



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
	Unaudited	Unaudited
Revenue	116,535	101,382
Cost of sales	<u>(72,817)</u>	<u>(60,888)</u>
Gross profit	43,718	40,494
Other income	42,939	30,156
Administrative expenses	(16,289)	(17,079)
Other expenses	<u>(36,993)</u>	<u>(36,389)</u>
Operating profit	33,375	17,182
Finance costs	(41)	(290)
Share of results of an associate	-	(5)
Profit before tax	33,334	16,887
Income tax expense	<u>(8,037)</u>	<u>(3,497)</u>
Profit for the period	<u>25,297</u>	<u>13,390</u>
Profit attributable to:		
Owners of the Company	16,944	7,537
Non-controlling interests	<u>8,353</u>	<u>5,853</u>
	<u>25,297</u>	<u>13,390</u>
Earnings per share attributable to owners of the Company (sen per share):	<u>2.37</u>	<u>1.05</u>
Profit for the period	25,297	13,390
Items that are or may be reclassified subsequently to profit or loss:		
Net gain arising during the period	3,591	811
Net realised (gain)/loss transferred to profit or loss	<u>(5,242)</u>	<u>144</u>
	(1,651)	955
Tax effects	(5)	(128)
Total other comprehensive (gain)/loss for the period	<u>(1,656)</u>	<u>827</u>
Total comprehensive income for the period	<u>23,641</u>	<u>14,217</u>
Total comprehensive income attributable to:		
Owners of the Company	16,422	7,959
Non-controlling interests	<u>7,219</u>	<u>6,258</u>
	<u>23,641</u>	<u>14,217</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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	As at 31.03.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	77,724	78,353
Investment properties	820,045	820,512
Investment securities	457,789	388,851
Intangible assets	34,796	35,057
Deferred tax assets	3,180	3,185
	1,393,534	1,325,958
Current assets		
Inventories	259	243
Receivables	291,448	291,345
Reinsurance assets	403,799	381,056
Tax recoverable	1,485	1,566
Investment securities	396,972	403,201
Cash and bank balances	599,904	616,577
	1,693,867	1,693,988
Total assets	3,087,401	3,019,946
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	715,000	715,000
Share premium	296,091	296,091
Other reserves	37,948	38,470
Merger deficit	(28,464)	(28,464)
Retained profits	640,004	623,060
	1,660,579	1,644,157
Non-controlling interests	234,678	227,459
Total equity	1,895,257	1,871,616
Non-current liabilities		
Deferred tax liabilities	10,333	11,016
	10,333	11,016
Current liabilities		
Payables	216,706	208,017
Insurance contract liabilities	954,863	916,361
Borrowings	1,663	4,997
Tax payable	8,579	7,939
	1,181,811	1,137,314
Total liabilities	1,192,144	1,148,330
Total equity and liabilities	3,087,401	3,019,946
Net assets per share attributable to owners of the Company (RM)	2.32	2.30

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 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 2016 (restated)	715,000	296,091	42,104	(28,464)	567,877	1,592,608	198,766	1,791,374
Profit for the period	-	-	-	-	7,537	7,537	5,853	13,390
Other comprehensive income for the period, net of income tax	-	-	422	-	-	422	405	827
Total comprehensive income for the period	-	-	422	-	7,537	7,959	6,258	14,217
At 31 March 2016	715,000	296,091	42,526	(28,464)	575,414	1,600,567	205,024	1,805,591
At 1 January 2017	715,000	296,091	38,470	(28,464)	623,060	1,644,157	227,459	1,871,616
Profit for the period	-	-	-	-	16,944	16,944	8,353	25,297
Other comprehensive (loss)/income for the period, net of income tax	-	-	(522)	-	-	(522)	(1,134)	(1,656)
Total comprehensive (loss)/income for the period	-	-	(522)	-	16,944	16,422	7,219	23,641
At 31 March 2017	715,000	296,091	37,948	(28,464)	640,004	1,660,579	234,678	1,895,257

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2017**

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
	Unaudited	Restated
OPERATING ACTIVITIES		
Profit before tax	33,334	16,887
Adjustments for:		
Depreciation of property, plant and equipment	1,488	1,492
Depreciation of investment properties	467	442
Interest expense	41	290
Amortisation of premiums	36	35
Amortisation of intangible assets	278	255
Bad debts written off	-	17
Allowance for impairment of receivables	1,250	2,322
Share of results of an associate	-	5
Realised gain on:		
- AFS financial assets	(4,646)	(288)
- Financial assets at FVTPL	(249)	(1,149)
Interest income	(17,070)	(13,312)
Dividend income on quoted shares and unit trusts	(795)	(477)
Gain arising from fair value change in financial assets at FVTPL	(6,801)	(656)
Operating cash flows before working capital changes	7,333	5,863
Changes in working capital:		
Inventories	(16)	44
Receivables	2,969	(55,842)
Reinsurance assets	(22,743)	18,185
Insurance contract liabilities	38,502	276
Payables	8,677	(16,034)
Cash flows generated from/(used in) operations	34,722	(47,508)
Income tax refund paid	(7,999)	(6,513)
Net cash flows generated from/(used in) operating activities	26,723	(54,021)
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- investment securities	70,816	162,013
Purchase of :		
- intangible assets	(17)	(514)
- property, plant and equipment	(859)	(632)
- investment securities	(123,516)	(154,612)
Net dividend received from quoted shares and unit trusts	795	477
Interest received	12,748	13,312
Interest paid	(29)	(162)
Net cash flows (used in)/generated from investing activities	(40,062)	19,882
FINANCING ACTIVITIES		
Net repayment of borrowings	(3,334)	(8,398)
Net movement in fixed deposits with licensed bank	(56,086)	(12,430)
Net cash flows used in financing activities	(59,420)	(20,828)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,759)	(54,967)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,918	96,031
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53,159	41,064
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	599,904	489,643
Fixed deposits with licensed bank with maturity period of more than 3 months	(546,745)	(448,579)
	53,159	41,064

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 2016 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 2016. 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 2016.

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 2016, except for the following:

A2.1 Standards, Amendments and Annual Improvements to Standards effective for the financial years beginning on or after 1 January 2017

Description	Effective for years beginning on or after
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
Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4, Insurance Contracts	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

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 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. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

Under this Standard, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the 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.

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 2017 (cont'd.)

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 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	
	31.03.2017	31.03.2016
	RM'000	RM'000
Segmental Revenue		
Insurance	105,886	91,805
Credit	2,100	1,216
Investments	8,549	8,361
Total	116,535	101,382
Segmental Results		
Insurance	20,929	14,778
Credit	12,286	4,449
Investments	119	(2,340)
	33,334	16,887
Income tax expense	(8,037)	(3,497)
Profit for the period	25,297	13,390
Assets and Liabilities as at 31 March 2017		
	Assets	Liabilities
	RM'000	RM'000
Insurance	1,677,827	1,139,743
Credit	528,339	2,181
Investments	881,235	50,220
Total	3,087,401	1,192,144

A5 Accounting Estimates

There were no changes in estimates that have had any material effect on the quarter ended 31 March 2017.

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 ended 31 March 2017.

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 March 2017					
Assets					
Property, plant and equipment	-	-	-	77,724	77,724
Investment properties	-	-	-	820,045	820,045
Intangible assets	-	-	-	34,796	34,796
Deferred tax assets	-	-	-	3,180	3,180
Inventories	-	-	-	259	259
Receivables	291,448	-	-	-	291,448
Reinsurance assets	-	-	-	403,799	403,799
Investment securities	-	396,972	457,789	-	854,761
Tax recoverable	-	-	-	1,485	1,485
Cash and bank balances	599,904	-	-	-	599,904
	891,352	396,972	457,789	1,341,288	3,087,401
Liabilities					
Payables	216,706	-	-	-	216,706
Insurance contract liabilities	-	-	-	954,863	954,863
Borrowings	1,663	-	-	-	1,663
Tax payable	-	-	-	8,579	8,579
Deferred tax liabilities	-	-	-	10,333	10,333
	218,369	-	-	973,775	1,192,144

(ii) Fair Values

The table hereinafter 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).

A8 Financial Instruments (cont'd.)

(ii) Fair Values (cont'd.)

As at 31 March 2017, the Group does not have any financial instruments measured at Level 3.

		Level 1	Level 2	Total
		RM'000	RM'000	RM'000
31 March 2017				
Non-current	AFS financial assets	183,437	273,351	456,788
Current	FVTPL financial assets	396,972	-	396,972
		580,409	273,351	853,760

Included in AFS financial assets as of 31 March 2017 was unquoted shares of RM1,001,000 (2016: 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	
	31.03.2017	31.03.2016
	RM'000	RM'000
Affiliated companies		
Gross insurance premium receivables	1,181	597
Management fee receivable	185	239
Insurance commission payable	(85)	(82)
Claims paid	(209)	(271)
Professional fees paid	(5)	(226)
IT management fee payable	(19)	(19)

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 25 May 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

On 21 April 2017, the Company's wholly owned subsidiary Multi-Purpose Capital Holdings Berhad ("MPCHB") and Generali Asia N.V. ("Generali Asia") have on even date, submitted applications to seek the approval(s) of the Minister of Finance (via Bank Negara Malaysia), as the case maybe, for the sale by MPCHB to Generali Asia in respect of 21,000,000 ordinary shares in MPI Generali Insurans Berhad ("MPI Generali"), which is equivalent to 21% of the total number of issued share capital of MPI Generali ("Call Option Shares") pursuant to the Call and Put Option Agreement dated 18 December 2014 entered between MPCHB and Generali Asia, pursuant to Section 89 of the Financial Services Act, 2013 ("FSA").

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 current quarter were as follows:

	As at 31.03.2017 RM'000
Approved and contracted for :-	
Property, plant and equipment	<u>1,343</u>

A13 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2017.

A14 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the quarter ended 31 March 2017 but not recognised as liabilities are as follows:

	As at 31.03.2017 RM'000
Not later than 1 year	3,008
Later than 1 year and not later than 5 years	<u>2,066</u>
Total future minimum lease payments	<u>5,074</u>

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the quarter ended 31 March 2017 but not recognised as receivables are as follows:

	As at 31.03.2017 RM'000
Not later than 1 year	5,375
Later than 1 year and not later than 5 years	<u>630</u>
Total future minimum lease receivables	<u>6,005</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 ended 31 March 2017.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

1Q 2017 vs 1Q 2016

The Group achieved higher revenue in 1Q 2017 at RM116.54 million, representing an increase of 15.0% from RM101.38 million in 1Q 2016, which was mainly contributed by growth in earned premiums from the Insurance Division.

Profit before tax ("PBT") doubled to RM33.33 million in 1Q 2017 from RM16.89 million in 1Q 2016. This improvement was attributable to increased earned premiums as well as favourable changes to the fair value of investment securities.

Insurance

The Insurance Division registered growth as revenue and PBT improved by 15.3% to RM105.89 million (1Q 2016: RM91.81 million) and by 41.6% to RM20.93 million (1Q 2016: RM14.78 million) respectively. The better results was due to higher earned premiums mainly from fire class, higher interest income and gain from disposal of investment securities in the current quarter.

Credit

PBT for the Credit Division in 1Q 2017 was RM12.29 million, an improvement of RM7.84 million from RM4.45 million in 1Q 2016. Higher interest income earned and fair value gain on investment securities led to the better performance by this division.

Investments

As a result of rationalising operating and administrative costs, the Investments Division recorded profit before tax of RM119,000 in 1Q 2017 compared to loss before tax of RM2.34 million in 1Q 2016.

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

1Q 2017 vs 4Q 2016

For the current quarter, the Group posted PBT of RM33.33 million as compared to RM47.58 million in 4Q 2016. The better results register in 4Q 2016 was mainly due to recognition of certain portion of revenue from a joint venture partner.

Revenue is recognised when the significant risk and rewards of the land is transferred to a joint venture partner, upon approval of development plan by authorities.

B3 Prospects

In the first quarter of 2017, global economic condition moderated from the downturn in 2016, as commodity prices are improving, which in-turn has benefited the Malaysian economy who relies on the export of commodities such as palm oil and crude oil.

As a result, the Malaysian economic grew 5.6% in 1Q 2017 against 4.1% growth recorded in 1Q 2016. The growth was mainly driven by domestic demand, supported by Government spending as well as continued expansion in the private sector.

Overall, the Malaysian economy is expected to stabilise and meet Bank Negara Malaysia's anticipated growth of between 4.3% and 4.8% in 2017. The growth is expected to from further expansion in domestic demand and increased exports.

Insurance

The Group will continue to work with and leverage off Generali Asia N.V.'s worldwide presence, knowledge and experience in the insurance business with a focus to grow the retail business. This division will also undertake to streamline its operating costs as well as improve its operational efficiency.

B3 Prospects (cont'd.)

Credit and Investments

The Credit Division will continue to invest in investments with profitable yields and to finance reputable niche clients.

Despite the moderation of the Malaysian economy in the current quarter, the local property market remains weak. Therefore, the Group will continue to keep a lookout to 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	
	31.03.2017	31.03.2016
	RM'000	RM'000
Income tax	8,715	3,460
Deferred tax	(678)	37
Total income tax expense	<u>8,037</u>	<u>3,497</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2016:24%) of the estimated assessable profit for the current quarter ended 31 March 2017.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Amortisation of intangible assets	278	255
Amortisation of premiums	36	35
Depreciation of property, plant and equipment	1,488	1,492
Depreciation of investment properties	467	442
Dividend income on quoted shares and unit trusts	(795)	(477)
Fund management charges	286	217
Interest expense	41	290
Interest income	(17,070)	(13,312)
Gain arising from fair value change in financial assets at FVTPL	(6,801)	(656)
Rent of land and buildings	983	973
Realised gain on AFS financial assets	(4,646)	(288)
Realised gain on financial assets at FVTPL	(249)	(1,149)
Share of results of an associate	-	5
Allowance for impairment of receivables	1,250	2,322
Bad debts written off	-	17

B7 Retained profits

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits		
- realised	735,540	718,500
- unrealised	(7,153)	(7,754)
Total share of retained profits from an associate		
- realised	-	413
Less: Consolidation adjustments	<u>(88,383)</u>	<u>(88,099)</u>
Retained profits as per Statements of Changes in Equity	<u>640,004</u>	<u>623,060</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 2017. 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 March 2017 are as follows:

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Current		
Term loan	<u>1,663</u>	<u>4,997</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

B10 Material Litigation

i) 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 ("MKPK's Appeal").

The Court of Appeal had on 28 February 2017 allowed MKPK's Appeal with costs.

ii) 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 2016 was not qualified.

B13 Earnings Per Share

Earnings per share is calculated by dividing the profit for the quarter attributable to owners of the Company by the number of ordinary shares in issue during the quarter ended 31 March 2017.

	3 months ended	
	31.03.2017	31.03.2016
Profit attributable to owners of the Company (RM'000)	<u>16,944</u>	<u>7,537</u>
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>715,000</u>
Earnings Per Share (sen per share)	<u>2.37</u>	<u>1.05</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
25 May 2017