



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Audited
Revenue	132,861	87,436	456,484	380,787
Cost of sales	<u>(65,151)</u>	<u>(49,019)</u>	<u>(289,213)</u>	<u>(235,042)</u>
Gross profit	67,710	38,417	167,271	145,745
Other income	16,714	36,791	73,995	82,625
Administrative expenses	(17,603)	(18,862)	(69,117)	(62,430)
Other expenses	<u>(19,127)</u>	<u>(10,501)</u>	<u>(65,850)</u>	<u>(57,292)</u>
Operating profit	47,694	45,845	106,299	108,648
Finance costs	(117)	(443)	(805)	(2,441)
Share of results of an associate	4	(13)	(2)	(24)
Profit before tax	47,581	45,389	105,492	106,183
Income tax expense	<u>(6,150)</u>	<u>(4,195)</u>	<u>(19,719)</u>	<u>(19,629)</u>
Profit for the period/year	<u>41,431</u>	<u>41,194</u>	<u>85,773</u>	<u>86,554</u>
Profit attributable to:				
Owners of the Company	30,815	30,168	54,336	64,566
Non-controlling interests	<u>10,616</u>	<u>11,026</u>	<u>31,437</u>	<u>21,988</u>
	<u>41,431</u>	<u>41,194</u>	<u>85,773</u>	<u>86,554</u>
Earnings Per Share attributable to owners of the Company (sen per share)	<u>4.31</u>	<u>4.22</u>	<u>7.60</u>	<u>9.03</u>
Profit for the period/year	41,431	41,194	85,773	86,554
Items that are or may be subsequently reclassified to profit or loss:				
Net fair value changes in available-for-sale (AFS) financial assets	(6,930)	7,486	(8,811)	(2,012)
Tax effects	829	(1,963)	1,688	466
Total other comprehensive (loss)/gain, net of income tax	<u>(6,101)</u>	<u>5,523</u>	<u>(7,123)</u>	<u>(1,546)</u>
Total comprehensive income for the period/year	<u>35,330</u>	<u>46,717</u>	<u>78,650</u>	<u>85,008</u>
Total comprehensive income attributable to:				
Owners of the Company	27,702	32,985	50,702	63,959
Non-controlling interests	<u>7,628</u>	<u>13,732</u>	<u>27,948</u>	<u>21,049</u>
	<u>35,330</u>	<u>46,717</u>	<u>78,650</u>	<u>85,008</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 31 DECEMBER 2016

	As at 31.12.2016 RM'000 Unaudited	As at 31.12.2015 RM'000 Restated
ASSETS		
Non-current assets		
Property, plant and equipment	78,353	81,570
Investment properties	820,512	830,077
Investment in an associate	-	515
Investment securities	388,851	396,964
Intangible assets	35,057	34,859
Deferred tax assets	3,271	1,561
	<u>1,326,044</u>	<u>1,345,546</u>
Current assets		
Inventories	242	269
Receivables	295,735	289,783
Reinsurance assets	381,056	434,278
Tax recoverable	2,711	720
Investment securities	403,201	409,252
Cash and bank balances	616,577	532,180
	<u>1,699,522</u>	<u>1,666,482</u>
Total assets	<u>3,025,566</u>	<u>3,012,028</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	38,470	42,104
Merger deficit	(28,464)	(28,464)
Retained profits	622,222	567,877
	<u>1,643,319</u>	<u>1,592,608</u>
Non-controlling interests	226,690	198,766
Total equity	<u>1,870,009</u>	<u>1,791,374</u>
Non-current liabilities		
Borrowings	-	4,997
Derivative financial instruments	-	4,150
Deferred tax liabilities	11,016	11,625
	<u>11,016</u>	<u>20,772</u>
Current liabilities		
Payables	215,227	241,043
Insurance contract liabilities	916,361	929,881
Derivative financial instruments	*	-
Borrowings	4,997	21,851
Tax payable	7,956	7,107
	<u>1,144,541</u>	<u>1,199,882</u>
Total liabilities	<u>1,155,557</u>	<u>1,220,654</u>
Total equity and liabilities	<u>3,025,566</u>	<u>3,012,028</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.30</u>	<u>2.23</u>

*Derivative financial instruments has a value of RM123 as at 31 December 2016

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 YEAR ENDED 31 DECEMBER 2016

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

	I-----Non-distributable-----I				Distributable	Total RM'000	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			
At 1 January 2015 (audited)	715,000	296,091	42,711	(28,464)	293,501	1,318,839	13,620	1,332,459
Profit for the year	-	-	-	-	64,566	64,566	21,988	86,554
Other comprehensive loss for the year, net of income tax	-	-	(607)	-	-	(607)	(939)	(1,546)
Total comprehensive income for the year	-	-	(607)	-	64,566	63,959	21,049	85,008
Arising from increase in equity interests in subsidiaries	-	-	-	-	15,467	15,467	(15,467)	-
Arising from part disposal of equity interests in a subsidiary	-	-	-	-	184,210	184,210	179,564	363,774
Prior year adjustment arising from change of accounting estimates	-	-	-	-	10,133	10,133	-	10,133
At 31 December 2015 (restated)	715,000	296,091	42,104	(28,464)	567,877	1,592,608	198,766	1,791,374
At 1 January 2016 (restated)	715,000	296,091	42,104	(28,464)	567,877	1,592,608	198,766	1,791,374
Profit for the year	-	-	-	-	54,336	54,336	31,437	85,773
Other comprehensive loss for the year, net of income tax	-	-	(3,634)	-	-	(3,634)	(3,489)	(7,123)
Total comprehensive income for the year	-	-	(3,634)	-	54,336	50,702	27,948	78,650
Arising from increase in equity interests in a subsidiary	-	-	-	-	9	9	(24)	(15)
At 31 December 2016 (unaudited)	715,000	296,091	38,470	(28,464)	622,222	1,643,319	226,690	1,870,009

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 YEAR ENDED 31 DECEMBER 2016

	31.12.2016 RM'000 Unaudited	31.12.2015 RM'000 Restated
OPERATING ACTIVITIES		
Profit before tax	105,492	106,183
Adjustments for:		
Depreciation of property, plant and equipment	6,004	5,964
Depreciation of investment properties	1,755	1,770
Interest expense	806	2,441
Amortisation of premiums	148	95
Amortisation of intangible assets	1,092	816
Impairment loss on AFS financial assets	-	869
Bad debts written off	447	730
Property, plant and equipment written off	1	2
(Write back)/Allowance for impairment of receivables	(643)	4,731
Write back of allowance for impairment for loans and advances	-	(20)
Write back of allowance for impairment of other receivables	-	(10,134)
Share of results of an associate	2	24
Gain on disposal of property, plant and equipment	(78)	(4)
Gain on disposal of investment properties	(369)	(2,497)
Realised gain on:		
- AFS financial assets	(7,168)	(2,697)
- Financial assets at FVTPL	(4,874)	(2,347)
Reversal of impairment on investment properties	-	(13,187)
Interest income	(52,046)	(38,537)
Dividend income from investment securities and unit trusts	(4,196)	(6,033)
Loss/(gain) arising from fair value change in financial instruments at FVTPL	1,623	(443)
Operating cash flows before working capital changes	47,996	47,726
Changes in working capital:		
Inventories	27	(38)
Receivables	(4,334)	(19,072)
Reinsurance assets	53,222	9,668
Insurance contract liabilities	(13,520)	32,148
Payables	(18,815)	(22,016)
Cash flows from operations	64,576	48,416
Income tax paid	(21,492)	(17,365)
Net cash flows from operating activities	43,084	31,051
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	81	5
- investment properties	1,141	7,050
- investment securities	487,919	345,246
Capital repayment arising from an associate	100	-
Redemption of fixed income securities	-	15,399
Purchase of :		
- additional shares in a subsidiary	(15)	-
- intangible assets	(1,290)	(1,717)
- property, plant and equipment	(2,791)	(3,271)
- investment properties	-	(5,250)
- investment securities	(476,445)	(722,794)
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 investment securities and unit trusts	4,609	6,033
Interest received	50,624	38,537
Interest paid	(769)	(2,223)
Net cash flows generated from investing activities	63,164	56,010
FINANCING ACTIVITIES		
Net repayment of borrowings	(21,851)	(36,595)
Net movement in fixed deposits with maturity date of more than 3 months	(54,510)	6,638
Net cash flows used in financing activities	(76,361)	(29,957)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,887	57,104
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	96,031	38,927
CASH AND CASH EQUIVALENTS AT END OF YEAR	125,918	96,031
Cash and cash equivalents consist of :		
Cash and bank balances	616,577	532,180
Fixed deposits with licensed bank with maturity period of more than 3 months	(490,659)	(436,149)
	125,918	96,031

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 years beginning on or after 1 January 2016

Description	Effective for years 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 - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 Joint Arrangements - <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 127 Separate Financial Statements - <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 101 Presentation of Financial Statements - <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture - <i>Agriculture: Bearer Plants</i>	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 - <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 107 Statement of Cash Flows – <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 Income Taxes – <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 140 Investment Property – <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS 2014 – 2016 Cycle	1 January 2018
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 Investments in Associates and Joint Ventures - <i>Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

A2 Significant Accounting Policies (cont'd)

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

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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Segmental Revenue				
Insurance	101,739	72,617	390,846	339,341
Credit	2,002	398	7,743	2,156
Investments	29,120	14,421	57,895	39,290
Total	132,861	87,436	456,484	380,787
Segmental Results				
Insurance	25,987	15,004	80,035	77,146
Credit	7,182	5,280	21,641	10,387
Investments	14,412	25,105	3,816	18,650
	47,581	45,389	105,492	106,183
Income tax expense	(6,150)	(4,195)	(19,719)	(19,629)
Profit for the period/year	41,431	41,194	85,773	86,554
Assets and Liabilities as at 31 December 2016				
			Assets	Liabilities
			RM'000	RM'000
Insurance			1,616,906	1,096,144
Credit			524,133	2,104
Investments			884,527	57,309
Total			3,025,566	1,155,557

A5 Accounting Estimates

The change to accounting estimates that had material effect on the prior year is described below:-

On 29 April 2011, Tibanis Sdn. Bhd. ("Tibanis"), a wholly owned subsidiary of the Company, entered into a Joint Venture Agreement ("JVA") with a subsidiary of Bandar Raya Developments Berhad, Pinggir Mentari Sdn Bhd ("PMSB") to undertake the development of 2 parcels of land in Gombak (measuring approximately 265.13 acres) ("G2 Land").

In accordance with the JVA, Tibanis is to be paid 22% of the cash collections pursuant to billings issued for the proposed development of the G2 Land ("the Land Owner's Entitlement") by way of cash payment, completed units or by a combination of cash payment and completed units or components. Tibanis had received RM22 million from PMSB as upfront and advance amount towards the account of the Land Owner's entitlement.

The principal activity of Tibanis is property investment and its major transaction relates to the disposal of land to the joint venture partner.

Tibanis regards that the transfer of significant risk and rewards to the joint venture partner has occurred when the development of the phases mentioned in the JVA is approved by the relevant authorities. Once the authorities approval is obtained, Tibanis will no longer have the legal rights as a landowner. Instead, Tibanis's risk and rewards would then be changed to recovery of its share of the Land Owner's Entitlement.

The authorities approval for the development of Phase 1A was obtained in 2015. Moreover, the joint venture partner has also commenced the sale of units in Phase 1A in 2015. However, revenue and cost for disposal of land was not recognised in the audited Financial Statements in FY 2015. Therefore, retrospective adjustments had been made to the opening and closing balance in the financial statements to reflect the recognition of revenue and cost of disposal for Phase 1A.

A5 Accounting Estimates (cont'd)

The effects of the above adjustments to the financial statements for the financial year ended 31 December 2015 are summarised below:-

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
Consolidated Statement of Comprehensive Income			
Revenue	380,787	15,910	396,697
Cost of sales	(235,042)	5,777	(229,265)
Earnings per shares	9.00		6.88
Consolidated Statement of Financial Position			
Investment properties	832,125	(2,048)	830,077
Payables	253,224	(12,181)	241,043
Statements of changes in equity			
31 December 2015			
Retained profits	557,744	10,133	567,877

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 current quarter and year ended 31 December 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/ liabilities RM'000	AFS financial assets/ liabilities RM'000	Assets/ liabilities not in scope of MFRS 139 RM'000	Total RM'000
As at 31 December 2016					
Assets					
Property, plant and equipment	-	-	-	78,353	78,353
Investment properties	-	-	-	820,512	820,512
Intangible assets	-	-	-	35,057	35,057
Deferred tax assets	-	-	-	3,271	3,271
Inventories	-	-	-	242	242
Receivables	295,735	-	-	-	295,735
Reinsurance assets	-	-	-	381,056	381,056
Investment securities	-	403,201	388,851	-	792,052
Tax recoverable	-	-	-	2,711	2,711
Cash and bank balances	616,577	-	-	-	616,577
	912,312	403,201	388,851	1,321,202	3,025,566

A8 Financial Instruments (cont'd)

(i) Classification (cont'd)

Payables	215,227	-	-	-	215,227
Insurance contract liabilities	-	-	-	916,361	916,361
Derivative financial instruments	-	*	-	-	*
Borrowings	4,997	-	-	-	4,997
Tax payable	-	-	-	7,956	7,956
Deferred tax liabilities	-	-	-	11,016	11,016
	220,224	-	-	935,333	1,155,557

*Derivative financial instruments has a value of RM123 as at 31 December 2016

(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 prices (unadjusted) of identical assets in active markets

Level 2: Inputs other than at quoted prices included within Level 1 that are 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 31 December 2016, the Group does not have any financial instruments measured at Level 3.

		Level 1	Level 2	Total
		RM'000	RM'000	RM'000
31 December 2016				
Non-current	AFS financial assets	107,507	280,343	387,850
Current	FVTPL financial assets	403,201	-	403,201
		510,708	280,343	791,051

Included in AFS financial assets as of 31 December 2016 was 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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Gross insurance premium receivables	816	878	1,825	2,222
Management fee receivable	106	266	839	864
Insurance commission payable	(120)	146	(261)	(51)
Claims paid	(279)	(394)	(945)	(842)
Professional fees paid	(7)	(111)	(483)	(663)
IT management fee payable	(19)	(19)	(78)	(76)

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 February 2017, 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 report

There were no material events subsequent to the end of the current quarter and year ended 31 December 2016.

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 year were as follows:

	31.12.2016
	RM'000
Approved and contracted for :-	
Property, plant and equipment	<u>493</u>

A13 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and year ended 31 December 2016.

A14 Operating Lease Arrangements**(i) The Group as lessee**

The future aggregate minimum lease payments payable under operating leases contracted for the year ended 31 December 2016 but not recognised as liabilities are as follows:

	31.12.2016
	RM'000
Not later than 1 year	3,238
Later than 1 year and not later than 5 years	<u>2,644</u>
Total future minimum lease payments	<u>5,882</u>

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the year ended 31 December 2016 but not recognised as receivables are as follows:

	30.09.2016
	RM'000
Not later than 1 year	5,113
Later than 1 year and not later than 5 years	<u>1,389</u>
Total future minimum lease receivables	<u>6,502</u>

A15 Unusual Items Affecting Interim Financial Report

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter period and year ended 31 December 2016.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

4Q 2016 vs 4Q 2015

In 4Q 2016, the revenue of the Group increased by 51.9% to RM132.86 million from RM87.44 million reported in 4Q 2015. The improvement in revenue was attributed to recognition of revenue from the Property Division and growth in earned premiums from the Insurance Division.

Profit before tax ("PBT") was RM47.58 million in 4Q 2016, representing an increase of 4.8% from PBT of RM45.39 million posted in 4Q 2015. The improvement in the results of 4Q 2016 was primarily contributed by growth in earned premiums and lower net claims incurred from the Insurance Division.

Insurance

The Insurance Division improved its PBT by 73.3% to RM25.99 million in 4Q 2016 as compared to RM15.00 million achieved in 4Q 2015. This was attributed to growth in earned premiums, higher write-back of impairment of receivables as well as higher interest income.

Credit

In 4Q 2016, the Credit Division posted PBT of RM7.18 million in 4Q 2016, which was RM1.90 million higher than the PBT of RM5.28 million posted 4Q 2015 as a result of higher interest income earned.

Investments

The Investments Division recognised PBT of RM14.41 million in 4Q 2016 compared to PBT of RM25.11 million in 4Q 2015. In 4Q 2015, reversal of impairments on investments properties and other receivables totaling RM23.32 million led to the better results. However, in 4Q 2016, there was a profit of RM13.24 million recognised by Tibanis from the JVA with PMSB.

FY 2016 vs FY 2015

In FY 2016, revenue of the Group grew by 19.9% to RM456.48 million compared to the revenue of RM380.79 reported in FY 2015. In tandem with the increase, PBT also grew to RM105.49 from RM106.18 million in FY 2015. The better results in FY 2016 is attributable to improved results from all the three Divisions.

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

4Q 2016 vs 3Q 2016

The PBT of the Group improved by RM25.39 million to RM47.58 million in 4Q 2016 from RM22.19 million in 4Q 2015. The improvement in PBT the current quarter was largely contributed by revenue recognised from the JVA with PMSB from the Investments Division as well as improved underwriting profit from the Insurance Division.

B3 Prospects

In 4Q 2016, the Malaysian economy grew by 4.5%, representing an increase of 0.2% from 3Q 2016 mainly driven by the continued expansion in the private sector as well as moderate expansion from domestic demand.

For 2017, in view of the uncertainty in global economic conditions ahead, the World Bank has forecasted Malaysia's economy to grow around 4.3% in 2017, reflecting a gradual slowdown in consumer spending and investment.

Further, according to the Malaysian Budget 2017, the Malaysian economy is forecasted to grow between 4.0% and 5.0% in 2017, contributed by expected expansion in small medium enterprises as well as the export industry particularly in local agriculture produce such as palm oil, rubber, cocoa and pepper.

Insurance

In order to achieve sustainable growth, the Group and its strategic partner, Generali Asia N.V., will continue to work together, by identifying and focusing on profitable insurance classes as well as streamlining operating costs.

Credit and Investments

The Credit Division will continue to focus on financing reputable niche clients.

In view of the challenges and the weak sentiment in the property market, the Investments Division will continue to seek for potential prospects to either dispose those land banks with extended payback period or to enter into joint-ventures with reputable and reliable partner for those with a shorter payback period.

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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Income tax	6,818	4,631	20,350	20,707
Deferred tax	(668)	(436)	(631)	(1,078)
Total income tax expense	<u>6,150</u>	<u>4,195</u>	<u>19,719</u>	<u>19,629</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2015:25%) of the estimated assessable profit for the financial year.

The effective tax rate of the Group for the year was lower than the statutory tax rate due to certain portion of the income was not subject to tax.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	291	240	1,092	816
Amortisation of premiums	40	91	148	95
Bad debts written off	430	677	447	730
Depreciation of property, plant and equipment	1,565	1,554	6,004	5,964
Depreciation of investment properties	430	443	1,755	1,770
Dividend income from investment securities and unit trusts	(815)	(3,523)	(4,196)	(6,033)
Fund management charges	299	269	924	898
Gain on disposal of property, plant and equipment	-	-	(78)	(4)
Interest expense	118	443	806	2,441
Interest income	(13,587)	(7,863)	(52,046)	(38,537)
Loss/(Gain) arising from fair value change in financial instruments at FVTPL	328	(633)	1,623	(443)
Loss/(Gain) on disposal of investment properties	19	(472)	(369)	(2,497)
Property, plant and equipment written off	1	1	1	2
Rent of land and buildings	991	968	3,950	3,732
Realised gain on AFS financial assets	(768)	(67)	(7,168)	(2,697)
Realised gain on financial assets at FVTPL	(2,965)	(2,313)	(4,874)	(2,347)
Reversal of impairment on investment properties	-	(13,187)	-	(13,187)
Share of results of an associate	(4)	13	2	24
(Write-back)/Allowance for impairment of receivables	(1,636)	(62)	(643)	4,731
Write-back of allowance for impairment for loans and advances	-	(20)	-	(20)
Write-back of allowance for impairment of other receivables	-	(10,134)	-	(10,134)

B7 Retained profits

	As at	As at
	31.12.2016	31.12.2015
	RM'000	RM'000
Total retained profits		
- realised	718,238	656,000
- unrealised	(7,752)	(10,064)
Total share of retained profits from an associate		
- realised	(2)	415
Less: Consolidation adjustments	(88,262)	(88,607)
Prior year adjustment arising from change of accounting estimates	-	10,133
Retained profits as per Statements of Changes in Equity	<u>622,222</u>	<u>567,877</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. Certificate of fitness for occupation was not required for buildings built prior to 1974 and the Group is currently seeking the date of the construction of the buildings. At the same time, the Group is still exploring other 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 31 December 2016 are as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Non-Current		
Term loan	-	4,997
	<hr/>	<hr/>
	-	4,997
Current		
Term loan	4,997	18,851
Revolving Credit	-	3,000
	<hr/>	<hr/>
	4,997	21,851
Total	<hr/>	<hr/>
	4,997	26,848

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.

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 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 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 High Court’s decision. The Court of Appeal had fixed the appeal for hearing on 28 February 2017.

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.

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] (cont'd.)**

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 year attributable to owners of the Company by the number of ordinary shares in issue during the quarter and year ended 31 December 2016.

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit attributable to owners of the Company (RM'000)	<u>30,815</u>	<u>30,168</u>	<u>54,336</u>	<u>64,566</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>4.31</u>	<u>4.22</u>	<u>7.60</u>	<u>9.03</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
24 February 2017