>	<b>812,114</b>

**A9 Related Party Disclosures**

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Affiliated companies</b>				
Gross insurance premium receivables	181	575	778	1,311
Management fee receivable	301	328	540	328
Insurance commission payable	(26)	(72)	(108)	(169)
Claims paid	(211)	(135)	(482)	(280)
Professional fees paid	(153)	(171)	(379)	(411)
IT management fee payable	(20)	(17)	(39)	(35)

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

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 24 August 2016, 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 interim period**

There were no material events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report.

**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:

	<b>30.06.2016</b>
	<b>RM'000</b>
Approved and contracted for :-	
Property, plant and equipment	<u>842</u>

**A13 Changes in Composition of the Group**

There were no changes in the composition of the Group during the quarter ended 30 June 2016.

**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 June 2016 but not recognised as liabilities are as follows:

	<b>30.06.2016</b>
	<b>RM'000</b>
Not later than 1 year	3,806
Later than 1 year and not later than 5 years	<u>3,935</u>
<b>Total future minimum lease payments</b>	<b><u>7,741</u></b>

**(ii) The Group as lessor**

The future aggregate minimum lease payments receivable under operating leases contracted for the quarter ended 30 June 2016 but not recognised as receivables are as follows:

	<b>30.06.2016</b>
	<b>RM'000</b>
Not later than 1 year	5,300
Later than 1 year and not later than 5 years	<u>3,354</u>
<b>Total future minimum lease receivables</b>	<b><u>8,654</u></b>

**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 June 2016.

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

**B1 Review of performance of the Group**

2Q 2016 vs 2Q 2015

In 2Q 2016, Group achieved revenue of RM111.57 million which was 9.5% higher than revenue of RM101.86 million reported in 2Q 2015 mainly due to premium growth in the insurance business. However, profit before tax ("PBT") in 2Q 2016 was RM18.84 million, a drop of 7.4% from RM20.34 million posted in 2Q 2015 due to lower underwriting profit from the Insurance Division and higher expenses incurred in the Investments Division.

**Insurance**

The Insurance Division posted PBT of RM18.60 million in 2Q 2016 which was 9.9% lower compared to PBT of RM20.65 million in 2Q 2015 due to lower underwriting profit and adverse claims ratio.

**Credit**

The Credit Division achieved a PBT of RM5.79 million in 2Q 2016, an improvement of RM3.94 million as compared to RM1.85 million in 2Q 2015 due to higher interest income earned from lending business as well as increase in placements in fixed deposits and higher dividend income.

**Investments**

In 2Q 2016, the Investments Division's loss before tax was RM5.56 million compared to the loss before tax of RM2.16 million reported in 2Q 2015. Exceptional gain from disposal of investment properties in 2Q 2015 contributed to the better results in 2Q 2015.

6M 2016 vs 6M 2015

The Group recorded a PBT of RM35.72 million in 6M 2016 which was 12.6% lower than RM40.88 million recorded in 6M 2015. The drop was attributed to reduced underwriting profit from the general insurance business which was marginally mitigated by the increase in profit from the Credit Division.

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

2Q 2016 vs 1Q 2016

In 2Q 2016, the Group achieved a PBT of RM18.84 million, an increase of 11.54% from the preceding quarter's PBT of RM16.89 million. The improvement is attributable to increased underwriting profit from the Insurance Division as well as higher interest and dividend income from the Credit Division.

**B3 Prospects**

Global economic environment is expected to remain challenging with the uncertainty over the recovery of the major global economies and the impact of Brexit. However, Malaysian economy is expected to sustain its growth between 4.0% and 4.50%, mainly driven by private sector activity.

**Insurance**

Together with its strategic partner, Generali Asia N.V., the Group aims to increase its market share, particularly the retail segment, to be one of the key long term players in the local general insurance business.

**Credit and Investments**

The Credit Division will continue to grow its credit business in financing selected reputable clientele.

The Investments Division intends to focus on unlocking the value of its land bank either through joint ventures with reputable and reliable partners with minimum risk exposure to the Group or outright disposal at the right price to potential buyers to achieve optimum returns for its shareholders. However, the Group will evaluate all potential ventures carefully as the property market is expected to remain weak in the near future in view of the slower rate of economic growth.

**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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Income tax	5,542	4,772	9,002	10,175
Deferred tax	-	1	37	(640)
Total income tax expense	<u>5,542</u>	<u>4,773</u>	<u>9,039</u>	<u>9,535</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2015:25%) 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 mainly due higher estimated tax payable.

**B6 Profit before tax**

Included in the profit before tax are the following items:

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables	(486)	1,193	1,836	2,746
Amortisation of intangible assets	266	182	521	355
Amortisation of premiums	35	4	70	4
Trade receivables written off	-	53	17	53
Depreciation of property, plant and equipment	1,479	1,448	2,971	2,900
Depreciation of investment properties	442	443	884	886
Dividend income on quoted shares and unit trusts	(967)	(1,127)	(1,444)	(1,807)
Fund management charges	189	248	406	419
Loss/(Gain) on disposal of property, plant and equipment	-	1	-	(3)
Loss/(Gain) on disposal of investment properties	1,946	(962)	1,946	(2,025)
Loss/(Gain) arising from fair value change in financial assets at FVTPL	1,952	527	1,296	(286)
Interest expense	225	666	515	1,445
Interest income	(10,417)	(12,240)	(23,729)	(21,732)
Property, plant and equipment written off	-	-	-	1
Rent of land and buildings	1,002	1,089	1,975	1,971
Realised gain on AFS financial assets	(6,598)	(638)	(6,886)	(2,496)
Realised gain on financial assets at FVTPL	(1,945)	-	(3,094)	(15)
Share of results of an associate	-	3	5	12

**B7 Retained profits**

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits		
- realised	669,513	657,187
- unrealised	(8,767)	(11,251)
Total share of retained profits from an associate		
- realised	(5)	415
Less: Consolidation adjustments	(89,275)	(88,607)
Retained profits as per Statements of Changes in Equity	<u>571,466</u>	<u>557,744</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 2016 (extended from 31 December 2015). 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 June 2016 are as follows:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
<b>Non-Current</b>		
Term loan	-	4,997
	<u>-</u>	<u>4,997</u>
<b>Current</b>		
Term loan	11,663	18,851
Revolving Credit	3,000	3,000
	<u>14,663</u>	<u>21,851</u>
Total	<u>14,663</u>	<u>26,848</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

**B10 Material Litigation**

**i) 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 Refinery and Petrochemical Intergrated Development 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 particularised 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").

KMD's Appeals, which were heard on 8 December 2015, were dismissed by the Court of Appeal with costs of RM25,000.00 to be paid by KMD to each Defendant. On 5 January 2016, KMD filed its Applications for Leave to appeal the decision made by Court of Appeal to the Federal Court ("KMD's Leave Applications").

The hearing date for KMD's Leave Applications is fixed on 21 September 2016.

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

On 18 November 2013, Mulpha Kluang Maritime Carriers Sdn Bhd ("Mulpha"), a subsidiary, commenced 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 two (2) conditional sale and purchase agreements ("SPAs"), both dated 12 October 2009, for the acquisition of two pieces of land in Kuala Lumpur ("the Land"). 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 Land 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 Court's decision. The Court of Appeal had fixed the appeal for hearing on 11 November 2016.

**iii) Legal suit filed by ISM Sendirian Berhad Civil Suit No. WA-22NCC-68-02/ 2016 [consolidated with civil suit no. WA-22NCC-70-02/ 2016, WA-22NCC-69-02/ 2016, WA-22NCC-71-02/ 2016 and WA-22NCC-72-02/ 2016]**

ISM Sendirian Berhad ("ISM/ Plaintiff") had filed five suits against MPHB Capital Berhad and its subsidiaries, namely, Queensway Nominees (Asing) Sdn. Bhd., Queensway Nominees (Tempatan) Sdn Bhd, West-Jaya Sdn Bhd, Mulpha and Leisure Dotcom Sdn.Bhd. ("the Companies"), as well as its respective directors (collectively referred to hereinafter as "the Defendants"), alleging minority shareholders oppression under Section 181 of the Companies Act 1965. ISM is a minority shareholder of the Companies.

In the five suits, the Plaintiff seeks damages, both general and punitive against the Defendants, several declarations regarding the manner in which the affairs of MPHB Capital and the Companies are conducted, several injunctions to restrain the conduct of MPHB Capital with regards to the Companies as well as an order that ISM's shares in the Companies are to be purchased by the Defendants at a value fixed by an independent auditor and valuer.

In response, the Defendants contended that the Plaintiff is in breach of the joint venture arrangement between the parties in failing to fulfil its financial obligations under the same. Hence, the Defendants have filed a Defence and Counterclaim (in each suit) against the Plaintiff for losses and damages suffered by the Defendants due to the Plaintiff's breach in the joint venture arrangement.

These five suits are currently at the trial stage.

**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 2015 was not qualified.

**B13 Earnings Per Share**

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		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit attributable to owners of the Company (RM'000)	<u>6,185</u>	<u>10,809</u>	<u>13,722</u>	<u>26,826</u>
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>
Earnings Per Share (sen per share)	<u>0.87</u>	<u>1.51</u>	<u>1.92</u>	<u>3.75</u>

**By Order Of The Board**  
**Ng Sook Yee**  
**Company Secretary**  
**24 August 2016**