



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	121,736	110,675	356,044	323,623
Cost of sales	<u>(75,344)</u>	<u>(64,970)</u>	<u>(222,597)</u>	<u>(193,591)</u>
Gross profit	46,392	45,705	133,447	130,032
Other income	28,242	29,185	85,019	89,628
Administrative expenses	(14,097)	(17,181)	(46,598)	(51,514)
Other expenses	<u>(29,282)</u>	<u>(35,346)</u>	<u>(106,389)</u>	<u>(109,541)</u>
Operating profit	31,255	22,363	65,479	58,605
Finance costs	(384)	(173)	(500)	(688)
Share of results of an associate	-	(1)	-	(6)
Profit before tax	30,871	22,189	64,979	57,911
Income tax expense	(6,731)	(4,530)	(11,635)	(13,569)
Profit for the period	<u>24,140</u>	<u>17,659</u>	<u>53,344</u>	<u>44,342</u>
Profit attributable to:				
Owners of the Company	16,306	9,799	34,809	23,521
Non-controlling interests	<u>7,834</u>	<u>7,860</u>	<u>18,535</u>	<u>20,821</u>
	<u>24,140</u>	<u>17,659</u>	<u>53,344</u>	<u>44,342</u>
Earnings per share attributable to owners of the Company (sen per share):	<u>2.28</u>	<u>1.37</u>	<u>4.87</u>	<u>3.29</u>
Profit for the period	24,140	17,659	53,344	44,342
Items that are or may be reclassified subsequently to profit or loss:				
Net gain/(loss) arising during the period	6,251	(1,719)	13,824	193
Net realised (gain)/loss transferred to profit or loss	<u>(1,650)</u>	<u>4,812</u>	<u>(9,141)</u>	<u>(2,074)</u>
	4,601	3,093	4,683	(1,881)
Tax effects	<u>(1,237)</u>	<u>(475)</u>	<u>(1,849)</u>	<u>859</u>
Total other comprehensive gain/(loss) for the period	<u>3,364</u>	<u>2,618</u>	<u>2,834</u>	<u>(1,022)</u>
Total comprehensive income for the period	<u>27,504</u>	<u>20,277</u>	<u>56,178</u>	<u>43,320</u>
Total comprehensive income attributable to:				
Owners of the Company	18,022	11,134	36,256	23,000
Non-controlling interests	<u>9,482</u>	<u>9,143</u>	<u>19,922</u>	<u>20,320</u>
	<u>27,504</u>	<u>20,277</u>	<u>56,178</u>	<u>43,320</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 30 SEPTEMBER 2017**

	As at 30.09.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	76,389	78,353
Investment properties	823,438	820,512
Investment securities	450,375	388,851
Intangible assets	34,793	35,057
Deferred tax assets	1,636	3,185
	1,386,631	1,325,958
Current assets		
Inventories	257	243
Receivables	330,946	291,345
Reinsurance assets	372,662	381,056
Tax recoverable	16,296	1,566
Investment securities	346,074	403,201
Cash and bank balances	630,885	616,577
	1,697,120	1,693,988
Total assets	3,083,751	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	39,917	38,470
Merger deficit	(28,464)	(28,464)
Retained profits	657,869	623,060
	1,680,413	1,644,157
Non-controlling interests	247,381	227,459
Total equity	1,927,794	1,871,616
Non-current liabilities		
Borrowings	31,000	-
Deferred tax liabilities	10,633	11,016
	41,633	11,016
Current liabilities		
Payables	177,544	208,017
Insurance contract liabilities	931,882	916,361
Borrowings	-	4,997
Tax payable	4,898	7,939
	1,114,324	1,137,314
Total liabilities	1,155,957	1,148,330
Total equity and liabilities	3,083,751	3,019,946
Net assets per share attributable to owners of the Company (RM)	2.35	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 30 SEPTEMBER 2017

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	-	-	-	-	23,521	23,521	20,821	44,342
Other comprehensive loss for the period, net of income tax	-	-	(521)	-	-	(521)	(501)	(1,022)
Total comprehensive (loss)/income for the period	-	-	(521)	-	23,521	23,000	20,320	43,320
Arising from increase in equity interest in a subsidiary	-	-	-	-	9	9	(24)	(15)
At 30 September 2016	715,000	296,091	41,583	(28,464)	591,407	1,615,617	219,062	1,834,679
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	-	-	-	-	34,809	34,809	18,535	53,344
Other comprehensive income for the period, net of income tax	-	-	1,447	-	-	1,447	1,387	2,834
Total comprehensive income for the period	-	-	1,447	-	34,809	36,256	19,922	56,178
At 30 September 2017	715,000	296,091	39,917	(28,464)	657,869	1,680,413	247,381	1,927,794

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 30 SEPTEMBER 2017**

	9 months ended	
	30.09.2017 RM'000 Unaudited	30.09.2016 RM'000 Unaudited
OPERATING ACTIVITIES		
Profit before tax	64,979	57,911
Adjustments for:		
Amortisation of premiums	76	108
Amortisation of intangible assets	818	801
Allowance for impairment of receivables	1,141	993
Bad debts written off	-	17
Depreciation of property, plant and equipment	4,569	4,439
Depreciation of investment properties	1,401	1,325
Dividend income on quoted shares and unit trusts	(2,484)	(3,381)
Interest expense	500	688
Interest income	(47,739)	(38,459)
Impairment loss on AFS financial assets	9,600	-
Gain on disposal of property, plant and equipment	-	(78)
(Gain)/Loss arising from fair value change in financial assets at FVTPL	(4,497)	1,295
Loss on disposal of investment properties	-	1,558
Realised gain on:		
- AFS financial assets	(8,554)	(6,400)
- Financial assets at FVTPL	(359)	(1,909)
Share of results of an associate	-	6
Operating cash flows before working capital changes	19,451	18,914
Changes in working capital:		
Inventories	(14)	23
Receivables	(36,418)	1,194
Reinsurance assets	8,394	36,206
Insurance contract liabilities	15,521	11,687
Payables	(30,583)	(52,872)
Cash flows generated used in operations	(23,649)	15,152
Income tax paid	(30,087)	(13,589)
Net cash flows (used in)/from operating activities	(53,736)	1,563
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	-	78
- investment properties	-	1,160
- investment securities	175,214	328,887
Purchase of :		
- additional shares in a subsidiary	-	(15)
- intangible assets	(554)	(1,003)
- property, plant and equipment	(2,609)	(1,677)
- investment property	(4,327)	-
- investment securities	(171,192)	(347,843)
Net dividend received from quoted shares and unit trusts	2,484	3,381
Interest received	43,415	36,095
Interest paid	(390)	(621)
Net cash flows generated from investing activities	42,041	18,442
FINANCING ACTIVITIES		
Repayment of term loan	(4,997)	(15,518)
Drawdown of term loan	31,000	-
Net movement in fixed deposits with licensed bank	166,357	69,985
Net cash flows generated from financing activities	192,360	54,467
NET INCREASE IN CASH AND CASH EQUIVALENTS	180,665	74,472
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,918	96,031
CASH AND CASH EQUIVALENTS AT END OF PERIOD	306,583	170,503
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	630,885	536,667
Fixed deposits with licensed bank with maturity period of more than 3 months	(324,302)	(366,164)
	306,583	170,503

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		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Segmental Revenue				
Insurance	108,736	98,341	320,255	289,107
Credit	2,661	1,910	7,635	5,741
Investments	10,339	10,424	28,154	28,775
Total	121,736	110,675	356,044	323,623
Segmental Results				
Insurance	20,075	20,666	47,264	54,048
Credit	11,194	4,221	20,730	14,459
Investments	(398)	(2,698)	(3,015)	(10,596)
	30,871	22,189	64,979	57,911
Income tax expense	(6,731)	(4,530)	(11,635)	(13,569)
Profit for the period	24,140	17,659	53,344	44,342

Assets and Liabilities as at 30 September 2017

	Assets RM'000	Liabilities RM'000
Insurance	1,653,038	1,089,228
Credit	543,584	3,783
Investments	887,129	62,946
Total	3,083,751	1,155,957

A5 Accounting Estimates

There were no changes in estimates that have had any material effect on the quarter ended 30 September 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 September 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 September 2017					
Assets					
Property, plant and equipment	-	-	-	76,389	76,389
Investment properties	-	-	-	823,438	823,438
Intangible assets	-	-	-	34,793	34,793
Deferred tax assets	-	-	-	1,636	1,636
Inventories	-	-	-	257	257
Receivables	330,946	-	-	-	330,946
Reinsurance assets	-	-	-	372,662	372,662
Investment securities	-	346,074	450,375	-	796,449
Tax recoverable	-	-	-	16,296	16,296
Cash and bank balances	630,885	-	-	-	630,885
	961,831	346,074	450,375	1,325,471	3,083,751
Liabilities					
Payables	177,544	-	-	-	177,544
Insurance contract liabilities	-	-	-	931,882	931,882
Borrowings	-	-	-	31,000	31,000
Tax payable	-	-	-	4,898	4,898
Deferred tax liabilities	-	-	-	10,633	10,633
	177,544	-	-	978,413	1,155,957

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

		Level 1	Level 2	Total
		RM'000	RM'000	RM'000
30 September 2017				
Non-current	AFS financial assets	179,300	270,074	449,374
Current	FVTPL financial assets	346,074	-	346,074
		525,374	270,074	795,448

Included in AFS financial assets as of 30 September 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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Gross insurance premium receivables	174	231	2,245	1,009
Management fee receivable	110	193	511	733
Insurance commission payable	(27)	(33)	(236)	(141)
Claims paid	(250)	(184)	(503)	(666)
Professional fees paid	(6)	(97)	(26)	(476)
IT management fee payable	(20)	(20)	(59)	(59)

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 28 November 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

On 28 September 2017, the Company announced that Bank Negara Malaysia ("BNM") will not make a recommendation to the Minister of Finance to approve the applications by the Company and its wholly-owned subsidiary, Multi-Purpose Capital Holdings Berhad ("MPCHB") and Generali Asia N.V ("Generali Asia"), for the sale by MPCHB to Generali Asia, 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 pursuant to the Call and Put Option Agreement dated 18 December 2014 entered between MPCHB and Generali Asia.

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 September 2017		
	RM'000		
	Approved and contracted	Approved but not contracted	Total
Computer software and hardware	1,538	-	1,538
Total	1,538	-	1,538

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. MPCHB 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 September 2017 but not recognised as liabilities are as follows:

	As at 30.09.2017 RM'000
Not later than 1 year	798
Later than 1 year and not later than 5 years	3,809
Total future minimum lease payments	4,607

(ii) The Group as lessor

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

	As at 30.09.2017 RM'000
Not later than 1 year	2,341
Later than 1 year and not later than 5 years	674
Total future minimum lease receivables	3,015

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 September 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				9 months ended			
	30.09.2017	30.09.2016	Changes		30.09.2017	30.09.2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	121,736	110,675	11,061	10.0%	356,044	323,623	32,421	10.0%
Operating profit	31,255	22,363	8,892	39.8%	65,479	58,605	6,874	11.7%
Profit before tax	30,871	22,189	8,682	39.1%	64,979	57,911	7,068	12.2%
Profit after tax	24,140	17,659	6,481	36.7%	53,344	44,342	9,002	20.3%
Profit attributable to owners of the Company	16,306	9,799	6,507	66.4%	34,809	23,521	11,288	48.0%

3Q 2017 vs 3Q 2016

In 3Q 2017, the Group reported revenue of RM121.74 million, representing an improvement of 10.0% from RM110.67 million reported in 3Q 2016. The increase was mainly contributed by higher earned premiums.

Consequent to the improved revenue and favourable changes to the fair value of investment securities as well as higher interest income from investment securities, the Group's profit before tax ("PBT") surged by 39.1% to RM30.87 million in 3Q 2017 compared to RM22.19 million in 3Q 2016.

Insurance

Revenue for the Insurance Division increased by 10.6% to RM108.74 million, attributable to higher earned premiums. However, PBT in 3Q 2017 was marginally lower at RM20.08 million from RM20.67 million posted in 3Q 2016. This was attributable to impairment loss recorded in quoted shares mitigated by higher interest income.

Credit

PBT for the Credit Division was RM11.19 million in 3Q 2017, which was RM6.97 million higher than RM4.22 million reported in 3Q 2016. The higher PBT was due to favourable changes to the market values of investment securities and gain from disposal of investment securities.

Investments

The Investments Division continued to narrow its loss before tax to RM398,000 in 3Q 2017 from loss before tax of RM2.70 million in 3Q 2016 primarily from rationalization and reduction of cost exercises undertaken by the Group. Further, this division also incurred lower operating expenses in the current quarter.

9M 2017 vs 9M 2016

By comparing the Group's financial performance in 9M 2017 and 9M 2016, the Group has improved in terms of both revenue and PBT by 10.0% and 12.2% to RM356.04 million and RM64.98 million respectively. In 9M 2017, the Group received higher interest income from investment securities and higher gains from disposal of investment securities offset by impairment loss in quoted shares.

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

	3 months ended		Changes	
	30.09.2017	30.06.2017	RM'000	%
Revenue	121,736	117,773	3,963	3.4%
Operating profit	31,255	849	30,406	>100%
Profit before tax	30,871	774	30,097	>100%
Profit after tax	24,140	3,907	20,233	>100%
Profit attributable to owners of the Company	16,306	1,559	14,747	>100%

3Q 2017 vs 2Q 2017

PBT in the current quarter has significantly improved by RM30.10 million to RM30.87 million as compared to RM774,000 posted in the immediate preceding quarter. The improvement was contributed by gain on disposal of investments securities and favourable changes to the fair value of investments securities.

B3 Group's prospects

In 3Q 2017, the global economy moderated, commodity prices improved and major currencies stabilised. As a result, the International Monetary Fund revised global economy growth one basis point higher from 3.5% to 3.6% in 2017.

The Malaysian economy surpassed its targeted growth rate in 1H 2017, recording a growth rate of 5.7% where going forward, Bank Negara Malaysia projected the Malaysian economy to outgrow its targeted growth of 4.8% in 2017. Private consumption and increased domestic demands are expected to boost the local economy, supported by contributions from the private investments with the implementation of new and ongoing projects.

Insurance

The liberalisation of Motor Comprehensive; and Motor Third Party Fire and Theft products with effect from 1 July 2017 has allowed insurers and takaful operators to determine competitive premium pricing and at the same time created sustainable motor insurance protection for both insurers and consumers.

The Group will continue to work and explore options with Generali Asia N.V. to grow and enhance the insurance subsidiary's profitability and long-term growth.

Credit and Investments

For the foreseeable future, the Credit Division will only finance selected and reputable niche clientele.

Despite the moderation of the local economy, the Malaysian property market remains soft as supply of properties exceeds demand by consumers. As such, the Group will continue to seek for potential buyers or joint-venture partners who would pay an optimum price for the lands.

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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense	4,887	4,530	10,469	13,532
Deferred tax	1,844	-	1,166	37
Total income tax expense	<u>6,731</u>	<u>4,530</u>	<u>11,635</u>	<u>13,569</u>

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

The effective tax rate for the Group for the current quarter is marginally lower than the statutory tax rate mainly due to certain income not subject to tax.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	270	280	818	801
Amortisation of premiums	107	38	76	108
Bad debts written off	-	-	-	17
Depreciation of property, plant and equipment	1,563	1,468	4,569	4,439
Depreciation of investment properties	467	441	1,401	1,325
Dividend income on quoted shares and unit trusts	(422)	(1,937)	(2,484)	(3,381)
Fund management charges	339	219	771	625
(Gain)/Loss on disposal of investment properties	-	(388)	-	1,558
(Gain)/Loss arising from fair value change in financial assets at FVTPL	(6,415)	(1)	(4,497)	1,295
Interest expense	385	173	500	688
Interest income	(18,825)	(14,730)	(47,739)	(38,459)
Impairment loss on AFS financial asset	4,800	-	9,600	-
Impairment loss on investment property	4	-	4	-
Loss/(Gain) on disposal of property, plant and equipment	-	(78)	-	(78)
Rent of land and buildings	1,116	984	3,092	2,959
Realised (gain)/loss on AFS financial assets	(1,063)	486	(8,554)	(6,400)
Realised (gain)/loss on financial assets at FVTPL	(72)	1,185	(359)	(1,909)
Realised (gain)/loss on foreign exchange	(291)	24	(323)	24
Share of results of an associate	-	1	-	6
(Write-back)/Allowance for impairment of receivables	(117)	(843)	1,141	993

B7 Receivables

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Trade receivables	273,445	245,337
Less: allowance for impairment	(42,428)	(41,287)
Total trade receivables	231,017	204,050
Other receivables	100,070	87,436
Less: allowance for impairment	(141)	(141)
Total other receivables	99,929	87,295
Total receivables	330,946	291,345

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

Neither past due nor impaired	90,277	188,173
Past due but not impaired	140,740	15,877
Impaired	42,428	41,287
	273,445	245,337

Movement in allowance accounts (individually and collectively impaired)

At 1 January	41,287	40,186
Charge for the period/year (Note B6)	1,141	1,101
	42,428	41,287

B8 Retained profits

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits		
- realised	755,677	718,500
- unrealised	(8,997)	(7,754)
Total share of retained profits from an associate		
- realised	-	413
Less: Consolidation adjustments	<u>(88,811)</u>	<u>(88,099)</u>
Retained profits as per Statements of Changes in Equity	<u>657,869</u>	<u>623,060</u>

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 30.09.2017			As at 30.09.2016		
	Non-current RM'000	Current RM'000	Total RM'000	Non-current RM'000	Current RM'000	Total RM'000
<i>Secured</i>						
Term loan	-	-	-	-	8,330	8,330
Revolving credit	-	-	-	-	3,000	3,000
Total secured	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,330</u>	<u>11,330</u>
<i>Unsecured</i>						
Term loan	31,000	-	31,000	-	-	-
Total borrowings	<u>31,000</u>	<u>-</u>	<u>31,000</u>	<u>-</u>	<u>11,330</u>	<u>11,330</u>

In the financial period ended 30 September 2017, the Group fully repaid the balance amounting to RM5.00 million of an existing term loan and subsequently drawdown a new term loan amounting to RM31.00 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 MPH 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 MPH Capital and the Companies are conducted, several injunctions to restrain the conduct of MPH 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 September 2017.

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit attributable to owners of the Company (RM'000)	16,306	9,799	34,809	23,521
Weighted average number of ordinary shares in issue ('000)	715,000	715,000	715,000	715,000
Earnings Per Share (sen per share)	2.28	1.37	4.87	3.29

By Order Of The Board
Ng Sook Yee
Company Secretary
28 November 2017