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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2017	**30.06.2016**	**30.06.2017**	**30.06.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Revenue	117,773	111,566	234,308	212,948
Cost of sales	(74,436)	(67,733)	(147,253)	(128,621)
Gross profit	43,337	43,833	87,055	84,327
Other income	13,838	30,287	56,777	60,443
Administrative expenses	(16,212)	(17,254)	(32,501)	(34,333)
Other expenses	(40,114)	(37,806)	(77,107)	(74,195)
Operating profit	849	19,060	34,224	36,242
Finance costs	(75)	(225)	(116)	(515)
Share of results of an associate	-	-	-	(5)
Profit before tax	774	18,835	34,108	35,722
Income tax credit/(expense)	3,133	(5,542)	(4,904)	(9,039)
Profit for the period	3,907	13,293	29,204	26,683
Profit attributable to:				
Owners of the Company	1,559	6,185	18,503	13,722
Non-controlling interests	2,348	7,108	10,701	12,961
	3,907	13,293	29,204	26,683
Earnings per share attributable to owners of the Company (sen per share):	0.22	0.87	2.59	1.92
Profit for the period	3,907	13,293	29,204	26,683
Items that are or may be reclassified subsequently to profit or loss:				
Net gain arising during the period	3,982	1,101	7,573	1,912
Net realised gain transferred to profit or loss	(2,249)	(7,030)	(7,491)	(6,886)
	1,733	(5,929)	82	(4,974)
Tax effects	(607)	1,462	(612)	1,334
Total other comprehensive gain/(loss) for the period	1,126	(4,467)	(530)	(3,640)
Total comprehensive income for the period	**5,033**	**8,826**	**28,674**	**23,043**
Total comprehensive income attributable to:				
Owners of the Company	1,812	3,907	18,234	11,866
Non-controlling interests	3,221	4,919	10,440	11,177
	5,033	**8,826**	**28,674**	**23,043**

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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	As at 30.06.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	76,434	78,353
Investment properties	819,578	820,512
Investment securities	442,364	388,851
Intangible assets	34,619	35,057
Deferred tax assets	2,573	3,185
	1,375,568	1,325,958
Current assets		
Inventories	271	243
Receivables	337,894	291,345
Reinsurance assets	375,650	381,056
Tax recoverable	11,452	1,566
Investment securities	325,902	403,201
Cash and bank balances	663,424	616,577
	1,714,593	1,693,988
Total assets	**3,090,161**	**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	38,201	38,470
Merger deficit	(28,464)	(28,464)
Retained profits	641,563	623,060
	1,662,391	1,644,157
Non-controlling interests	237,899	227,459
Total equity	1,900,290	1,871,616
Non-current liabilities		
Borrowings	9,000	-
Deferred tax liabilities	10,333	11,016
	19,333	11,016
Current liabilities		
Payables	231,176	208,017
Insurance contract liabilities	931,579	916,361
Borrowings	-	4,997
Tax payable	7,783	7,939
	1,170,538	1,137,314
Total liabilities	1,189,871	1,148,330
Total equity and liabilities	**3,090,161**	**3,019,946**
Net assets per share attributable to owners of the Company (RM)	**2.33**	**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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2017

	I---------Attributable to owners of the Company---------I							
	I--------Non-distributable-------I				Distributable			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Merger deficit RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity 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	-	-	-	-	13,722	13,722	12,961	26,683
Other comprehensive loss for the period, net of income tax	-	-	(1,856)	-	-	(1,856)	(1,784)	(3,640)
Total comprehensive (loss)/income for the period	-	-	(1,856)	-	13,722	11,866	11,177	23,043
At 30 June 2016	**715,000**	**296,091**	**40,248**	**(28,464)**	**581,599**	**1,604,474**	**209,943**	**1,814,417**
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	-	-	-	-	18,503	18,503	10,701	29,204
Other comprehensive loss for the period, net of income tax	-	-	(269)	-	-	(269)	(261)	(530)
Total comprehensive income for the period	-	-	(269)	-	18,503	18,234	10,440	28,674
At 30 June 2017	**715,000**	**296,091**	**38,201**	**(28,464)**	**641,563**	**1,662,391**	**237,899**	**1,900,290**

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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2017

	6 months ended	
	30.06.2017	**30.06.2016**
	RM'000	**RM'000**
	Unaudited	**Unaudited**
OPERATING ACTIVITIES		
Profit before tax	34,108	35,722
Adjustments for:		
Amortisation of premiums	(31)	70
Amortisation of intangible assets	548	521
Allowance for impairment of receivables	1,258	1,836
Bad debts written off	-	17
Depreciation of property, plant and equipment	3,006	2,971
Depreciation of investment properties	934	884
Dividend income on quoted shares and unit trusts	(2,062)	(1,444)
Interest expense	115	515
Interest income	(28,914)	(23,729)
Impairment loss on AFS financial assets	4,800	-
Loss on disposal of investment properties	-	1,946
Loss arising from fair value change in financial assets at FVTPL	1,918	1,296
Realised gain on:		
- AFS financial assets	(7,491)	(6,886)
- Financial assets at FVTPL	(287)	(3,094)
Share of results of an associate	-	5
Operating cash flows before working capital changes	7,902	10,630
Changes in working capital:		
Inventories	(28)	4
Receivables	(43,481)	(36,899)
Reinsurance assets	5,406	29,618
Insurance contract liabilities	15,217	10,350
Payables	23,122	(33,689)
Cash flows generated from/(used in) operations	8,138	(19,986)
Income tax paid	(15,629)	(9,653)
Net cash flows used in operating activities	(7,491)	(29,639)
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- investment securities	159,815	286,729
Purchase of :		
- intangible assets	(110)	(590)
- property, plant and equipment	(1,087)	(1,306)
- investment securities	(134,857)	(289,888)
Net dividend received from quoted shares and unit trusts	2,062	1,444
Interest received	24,588	18,517
Interest paid	(76)	(417)
Net cash flows generated from investing activities	50,335	14,489
FINANCING ACTIVITIES		
Repayment of term loan	(4,997)	(12,185)
Drawdown of term loan	9,000	-
Net movement in fixed deposits with licensed bank	(56,096)	8,584
Net cash flows used in financing activities	(52,093)	(3,601)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,249)	(18,751)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,918	96,031
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**116,669**	**77,280**
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	663,424	504,845
Fixed deposits with licensed bank with maturity period of more than 3 months	(546,755)	(427,565)
	116,669	**77,280**

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 – *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 Income Taxes – *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 140 Investment Propery – *Transfers of Investment Property*	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 - *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 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		6 months ended	
	30.06.2017 RM'000	**30.06.2016 RM'000**	**30.06.2017 RM'000**	**30.06.2016 RM'000**
Segmental Revenue				
Insurance	105,633	98,961	211,519	190,766
Credit	2,874	2,615	4,974	3,831
Investments	9,266	9,990	17,815	18,351
Total	**117,773**	**111,566**	**234,308**	**212,948**
Segmental Results				
Insurance	6,260	18,604	27,189	33,382
Credit	(2,750)	5,789	9,536	10,238
Investments	(2,736)	(5,558)	(2,617)	(7,898)
	774	18,835	34,108	35,722
Income tax credit/(expense)	3,133	(5,542)	(4,904)	(9,039)
Profit for the period	**3,907**	**13,293**	**29,204**	**26,683**

Assets and Liabilities as at 30 June 2017

	Assets RM'000	**Liabilities RM'000**
Insurance	1,674,433	1,130,462
Credit	533,170	2,096
Investments	882,558	57,313
Total	**3,090,161**	**1,189,871**

A5 Accounting Estimates

There were no changes in estimates that have had any material effect on the quarter ended 30 June 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 30 June 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	FVTPL financial assets/ liabilities	AFS financial assets/ liabilities	Assets/ liabilities not in scope of MFRS 139	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2017					
Assets					
Property, plant and equipment	-	-	-	76,434	76,434
Investment properties	-	-	-	819,578	819,578
Intangible assets	-	-	-	34,619	34,619
Deferred tax assets	-	-	-	2,573	2,573
Inventories	-	-	-	271	271
Receivables	337,894	-	-	-	337,894
Reinsurance assets	-	-	-	375,650	375,650
Investment securities	-	325,902	442,364	-	768,266
Tax recoverable	-	-	-	11,452	11,452
Cash and bank balances	663,424	-	-	-	663,424
	1,001,318	**325,902**	**442,364**	**1,320,577**	**3,090,161**
Liabilities					
Payables	231,176	-	-	-	231,176
Insurance contract liabilities	-	-	-	931,579	931,579
Borrowings	-	-	-	9,000	9,000
Tax payable	-	-	-	7,783	7,783
Deferred tax liabilities	-	-	-	10,333	10,333
	231,176	**-**	**-**	**958,695**	**1,189,871**

(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 30 June 2017, the Group does not have any financial instruments measured at Level 3.

		Level 1 RM'000	Level 2 RM'000	Total RM'000
30 June 2017				
Non-current	AFS financial assets	179,910	261,453	441,363
Current	FVTPL financial assets	325,902	-	325,902
		505,812	**261,453**	**767,265**

Included in AFS financial assets as of 30 June 2017 were 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		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Affiliated companies				
Gross insurance premium receivables	890	181	2,071	778
Management fee receivable	216	301	401	540
Insurance commission payable	(124)	(26)	(209)	(108)
Claims paid	(44)	(211)	(253)	(482)
Professional fees paid	(15)	(153)	(20)	(379)
IT management fee payable	(20)	(20)	(39)	(39)

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 22 August 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 interim period

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

A12 Capital Commitments

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

	As at 30 June 2017 RM'000		
	Approved and contracted	Approved but not contracted	Total
Property, plant and equipment	3	1,034	1,037
Computer software and hardware	2,686	6,334	9,020
Total	**2,689**	**7,368**	**10,057**

A13 Changes in Composition of the Group

Tune Insurance (Labuan) Ltd, an associate of the Group, was successfully dissolved with effect from 25 May 2017. Multi-Purpose Capital Holdings Berhad, a 100% owned subsidiary of the Company, had 20% shareholding in Tune Insurance (Labuan) Ltd.

A14 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the quarter ended 30 June 2017 but not recognised as liabilities are as follows:

	As at 30.06.2017 RM'000
Not later than 1 year	2,959
Later than 1 year and not later than 5 years	1,430
Total future minimum lease payments	**4,389**

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the quarter ended 30 June 2017 but not recognised as receivables are as follows:

	As at 30.06.2017 RM'000
Not later than 1 year	2,028
Later than 1 year and not later than 5 years	691
Total future minimum lease receivables	**2,719**

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 30 June 2017.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

Financial review for current quarter and financial year to date

	3 months ended				6 months ended			
	30.06.2017	30.06.2016	*Changes*		30.06.2017	30.06.2016	*Changes*	
	RM'000	RM'000	*RM'000*	*%*	RM'000	RM'000	*RM'000*	*%*
Revenue	117,773	111,566	*6,207*	*5.6%*	234,308	212,948	*21,360*	*10.0%*
Operating profit	849	19,060	*(18,211)*	*-95.5%*	34,224	36,242	*(2,018)*	*-5.6%*
Profit before tax	774	18,835	*(18,061)*	*-95.9%*	34,108	35,722	*(1,614)*	*-4.5%*
Profit after tax	3,907	13,293	*(9,386)*	*-70.6%*	29,204	26,683	*2,521*	*9.4%*
Profit attributable to owners of the Company	1,559	6,185	*(4,626)*	*-74.8%*	18,503	13,722	*4,781*	*34.8%*

2Q 2017 vs 2Q 2016

In 2Q 2017, the Group increased its revenue by 10.0% to RM234.31 million from RM212.95 million posted in 2Q 2016. However, profit before tax ("PBT") was marginally lower at RM34.11 million, representing a 4.5% decrease in 2Q 2017 as compared to RM35.72 million in 2Q 2016 due mainly to adverse impact from an impairment loss on investment securities.

Insurance

The Insurance Division achieved higher revenue in 2Q 2017 at RM211.52 million but posted a lower PBT at RM27.19 million as compared to RM190.76 million and RM20.76 million in 2Q 2016, respectively. The lower PBT was mainly due to impairment loss on investment securities amounting to RM4.8 million recorded in 2Q 2017.

Credit

The Credit Division posted PBT of RM9.57 million in 2Q 2017 representing a slight decrease of 6.9% from RM10.24 million in 2Q 2016 primarily resulted from unfavourable changes to the fair value on investment securities mitigated by higher dividend income from investments securities.

Investments

The Investments Division significantly narrowed its loss before tax to RM2.62 million in 2Q 2017 from loss before tax of RM7.90 million in 2Q 2016. In 2017, this division implemented cost rationalization.

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

	3 months ended 30.06.2017	3 months ended 31.03.2017	Changes	
	RM'000	RM'000	*RM'000*	*%*
Revenue	117,773	116,535	*1,238*	*1.1%*
Operating profit	849	33,375	*(32,526)*	*-97.5%*
Profit before tax	774	33,334	*(32,560)*	*-97.7%*
Profit after tax	3,907	25,297	*(21,390)*	*-84.6%*
Profit attributable to owners of the Company	1,559	16,944	*(15,385)*	*-90.8%*

2Q 2017 vs 1Q 2017

In comparison to revenue of RM116.54 million achieved in 1Q 2017, the Group has marginally improved its revenue in the current quarter to RM117.77 million. However, PBT in the current quarter dropped to RM774,000 (1Q 2017: RM33.33 million). This was mainly attributable to impairment loss on investment securities, unfavourable changes to the fair value of investment securities as well as lower interest income.

B3 Group's prospects

The global economic condition continued at a moderate pace in 2Q 2017, as commodity prices continued to improve which in turn has benefited the Malaysian economy. As a result, the Malaysian economy is projected to improve from 4.3% to 4.8% in 2017, supported mainly by strong domestic demand, increased exports and private consumption. Private consumption is expected to be the main driver of growth, backed by contibutions from the private investments with the implementation of new and ongoing projects

Overall, the Malaysian economy is expected to stabilise with the recovery of crude oil prices and the strengthening of the Ringgit against US Dollar in 2Q 2017.

Insurance

From 1 July 2017, the liberalisation of Motor Comprehensive; and Motor Third Party Fire and Theft products will allow insurers and takaful operators to determine premium pricing. This will create sustainable motor insurance protection for both insurers and consumers as well as fairer and more competitive pricing in the long term.

The Group will also continue to work with Generali Asia N.V. to grow the retail business as well as increase the Insurance Division's local presence.

Credit and Investments

The Credit Division will continue to seek to finance selected and reputable niche clientele.

The Malaysian property market remains weak due to oversupply of properties and according to a Maybank Research report, the property market is only expected to recover in 1H 2018. Meanwhile, the Group will remain cautious and conservative in search for reputable and reliable joint-venture partners or outright disposal of its land banks.

B4 Profit Forecast and Profit Guarantee

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

B5 Income Tax Expense

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Income tax (credit)/expense	(3,133)	5,542	5,582	9,002
Deferred tax	-	-	(678)	37
Total income tax (credit)/expense	(3,133)	5,542	4,904	9,039

Income tax is calculated at the Malaysian statutory rate of 24% (2016:24%) of the estimated assessable profit for the current quarter ended 30 June 2017.

The effective tax rate for the Group for the current quarter is lower than the statutory tax rate mainly due to tax recoverable.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment of receivables	8	(486)	1,258	1,836
Amortisation of intangible assets	270	266	548	521
Amortisation of premiums	(67)	35	(31)	70
Bad debts written off	-	-	-	17
Depreciation of property, plant and equipment	1,518	1,479	3,006	2,971
Depreciation of investment properties	467	442	934	884
Dividend income on quoted shares and unit trusts	(1,267)	(967)	(2,062)	(1,444)
Fund management charges	146	189	432	406
Interest expense	74	225	115	515
Interest income	(11,844)	(10,417)	(28,914)	(23,729)
Impairment loss on AFS financial asset	4,800	-	4,800	-
Loss arising from fair value change in financial assets at FVTPL	8,719	1,952	1,918	1,296
Rent of land and buildings	993	1,002	1,976	1,975
Realised gain on AFS financial assets	(2,845)	(6,598)	(7,491)	(6,886)
Realised gain on financial assets at FVTPL	(38)	(1,945)	(287)	(3,094)
Share of results of an associate	-	-	-	5

B7 Receivables

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Trade receivables	281,332	245,337
Less: allowance for impairment	(42,545)	(41,287)
Total trade receivables	238,787	204,050
Other receivables	99,248	87,436
Less: allowance for impairment	(141)	(141)
Total other receivables	99,107	87,295
Total receivables	337,894	291,345

The ageing analysis of the Group's trade receivables are as follows:

Neither past due nor impaired	156,400	188,173
Past due but not impaired	82,387	15,877
Impaired	42,545	41,287
	281,332	245,337

<u>Movement in allowance accounts (individually and collectively impaired)</u>

At 1 January	41,287	40,186
Charge for the period/year (Note B6)	1,258	1,101
	42,545	41,287

B8 Retained profits

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits		
- realised	737,912	718,500
- unrealised	(7,760)	(7,754)
Total share of retained profits from an associate		
- realised	-	413
Less: Consolidation adjustments	(88,589)	(88,099)
Retained profits as per Statements of Changes in Equity	641,563	623,060

B9 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.

B10 Borrowings

The Group's borrowings are as follows:

	As at 30.06.2017			As at 30.06.2016		
	Non-current RM'000	**Current RM'000**	**Total RM'000**	**Non-current RM'000**	**Current RM'000**	**Total RM'000**
Secured						
Term loan	-	-	-	-	11,663	11,663
Revolving credit	-	-	-	-	3,000	3,000
Total secured	-	-	-	-	14,663	14,663
Unsecured						
Term loan	9,000	-	9,000	-	-	-
Total borrowings	9,000	-	9,000	-	14,663	14,663

In the financial period ended 30 June 2017, the Group fully repaid the balance amounting to RM5.00 million of an existing term loan and subsequently drawndown a new term loan amounting to RM9.00 million at rates ranging between 5.23% and 5.27% per annum and 4.97% per annum, respectively.

All the borrowings are denominated in Ringgit Malaysia.

B11 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.

B11 Material Litigation (cont'd.)

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 ("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.

B12 Dividend

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

B13 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.

B14 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 30 June 2017.

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to owners of the Company (RM'000)	1,559	6,185	18,503	13,722
Weighted average number of ordinary shares in issue ('000)	715,000	715,000	715,000	715,000
Earnings Per Share (sen per share)	0.22	0.87	2.59	1.92

By Order Of The Board
Ng Sook Yee
Company Secretary
22 August 2017