



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	110,675	101,447	323,623	293,351
Cost of sales	<u>(74,583)</u>	<u>(63,022)</u>	<u>(224,062)</u>	<u>(186,023)</u>
Gross profit	36,092	38,425	99,561	107,328
Other income	17,400	12,777	57,281	45,834
Administrative expenses	(17,181)	(15,043)	(51,514)	(43,568)
Other expenses	<u>(13,948)</u>	<u>(15,694)</u>	<u>(46,723)</u>	<u>(46,791)</u>
Operating profit	22,363	20,465	58,605	62,803
Finance costs	(173)	(553)	(688)	(1,998)
Share of results of an associate	<u>(1)</u>	<u>1</u>	<u>(6)</u>	<u>(11)</u>
Profit before tax	22,189	19,913	57,911	60,794
Income tax expense	<u>(4,530)</u>	<u>(5,899)</u>	<u>(13,569)</u>	<u>(15,434)</u>
Profit for the period	<u>17,659</u>	<u>14,014</u>	<u>44,342</u>	<u>45,360</u>
Profit attributable to:				
Owners of the Company	9,799	7,572	23,521	34,398
Non-controlling interests	<u>7,860</u>	<u>6,442</u>	<u>20,821</u>	<u>10,962</u>
	<u>17,659</u>	<u>14,014</u>	<u>44,342</u>	<u>45,360</u>
Earnings Per Share attributable to owners of the Company (sen per share)	<u>1.37</u>	<u>1.06</u>	<u>3.29</u>	<u>4.81</u>
Profit for the period	17,659	14,014	44,342	45,360
Items that are or may be subsequently reclassified to profit or loss:				
Net fair value changes in available-for-sale (AFS) financial assets	3,093	(5,932)	(1,881)	(9,498)
Tax effects	<u>(475)</u>	<u>1,403</u>	<u>859</u>	<u>2,429</u>
Total other comprehensive loss, net of income tax	<u>2,618</u>	<u>(4,529)</u>	<u>(1,022)</u>	<u>(7,069)</u>
Total comprehensive income for the period	<u>20,277</u>	<u>9,485</u>	<u>43,320</u>	<u>38,291</u>
Total comprehensive income attributable to:				
Owners of the Company	11,134	3,043	23,000	30,974
Non-controlling interests	<u>9,143</u>	<u>6,442</u>	<u>20,320</u>	<u>7,317</u>
	<u>20,277</u>	<u>9,485</u>	<u>43,320</u>	<u>38,291</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 2015 and the accompanying explanatory notes attached to these interim financial statements.

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

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	78,808	81,570
Investment properties	830,341	832,125
Investment in an associate	509	515
Investment securities	423,078	396,964
Intangible assets	35,061	34,859
Deferred tax assets	2,014	1,561
	1,369,811	1,347,594
Current assets		
Inventories	246	269
Receivables	289,943	289,783
Reinsurance assets	398,072	434,278
Tax recoverable	1,149	720
Investment securities	407,119	409,252
Cash and bank balances	536,667	532,180
	1,633,196	1,666,482
Total assets	3,003,007	3,014,076
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	41,583	42,104
Merger deficit	(28,464)	(28,464)
Retained profits	581,274	557,744
	1,605,484	1,582,475
Non-controlling interests	219,062	198,766
Total equity	1,824,546	1,781,241
Non-current liabilities		
Borrowings	-	4,997
Derivative financial instruments	-	4,150
Deferred tax liabilities	11,255	11,625
	11,255	20,772
Current liabilities		
Payables	202,678	253,224
Insurance contract liabilities	941,568	929,881
Derivative financial instruments	4,150	-
Borrowings	11,330	21,851
Tax payable	7,480	7,107
	1,167,206	1,212,063
Total liabilities	1,178,461	1,232,835
Total equity and liabilities	3,003,007	3,014,076
Net assets per share attributable to owners of the Company (RM)	2.25	2.21

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 NINE MONTHS ENDED 30 SEPTEMBER 2016

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

	I-----Non-distributable-----I				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 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 loss 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 interests 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
At 1 January 2016	715,000	296,091	42,104	(28,464)	557,744	1,582,475	198,766	1,781,241
Profit for the period	-	-	-	-	23,521	23,521	20,821	44,342
Other comprehensive loss for the period, net of income tax	-	-	(521)	-	-	(521)	(501)	(1,022)
Total comprehensive income for the period	-	-	(521)	-	23,521	23,000	20,320	43,320
Arising from increase in equity interest in a subsidiary	-	-	-	-	9	9	(24)	(15)
At 30 September 2016	715,000	296,091	41,583	(28,464)	581,274	1,605,484	219,062	1,824,546

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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	57,911	60,794
Adjustments for:		
Depreciation of property, plant and equipment	4,439	4,410
Depreciation of investment properties	1,325	1,327
Interest expense	688	1,998
Amortisation of premiums	108	4
Amortisation of intangible assets	801	576
Bad debts written off	17	53
Property, plant and equipment written off	-	1
Allowance for impairment of receivables	993	4,793
Share of results of an associate	6	11
Gain on disposal of property, plant and equipment	(78)	(4)
Loss/(gain) on disposal of investment properties	1,558	(2,025)
Realised gain on:		
- AFS financial assets	(6,400)	(2,630)
- Financial assets at FVTPL	(1,909)	(34)
Interest income	(38,459)	(30,674)
Dividend income on quoted shares and unit trusts	(3,381)	(2,510)
Loss arising from fair value change in financial assets at FVTPL	1,295	190
Operating cash flows before working capital changes	<u>18,914</u>	<u>36,280</u>
Changes in working capital:		
Inventories	23	11
Receivables	1,194	(27,478)
Reinsurance assets	36,206	94,294
Insurance contract liabilities	11,687	(62,678)
Payables	(52,872)	(14,033)
Cash flows used in operations	<u>15,152</u>	<u>26,396</u>
Income tax paid	(13,589)	(13,097)
Net cash flows used in operating activities	<u>1,563</u>	<u>13,299</u>
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	78	1
- investment properties	1,160	5,620
- investment securities	328,887	142,680
Redemption of fixed income securities	-	10,391
Purchase of :		
- additional shares in a subsidiary	(15)	-
- intangible assets	(1,003)	(1,500)
- property, plant and equipment	(1,677)	(2,831)
- investment securities	(347,843)	(503,572)
Net cash flow arising from part disposal of equity interest in a subsidiary	-	374,845
Net cash flow arising from derivative financial instrument	-	4,150
Net dividend received from quoted shares and unit trusts	3,381	2,510
Interest received	36,095	30,280
Interest paid	(621)	(1,706)
Net cash flows generated from investing activities	<u>18,442</u>	<u>60,868</u>
FINANCING ACTIVITIES		
Net repayment of borrowings	(15,518)	(25,196)
Net movement in fixed deposits with maturity date of more than 3 months	69,985	19,261
Net cash flows generated/(used in) from financing activities	<u>54,467</u>	<u>(5,935)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,472	68,232
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	96,031	38,927
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>170,503</u>	<u>107,159</u>
Cash and cash equivalents consist of :		
Cash and bank balances	536,667	530,685
Fixed deposits with licensed banks with maturity period of more than 3 months	(366,164)	(423,526)
	<u>170,503</u>	<u>107,159</u>

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.

The condensed consolidated interim financial statements have also been prepared on a historical cost basis, except for 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 : Property, Plant and Equipment and MFRS 138: Intangible Assets - 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 : Property, Plant and Equipment and MFRS 141 : Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 : Consolidated Financial Statements, MFRS 12: Disclosure of Interests in Other Entities and MFRS 128 : Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 : Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 107 : Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 : Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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 : Consolidated Financial Statements and MFRS 128 : Sale or 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.

A2 Significant Accounting Policies (Cont'd.)

A2.1 Standards, Amendments and Annual Improvements to Standards effective for the financial periods beginning on or after 1 January 2016 (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

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.

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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Segmental Revenue				
Insurance	98,341	92,104	289,107	266,724
Credit	1,910	360	5,741	1,758
Investments	10,424	8,983	28,775	24,869
Total	110,675	101,447	323,623	293,351
Segmental Results				
Insurance	20,666	19,242	54,048	62,142
Credit	4,221	2,145	14,459	5,107
Investments	(2,698)	(1,474)	(10,596)	(6,455)
	22,189	19,913	57,911	60,794
Income tax expense	(4,530)	(5,899)	(13,569)	(15,434)
Profit for the period	17,659	14,014	44,342	45,360

A4 Segmental Information (Cont'd.)

Assets and Liabilities as at 30 September 2016

	Assets RM'000	Liabilities RM'000
Insurance	1,593,929	1,088,394
Credit	522,718	6,131
Investments	886,360	83,936
Total	3,003,007	1,178,461

A5 Accounting Estimates

There were no changes in estimates that have had any material effect on the quarter and nine months ended 30 September 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 and nine months ended 30 September 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 RM'000	Financial assets at FVTPL RM'000	AFS financial assets RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
As at 30 September 2016					
Assets					
Property, plant and equipment	-	-	-	78,808	78,808
Investment properties	-	-	-	830,341	830,341
Investment in an associate	-	-	-	509	509
Intangible assets	-	-	-	35,061	35,061
Deferred tax assets	-	-	-	2,014	2,014
Inventories	-	-	-	246	246
Receivables	289,943	-	-	-	289,943
Reinsurance assets	-	-	-	398,072	398,072
Investment securities	-	407,119	423,078	-	830,197
Tax recoverable	-	-	-	1,149	1,149
Cash and bank balances	536,667	-	-	-	536,667
	826,610	407,119	423,078	1,346,200	3,003,007

A8 Financial Instruments (Cont'd.)

(i) Classification (Cont'd)

	Other liabilities RM'000	Financial liabilities at FVTPL RM'000	AFS financial liabilities RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
As at 30 September 2016					
Liabilities					
Payables	202,678	-	-	-	202,678
Insurance contract liabilities	-	-	-	941,568	941,568
Derivative financial instruments	-	4,150	-	-	4,150
Borrowings	11,330	-	-	-	11,330
Tax payable	-	-	-	7,480	7,480
Deferred tax liabilities	-	-	-	11,255	11,255
	214,008	4,150	-	960,303	1,178,461

(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 of identical assets in active markets.

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

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

As at 30 September 2016, the Group held the following financial instruments carried at fair value:

		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2016					
Non-current	AFS financial assets	134,357	287,720	-	422,077
	Financial assets at				
Current	FVTPL	407,119	-	-	407,119
		541,476	287,720	-	829,196

Included in AFS financial assets as of 30 September 2016 were unquoted shares of RM1,001,000 (2015: RM1,001,000) that were carried at cost as their fair value could not be reliably measured. These securities were acquired for long term investment purposes.

A9 Related Party Disclosures

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Gross insurance premium receivables	231	33	1,009	1,344
Management fee receivable	193	270	733	598
Insurance commission payable	(33)	(28)	(141)	(197)
Claims paid	(184)	(168)	(666)	(448)
Professional fees paid	(97)	(141)	(476)	(552)
IT management fee payable	(20)	(22)	(59)	(57)

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

Affiliated companies during the quarter and nine months ended 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 29 November 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 reporting period

There was no material event subsequent to the end of the current quarter.

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:

	30.09.2016 RM'000
Approved and contracted for :-	
Property, plant and equipment	769

A13 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 2016.

A14 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the nine months ended 30 September 2016 but not recognised as liabilities are as follows:

	30.09.2016
	RM'000
Not later than 1 year	3,519
Later than 1 year and not later than 5 years	<u>3,282</u>
Total future minimum lease payments	<u>6,801</u>

(ii) The Group as lessor

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

	30.09.2016
	RM'000
Not later than 1 year	4,845
Later than 1 year and not later than 5 years	<u>2,554</u>
Total future minimum lease receivables	<u>7,399</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 and nine months ended 30 September 2016.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

3Q 2016 vs 3Q 2015

The Group reported revenue of RM110.68 million in 3Q 2016, an improvement of 9.1% from RM101.45 million achieved in 3Q 2015. The improved results was mainly contributed by the growth in earned premiums from the Insurance Division and the other operating divisions have also recorded higher revenue.

In tandem with the revenue posted in 3Q 2016, the Group posted profit before tax ("PBT") of RM22.19 million in 3Q 2016, which was 11.4% higher than 3Q 2015 due to interest income as well as write-back of impairment of receivables in the current quarter.

Insurance

In 3Q 2016, PBT of the Insurance Division at RM20.67 million is 7.4% higher than PBT of RM19.24 million achieved in 3Q 2015 as a result of increase in interest income and write-back of impairment of receivables.

Credit

PBT of the Credit Division improved by 96.8% from RM2.14 million in 3Q 2015 to RM4.22 million in 3Q 2016. Higher interest income earned from the lending business from selected clientele attributed to the better results.

Investments

The Investments Division reported a loss before tax of RM2.70 million in 3Q 2016 compared to loss before tax of RM1.47 million in 3Q 2015. Challenging market conditions and higher operational costs had adversely affected the performance of the investments of the Group.

9M 2016 vs 9M 2015

In 9M 2016, the Group achieved revenue of RM323.62 million which was 10.3% higher than the revenue of RM293.35 million reported in 9M 2015. However, PBT decreased marginally by 4.7% from RM60.79 million in 9M 2015 to RM57.91 million in 9M 2016 due to higher operational costs and unfavourable claims ratio in the Insurance Division.

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

3Q 2016 vs 2Q 2016

PBT improved by 17.8% from RM18.84 million in 2Q 2016 to RM22.19 million in 3Q 2016 due to higher interest income earned and dividend income from investment securities and unit trusts.

B3 Prospects

Global economy is projected to grow moderately as the advanced economies are experiencing modest economic activity. The Malaysian economy is expected to maintain its growth and it will be driven mainly by domestic demand and continued expansion in the private sector. However, slowdown in the global economy may impact the domestic economy.

Insurance

The Group together with its partner, Generali Asia N.V., has strategic plans for MPI Generali Insurans Berhad to grow and sustain its market share in the local general insurance industry to create long term value.

Credit and Investments

Credit Division's business is limited to selected clientele.

Investments Division is always on the look out for viable and profitable options to unlock the value of the land bank to maximise returns to shareholders. The Group will assess all options to either enter into joint-ventures with reputable and reliable partners or outright disposal of the land banks at an optimum price in view of weak sentiment in the property market.

B4 Profit Forecast and Profit Guarantee

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

B5 Income Tax Expense

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Income tax	4,530	5,901	13,532	16,076
Deferred tax	-	(2)	37	(642)
Total income tax expense	<u>4,530</u>	<u>5,899</u>	<u>13,569</u>	<u>15,434</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 marginally lower than the statutory tax rate as certain portion of the income was not subjected to tax.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	280	221	801	576
Amortisation of premiums	38	-	108	4
Bad debts written off	-	-	17	53
Depreciation of property, plant and equipment	1,468	1,510	4,439	4,410
Depreciation of investment properties	441	441	1,325	1,327
Dividend income on quoted shares and unit trusts	(1,937)	(703)	(3,381)	(2,510)
Fund management charges	219	210	625	629
Gain on disposal of property, plant and equipment	(78)	(1)	(78)	(4)
(Gain)/Loss on disposal of investment properties	(388)	-	1,558	(2,025)
(Gain)/Loss arising from fair value change in financial assets at FVTPL	(1)	476	1,295	190
Interest expense	173	553	688	1,998
Interest income	(14,730)	(8,942)	(38,459)	(30,674)
Property, plant and equipment written off	-	-	-	1
Rent of land and buildings	984	793	2,959	2,764
Realised loss/(gain) on AFS financial assets	486	(134)	(6,400)	(2,630)
Realised gain on financial assets at FVTPL	(812)	(19)	(1,909)	(34)
Share of results of an associate	1	(1)	6	11
(Write-back)/Allowance for impairment of receivables	(843)	2,047	993	4,793

B7 Retained profits

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits		
- realised	681,648	656,000
- unrealised	(11,073)	(10,064)
Total share of retained profits from an associate		
- realised	(6)	415
Less: Consolidation adjustments	<u>(89,295)</u>	<u>(88,607)</u>
Retained profits as per Statements of Changes in Equity	<u>581,274</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 September 2016 are as follows:

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Non-Current		
Term loan	-	4,997
	<u>-</u>	<u>4,997</u>
Current		
Term loan	8,330	18,851
Revolving Credit	3,000	3,000
	<u>11,330</u>	<u>21,851</u>
Total	<u>11,330</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 was 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 was set out and particularised in the Statement of Claim dated 9 May 2014 sought "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 KMD and the Group. There were no losses that could arise from these proceedings except for an order for payment of costs if KMD were to be 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. 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").

KMD's Leave Applications, which were heard on 21 September 2016, were dismissed by the Court of Appeal with costs.

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 claimed against MKPK 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 8 December 2016.

B10 Material Litigation (Cont'd.)

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 ("MPHB Capital") 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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit attributable to owners of the Company (RM'000)	<u>9,799</u>	<u>7,572</u>	<u>23,521</u>	<u>34,398</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>1.37</u>	<u>1.06</u>	<u>3.29</u>	<u>4.81</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
29 November 2016