



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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
	Unaudited	Unaudited
Revenue	111,136	116,535
Cost of sales	(78,223)	(72,817)
Gross profit	32,913	43,718
Other income	28,715	42,939
Administrative expenses	(17,028)	(16,289)
Other expenses	(47,541)	(36,993)
Operating (loss)/profit	(2,941)	33,375
Finance costs	(390)	(41)
(Loss)/Profit before tax	(3,331)	33,334
Income tax expense	(1,471)	(8,037)
(Loss)/Profit for the period	(4,802)	25,297
(Loss)/Profit attributable to:		
Owners of the Company	(3,278)	16,944
Non-controlling interests	(1,524)	8,353
	(4,802)	25,297
(Loss)/Earnings per share attributable to owners of the Company (sen per share):	(0.46)	2.37
(Loss)/Profit for the period	(4,802)	25,297
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Net loss arising during the period	-	3,591
Net realised gain transferred to profit or loss	-	(5,242)
	-	(1,651)
Tax effects	-	(5)
Total other comprehensive gain for the period	-	(1,656)
Total comprehensive (loss)/income for the period	(4,802)	23,641
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(3,278)	16,422
Non-controlling interests	(1,524)	7,219
	(4,802)	23,641

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	As at 31.03.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	74,368	75,296
Investment properties	822,505	822,971
Investment securities	453,171	441,556
Intangible assets	36,515	36,549
Receivables	77,890	70,347
Deferred tax assets	7,338	4,842
Tax recoverable	16,699	16,699
	1,488,486	1,468,260
Current assets		
Inventories	230	231
Receivables	330,161	319,557
Reinsurance assets	400,729	366,253
Tax recoverable	2,065	1,588
Investment securities	339,547	328,977
Cash and bank balances	671,153	679,404
	1,743,885	1,696,010
Total assets	3,232,371	3,164,270
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	1,011,091	1,011,091
Other reserves	(336,821)	(338,547)
Merger deficit	(28,464)	(28,464)
Retained profits	696,278	704,975
	1,342,084	1,349,055
Non-controlling interests	242,944	249,201
Total equity	1,585,028	1,598,256
Non-current liabilities		
Borrowings	16,000	16,000
Put and Call Options	386,371	378,724
Deferred tax liabilities	10,008	10,008
	412,379	404,732
Current liabilities		
Payables	212,051	203,784
Insurance contract liabilities	1,005,231	936,777
Borrowings	15,000	15,000
Tax payable	2,682	5,721
	1,234,964	1,161,282
Total liabilities	1,647,343	1,566,014
Total equity and liabilities	3,232,371	3,164,270
Net assets per share attributable to owners of the Company (RM)	1.88	1.89

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2018

	-----Attributable to owners of the Company-----				-----Non-distributable-----		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 2017	715,000	296,091	38,470	(28,464)	623,060	1,644,157	227,459	1,871,616	
Effect of implementation of Companies Act, 2016	296,091	(296,091)	-	-	-	-	-	-	
Profit for the period	-	-	-	-	16,944	16,944	8,353	25,297	
Other comprehensive loss for the period, net of Income tax	-	-	(522)	-	-	(522)	(1,134)	(1,656)	
Total comprehensive income for the period	-	-	(522)	-	16,944	16,422	7,219	23,641	
At 31 March 2017	1,011,091	-	37,948	(28,464)	640,004	1,660,579	234,678	1,895,257	
Opening balances under MFRS 139 at 31 December 2017	1,011,091	-	(338,547)	(28,464)	704,975	1,349,055	249,201	1,598,256	
Impact of adopting MFRS 9:									
(i) Classification and measurement:									
Equity shares held at cost under MFRS 139 - now at FVTPL under MFRS 9	-	-	-	-	3,878	3,878	-	3,878	
(ii) Expected credit losses									
Increase in provision for impairment of amortised cost financial assets	-	-	1,726	-	(9,297)	(7,571)	(4,723)	(12,294)	
Total adjustments post-tax	-	-	1,726	-	(5,419)	(3,693)	(4,723)	(8,416)	
Restated opening balances under MFRS 9 at 1 January 2018	1,011,091	-	(336,821)	(28,464)	699,556	1,345,362	244,478	1,589,840	
Loss for the period	-	-	-	-	(3,278)	(3,278)	(1,524)	(4,802)	
Total comprehensive loss for the period	-	-	-	-	(3,278)	(3,278)	(1,524)	(4,802)	
Arising from increase in equity interest in a subsidiary	-	-	-	-	-	-	(10)	(10)	
At 31 March 2018	1,011,091	-	(336,821)	(28,464)	696,278	1,342,084	242,944	1,585,028	

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2018

	3 months ended	
	31.03.2018 RM'000 Unaudited	31.03.2017 RM'000 Unaudited
OPERATING ACTIVITIES		
(Loss)/Profit before tax	(3,331)	33,334
Adjustments for:		
Depreciation of property, plant and equipment	1,519	1,488
Depreciation of investment properties	466	467
Amortisation of premiums	162	36
Amortisation of intangible assets	371	278
Allowance for impairment of receivables	873	1,250
Realised gain on financial assets at FVTPL	(4,207)	(4,895)
Put Option	7,647	-
Dividend income on quoted shares and unit trusts	(603)	(795)
Interest expense	390	41
Interest income	(9,589)	(17,070)
Gain arising from fair value change in financial assets at FVTPL	(81)	(6,801)
Operating cash flows before working capital changes	(6,383)	7,333
Changes in working capital:		
Inventories	1	(16)
Receivables	(32,934)	2,969
Reinsurance assets	(35,349)	(22,743)
Insurance contract liabilities	68,454	38,502
Payables	8,152	8,677
Cash flows generated from operations	1,941	34,722
Income tax paid	(4,987)	(7,999)
Net cash flows (used in)/generated from operating activities	(3,046)	26,723
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	1	-
- investment securities	51,829	70,816
Purchase of :		
- intangible assets	(337)	(17)
- property, plant and equipment	(592)	(859)
- investment securities	(66,010)	(123,516)
- additional shares in subsidiary	(10)	-
Net dividend received from quoted shares and unit trusts	603	795
Interest received	9,586	12,748
Interest paid	(275)	(29)
Net cash flows used in investing activities	(5,205)	(40,062)
FINANCING ACTIVITIES		
Net repayment of borrowings	-	(3,334)
Net movement in fixed deposits with licensed bank	44,248	(56,086)
Net cash flows generated from/(used in) financing activities	44,248	(59,420)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,997	(72,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	195,695	125,918
CASH AND CASH EQUIVALENTS AT END OF PERIOD	231,692	53,159
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	671,153	599,904
Fixed deposits with licensed bank with maturity period of more than 3 months	(439,461)	(546,745)
	231,692	53,159

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)
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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”) and the requirements of the Companies Act, 2016 in Malaysia, where applicable.

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 2017. 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 2017.

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 2017, except for the following:

A2.1 Standards, Amendments and Annual Improvements to Standards effective for the financial years beginning on or after 1 January 2018

Description	Effective for periods beginning on or after
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Amendments to MFRS 1 (Annual Improvement to MFRS 2014 - 2016 Cycle)	1 January 2018
MFRS 2 Share-based Payment - Classification and Measurement of Share Based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 128 Investments in Associates and Joint Ventures - Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014–2016 Cycle)	1 January 2018
MFRS 140 Investment Property - Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts – (Amendments to MFRS 4)	1 January 2018
MFRS 3 Business Combinations - Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 11 Joint Arrangements - Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 112 Income Taxes - Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 123 Borrowing Costs - Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019

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 2018 (cont'd.)

Description	Effective for periods beginning on or after
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
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 except as described below:

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 guidelines including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

Under MFRS 15, 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.

MFRS 9 Financial Instruments

The adoption of this Standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group. In accordance with the transition requirements of this Standard, comparatives are not restated and the financial impact of the adoption of this Standard is recognised in retained earnings as at 1 January 2018.

i. Changes in accounting policies

Financial assets

The Group classifies its financial assets into the following measurement categories:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value through profit or loss.

The classification above depends on the Group's business model for managing the financial assets and the terms of contractual cash flows. The following summarises the key changes:

- The Available-For-Sale ("AFS") and loans and receivables financial asset categories were removed.
- A new financial asset category measured at amortised cost was introduced. This applies to financial asset with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

A2 Significant Accounting Policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

i. Changes in accounting policies (cont'd.)

Impairment of financial assets

MFRS 9 *Financial Instruments* requires impairment assessments to be based on an Expected Credit Loss ("ECL") model. The key changes in the Group's accounting policies in relation to impairment of financial assets are as follows:

a. Unquoted bonds and cash and bank balances

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

At each reporting date, the Group assesses whether there is a significant increase in credit risk for unquoted bonds and cash and bank balances since initial recognition by comparing the risk of default on these financial assets as at the reporting date with the risk of default as at the date of initial recognition. The Group considers external credit rating and other supportive information to assess deterioration in credit quality of these financial assets.

b. Trade and other receivables which are financial assets

The Group applies the simplified approach prescribed by MFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the trade and other receivables which are financial assets.

ii. Classification and measurement of financial instruments

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2018:

	Note	Measurement category		Carrying amount as at 1 January 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
Financial assets:					
Investments securities					
- Quoted shares	(1)	AFS	FVTPL	424,997	424,997
- Unquoted bonds	(1)	AFS	FVTPL	345,536	345,536
Trade receivables	(2)	Loans and receivables	Amortised cost	181,247	181,247
Other receivables which are financial assets	(2)	Loans and receivables	Amortised cost	208,657	208,610
Cash and bank balances of the Group	(2)	Loans and receivables	Amortised cost	679,404	679,404

A2 Significant Accounting Policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

ii. Classification and measurement of financial instruments (cont'd.)

- (1) The Group elected to present through profit and loss the changes in the fair value of its quoted shares previously classified as AFS. For debt instruments, unquoted bonds that have previously been classified as AFS are now reclassified to FVTPL. The Group's business model for unquoted bonds is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.
- (2) Trade receivables, other receivables and cash and bank balances which are financial assets. The Group intends to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's financial liabilities remained unchanged. Financial liabilities consisting of trade payables, and other payables which are financial liabilities, continue to be measured at amortised cost.

The following table is a reconciliation of the carrying amount of the Group's statement of financial position from MFRS 139 *Financial Instruments: Recognition and Measurement* to MFRS 9 *Financial Instruments* as at 1 January 2018:

	Original (MFRS 139)			New (MFRS 9)
	Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount as at 1 January 2018 RM'000
Investment securities - AFS	441,557	(441,557)	-	-
Investment securities - FVTPL	328,977	441,557	3,878	774,412
Deferred tax assets				
Opening balance	4,842			4,842
Increase in allowance for impairment*	-	-	2,496	2,496
Total deferred tax assets	4,842	-	2,496	7,338
Receivables:				
Opening balance	416,237	-	(14,790)	401,447
Increase in allowance for impairment*	(26,332)	-	-	(26,332)
Total receivables	389,905	-	(14,790)	375,115
Retained earnings:				
Opening balance	704,975	-	-	704,975
Increase in loss allowance for:				
- unquoted shares at FVTPL**	-	-	3,878	3,878
- trade receivables*	-	-	(9,297)	(9,297)
Total retained earnings	704,975	-	(5,419)	699,556
AFS reserve				
Opening balance	(1,726)	-	1,726	-
Total AFS reserve	(1,726)	-	1,726	-
Non-controlling interests:				
Opening balance	249,201	-	(4,723)	244,478
Total non-controlling interest	249,201	-	(4,723)	244,478

* The Group applies the simplified approach in providing for ECL.

* No known significant credit risk for unquoted bonds at FVTPL.

MFRS 16 Leases

MFRS 16 replaces 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.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by;

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. This standard is only applicable to the insurance subsidiary.

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	
	31.03.2018 RM'000	31.03.2017 RM'000
Segmental Revenue		
Insurance	99,230	105,886
Credit	3,279	2,100
Investments	8,627	8,549
Total	<u>111,136</u>	<u>116,535</u>
Segmental Results		
Insurance	(2,313)	20,929
Credit	(615)	12,286
Investments	(403)	119
	<u>(3,331)</u>	<u>33,334</u>
Income tax expense	(1,471)	(8,037)
(Loss)/Profit for the period	<u>(4,802)</u>	<u>25,297</u>

Assets and Liabilities as at 31 March 2018

	Assets RM'000	Liabilities RM'000
Insurance	1,755,764	1,195,764
Credit	553,415	388,985
Investments	923,192	62,594
Total	<u>3,232,371</u>	<u>1,647,343</u>

A5 Accounting Estimates

There were no changes in estimates that have had any material effect during the quarter ended 31 March 2018.

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 2018.

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.

	FVTPL financial assets/ liabilities RM'000
As at 31 March 2018	
Assets	
Property, plant and equipment	74,368
Investment properties	822,505
Intangible assets	36,515
Deferred tax assets	7,338
Inventories	230
Receivables	408,051
Reinsurance assets	400,729
Investment securities	792,718
Tax recoverable	18,764
Cash and bank balances	671,153
	<u>3,232,371</u>
Liabilities	
Payables	212,051
Put Option	386,371
Insurance contract liabilities	1,005,231
Borrowings	31,000
Tax payable	2,682
Deferred tax liabilities	10,008
	<u>1,647,343</u>

(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)

A8 Financial Instruments (cont'd.)**(ii) Fair Values (cont'd.)**

As at 31 March 2018, the Group does not have any financial instruments measured at Level 3.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial assets at FVTPL			
Quoted shares	435,001	-	435,001
Unquoted bonds/shares	-	357,717	357,717
	<u>435,001</u>	<u>357,717</u>	<u>792,718</u>

A9 Related Party Disclosures

	3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000
Affiliated companies		
Gross insurance premium receivables	1,243	1,181
Management fee receivable	203	185
Insurance commission payable	(116)	(85)
Claims paid	(57)	(209)
Professional fees paid	(5)	(5)
IT management fee payable	(19)	(19)
Dividend received	797	386

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 23 May 2018, 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 was no material event subsequent to the end of the current quarter ended 31 March 2018.

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 March 2018 RM'000
	Approved and contracted
Computer software and hardware	1,343
Property, plant and equipment	35
Total	<u>1,378</u>

A13 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the period ended 31 March 2018 but not recognised as liabilities are as follows:

	As at 31.03.2018 RM'000
Not later than 1 year	2,353
Later than 1 year and not later than 5 years	<u>753</u>
Total future minimum lease payments	<u>3,106</u>

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the period ended 31 March 2018 but not recognised as receivables are as follows:

	As at 31.03.2018 RM'000
Not later than 1 year	5,097
Later than 1 year and not later than 5 years	<u>7,280</u>
Total future minimum lease receivables	<u>12,377</u>

A14 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 2018.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B1 Review of performance of the Group**Financial review for current quarter

	3 months ended		Changes	
	31.03.2018	31.03.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	111,136	116,535	(5,399)	-4.6%
Operating (loss)/profit	(2,941)	33,375	(36,316)	-108.8%
(Loss)/Profit before tax	(3,331)	33,334	(36,665)	-110.0%
(Loss)/Profit after tax	(4,802)	25,297	(30,099)	-119.0%
(Loss)/Profit attributable to owners of the Company	(3,278)	16,944	(20,222)	-119.3%

1Q 2018 vs 1Q 2017

Revenue in 1Q 2018 was RM111.14 million as compared to RM116.54 million in 1Q 2017. This was largely attributable to lower revenue from the Insurance segment of the Group.

The Group reported loss before tax of RM3.33 million in 1Q 2018 which is a decrease of RM36.66 million compare to the profit before tax of RM33.33 million. The drop was mainly due to lower interest income, changes in the present value of the Put Option and loss from insurance division due to claims, higher marketing and administration expenses.

Insurance

The Insurance Division posted a loss before tax of RM2.31 million in 1Q 2018 (1Q 2017: PBT RM20.93 million). It was primarily due to higher claims ratio as well as higher marketing and administrative expenses in the current quarter.

Credit

The Credit Division recorded a loss before tax of RM0.7 million in 1Q 2018 (1Q 2017: PBT RM12.3 million) mainly due to adverse changes in the present value of the Put Option and fair value changes in the FVTPL financial assets.

Investments

In 1Q 2018, the Investments Division reported loss before tax of RM0.40 million which was marginally lower than the profit before tax of RM0.1 million in 1Q 2017.

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

	3 months ended		Changes	
	31.03.2018	31.12.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	111,136	126,228	(15,092)	-12.0%
Operating (loss)/profit	(2,941)	43,388	(46,329)	-106.8%
(Loss)/Profit before tax	(3,331)	43,001	(46,332)	-107.7%
(Loss)/Profit after tax	(4,802)	40,998	(45,800)	-111.7%
(Loss)/Profit attributable to owners of the Company	(3,278)	40,686	(43,964)	-108.1%

B2 Material change in PBT of the current quarter compared with the immediate preceding quarter (cont'd.)

1Q 2018 vs 4Q 2017

In 1Q 2018, the loss before tax at RM3.33 million was lower than the PBT of RM43.0 million in 4Q 2017. This was mainly attributable to a one-off additional compensation awarded by the Court from the compulsory acquisition of an investment property in 4Q 2017.

B3 Group's prospects

Overall, Malaysian economy grew by 5.4% for 1Q 2018 as all economic sectors have improved with continued expansion in the private sector and stronger ringgit exchange rate.

Going forward, the Malaysian economy is expected to remain on a favourable growth path in 2018 with the domestic demand continuing to be the key driver of growth.

Insurance

In 2018, Malaysian economy is projected to grow by 5.5% - 6.0% in 2018 in view of stronger global economic conditions and this improvement may be translated in stronger demand for insurance services.

The insurance subsidiary will build its market share through organic growth strategy and remain focussed on set priorities as it continue to "Build as we Grow". It will review the portfolio mix and seize profitable opportunities to further strengthen market position, particularly through new product development and digital transformation.

Credit and Investments

In view of the interest rate hike, Credit Division remains selective in granting financing to reputable niche clientele.

In spite of improved Malaysian economy, the property market is in an oversupply position, in particular higher end property development and office space. Taking into consideration the weak property market, the Group will continue to look out, evaluate and assess all profitable options to create value through joint venture arrangements with reliable and reputable partners or outright disposal of the land banks.

B4 Profit Forecast and Profit Guarantee

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

B5 Income Tax Expense

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Income tax expense	1,471	8,715
Deferred tax	-	(678)
Total income tax expense	<u>1,471</u>	<u>8,037</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2017:24%) of the estimated assessable profit for the current quarter ended 31 March 2018.

The effective tax rate for the Group for the current quarter is higher than the statutory tax rate mainly due to tax on interest income.

B6 (Loss)/Profit before tax

Included in the (loss)/profit before tax are the following items:

	3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000
Amortisation of intangible assets	371	278
Amortisation of premiums	162	36
Depreciation of property, plant and equipment	1,519	1,488
Depreciation of investment properties	466	467
Dividend income on quoted shares and unit trusts	(603)	(795)
Fund management charges	41	286
Loss arising from fair value change in financial assets at FVTPL	(81)	(6,801)
Interest expense	390	41
Interest income	(9,589)	(17,070)
Gain on disposal of property, plant and equipment	1	-
Changes in PV of Put Option	7,647	-
Rent of land and buildings	858	983
Realised gain on AFS financial assets	-	(4,646)
Realised gain on financial assets at FVTPL	(4,207)	(249)
Realised gain on foreign exchange	9	(21)
Allowance for impairment of trade receivables	873	1,250

B7 Receivables

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Trade receivables	308,040	287,936
Less: allowance for impairment	(41,854)	(26,191)
Total trade receivables	<u>266,186</u>	<u>261,745</u>
Other receivables	142,006	128,300
Less: allowance for impairment	(141)	(141)
Total other receivables	<u>141,865</u>	<u>128,159</u>
Total receivables	<u>408,051</u>	<u>389,904</u>

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

Neither past due nor impaired	226,447	246,351
Past due but not impaired	81,593	41,585
Impaired	(41,854)	(26,191)
	<u>266,186</u>	<u>261,745</u>

Movement in allowance accounts (individually and collectively impaired)

At 1 January	26,191	41,287
MFRS adjustment	14,790	-
Charge for the year (Note B6)	873	(15,096)
	<u>41,854</u>	<u>26,191</u>

B8 Retained profits

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Total retained profits		
- realised	790,675	799,132
- unrealised	(5,166)	(5,166)
Total share of retained profits from an associate		
- realised	-	-
Less: Consolidation adjustments	<u>(89,231)</u>	<u>(88,991)</u>
Retained profits as per Statements of Changes in Equity	<u>696,278</u>	<u>704,975</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 has liaised 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 but the outcome is pending; 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 31.03.2018			As at 31.12.2017		
	Non-current RM'000	Current RM'000	Total RM'000	Non-current RM'000	Current RM'000	Total RM'000
Unsecured Term loan	16,000	15,000	31,000	16,000	15,000	31,000
Total borrowings	16,000	15,000	31,000	16,000	15,000	31,000

All the borrowings are denominated in Ringgit Malaysia.

B11 Material Litigation

- (i) 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 ("MPH Capital") and its subsidiaries, namely, Queensway Nominees (Asing) Sdn. Bhd., Queensway Nominees (Tempatan) Sdn Bhd, West-Jaya Sdn Bhd, Mulpha Kluang Maritime Carrier Sdn. Bhd. 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 2017 was not qualified.

B14 (Loss)/Earnings Per Share

(Loss)/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 2018.

	3 months ended	
	31.03.2018	31.03.2017
(Loss)/Profit attributable to owners of the Company (RM'000)	<u>(3,278)</u>	<u>16,944</u>
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>715,000</u>
(Loss)/Earnings Per Share (sen per share)	<u>(0.46)</u>	<u>2.37</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
23 May 2018