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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2018 RM'000 Unaudited	30.06.2017 RM'000 Unaudited	30.06.2018 RM'000 Unaudited	30.06.2017 RM'000 Unaudited
Revenue	116,421	117,773	227,557	234,308
Cost of sales	(86,366)	(74,436)	(164,589)	(147,253)
Gross profit	30,055	43,337	62,968	87,055
Other income	37,684	13,838	66,399	56,777
Administrative expenses	(17,243)	(16,212)	(34,271)	(32,501)
Other expenses	(40,442)	(40,114)	(87,983)	(77,107)
Operating profit	10,054	849	7,113	34,224
Finance costs	(158)	(75)	(548)	(116)
Profit before tax	9,896	774	6,565	34,108
Income tax expense	(840)	3,133	(2,311)	(4,904)
Profit for the period	9,056	3,907	4,254	29,204
Profit attributable to:				
Owners of the Company	8,027	1,559	4,749	18,503
Non-controlling interests	1,029	2,348	(495)	10,701
	9,056	3,907	4,254	29,204
Earnings per share attributable to owners of the Company (sen per share):	1.12	0.22	0.66	2.59
Profit for the period	9,056	3,907	4,254	29,204
Items that are or may be reclassified subsequently to profit or loss:				
Net gain arising during the period	-	3,982	-	7,573
Net realised gain transferred to profit or loss	-	(2,249)	-	(7,491)
	-	1,733	-	82
Tax effects	-	(607)	-	(612)
Total other comprehensive gain/(loss) for the period	-	1,126	-	(530)
Total comprehensive income for the period	**9,056**	**5,033**	**4,254**	**28,674**
Total comprehensive income attributable to:				
Owners of the Company	8,027	1,812	4,749	18,234
Non-controlling interests	1,029	3,221	(495)	10,440
	9,056	**5,033**	**4,254**	**28,674**

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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 30.06.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	73,134	75,296
Investment properties	820,806	822,971
Investment securities	441,583	441,556
Intangible assets	37,751	36,549
Receivables	86,760	70,347
Deferred tax assets	8,391	4,842
Tax recoverable	16,699	16,699
	1,485,124	1,468,260
Current assets		
Inventories	219	231
Receivables	264,486	319,557
Reinsurance assets	390,600	366,253
Tax recoverable	2,753	1,588
Investment securities	347,295	328,977
Cash and bank balances	711,512	679,404
	1,716,865	1,696,010
Total assets	**3,201,989**	**3,164,270**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	1,011,091	1,011,091
Other reserves	(337,292)	(338,547)
Merger deficit	(28,464)	(28,464)
Retained profits	705,659	704,975
	1,350,994	1,349,055
Non-controlling interests	244,134	249,201
Total equity	1,595,128	1,598,256
Non-current liabilities		
Borrowings	-	16,000
Put and Call Options	394,276	378,724
Deferred tax liabilities	10,008	10,008
	404,284	404,732
Current liabilities		
Payables	177,142	203,784
Insurance contract liabilities	1,017,195	936,777
Borrowings	4,200	15,000
Tax payable	4,040	5,721
	1,202,577	1,161,282
Total liabilities	1,606,861	1,566,014
Total equity and liabilities	**3,201,989**	**3,164,270**
Net assets per share attributable to owners of the Company (RM)	**1.89**	**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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

	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 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	-	-	-	-	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	**1,011,091**	**-**	**38,201**	**(28,464)**	**641,563**	**1,662,391**	**237,899**	**1,900,290**
At 1 January 2018	1,011,091	-	(338,547)	(28,464)	704,975	1,349,055	249,201	1,598,256
Effects of MFRS 9 Financial Instruments adoption:								
(i) Classification and measurement: Unquoted shares held at cost reclassified to FVTPL	-	-	-	-	3,878	3,878	-	3,878
(ii) Expected credit losses: Increase in provision for impairment of financial assets	-	-	1,255	-	(7,943)	(6,688)	(4,553)	(11,241)
Total adjustments	-	-	1,255	-	(4,065)	(2,810)	(4,553)	(7,363)
At 1 January 2018 (restated)	1,011,091	-	(337,292)	(28,464)	700,910	1,346,245	244,648	1,590,893
Profit for the period	-	-	-	-	4,749	4,749	(495)	4,254
Total comprehensive profit for the period	-	-	-	-	4,749	4,749	(495)	4,254
Arising from increase in equity interest in a subsidiary	-	-	-	-	-	-	(19)	(19)
At 30 June 2018	**1,011,091**	**-**	**(337,292)**	**(28,464)**	**705,659**	**1,350,994**	**244,134**	**1,595,128**

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.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
OPERATING ACTIVITIES		
Profit before tax	6,565	34,108
Adjustments for:		
Depreciation of property, plant and equipment	3,031	3,006
Depreciation of investment properties	772	934
Amortisation/(acretion) of premiums	330	(31)
Amortisation of intangible assets	798	548
Write back allowance for impairment of receivables	(232)	1,258
Realised gain on financial assets	(1,947)	(7,778)
Gain on disposal of Investment properties	(6,105)	-
Put Option	15,552	-
Dividend income on quoted shares and unit trusts	(1,231)	(2,062)
Interest expense	548	115
Interest income	(23,018)	(28,914)
Impairment loss on AFS financial assets	-	4,800
(Gain)/loss arising from fair value change in financial assets at FVTPL	(6,889)	1,918
Operating cash flows before working capital changes	(11,826)	7,902
Changes in working capital:		
Inventories	12	(28)
Receivables	24,101	(43,481)
Reinsurance assets	(24,347)	5,406
Insurance contract liabilities	80,418	15,217
Payables	(26,656)	23,122
Cash flows generated from operations	41,702	8,138
Income tax paid	(5,157)	(15,629)
Net cash flows generated from/(used in) operating activities	36,545	(7,491)
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	1	-
- investment securities	95,784	159,815
- investment properties	7,498	-
Purchase of :		
- intangible assets	(2,000)	(110)
- property, plant and equipment	(870)	(1,087)
- investment securities	(101,746)	(134,857)
- additional shares in subsidiary	(19)	-
Net dividend received from quoted shares and unit trusts	1,231	2,062
Interest received	23,018	24,588
Interest paid	(534)	(76)
Net cash flows generated from investing activities	22,363	50,335
FINANCING ACTIVITIES		
Net repayment of borrowings	(26,800)	(4,997)
Drawdown of term loan	-	9,000
Net movement in fixed deposits with licensed bank	(55,516)	(56,096)
Net cash flows used in financing activities	(82,316)	(52,093)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(23,408)	(9,249)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	195,695	125,918
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**172,287**	**116,669**
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	711,512	663,424
Fixed deposits with licensed bank with maturity period of more than 3 months	(539,225)	(546,755)
	172,287	**116,669**

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") 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") 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 forperiods 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 - *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 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

<u>Financial assets</u>

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.

<u>Financial liabilities</u>

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:

		Measurement category		Carrying amount as at 1 January 2018	
	Note	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	349,414
Trade receivables	(2)	Loans and receivables	Amortised cost	181,247	170,696
Other receivables which are financial assets	(2)	Loans and receivables	Amortised cost	208,657	204,419
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 has 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) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Investment securities - AFS	**441,556**	**(441,556)**	**-**	-
Investment securities - FVTPL	**328,977**	**441,556**	**3,878**	**774,411**
Deferred tax assets				
Opening balance	4,842			4,842
Increase in allowance for impairment*	-	-	3,549	3,549
Total deferred tax assets	**4,842**	**-**	**3,549**	**8,391**
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*	-	-	(7,943)	**(7,943)**
Total retained earnings	**704,975**	**-**	**(4,065)**	**700,910**
AFS reserve				
Opening balance	(1,726)	-	1,255	(471)
Total AFS reserve	**(1,726)**	**-**	**1,255**	**(471)**
Non-controlling interests:				
Opening balance	249,201	-	(4,553)	244,648
Total non-controlling interest	**249,201**	**-**	**(4,553)**	**244,648**

* 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		6 months ended	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Segmental Revenue				
Insurance	104,491	105,633	203,721	211,519
Credit	4,248	2,874	7,527	4,974
Investments	7,682	9,266	16,309	17,815
Total	**116,421**	**117,773**	**227,557**	**234,308**
Segmental Results				
Insurance	1,962	6,260	(351)	27,189
Credit	2,745	(2,750)	2,130	9,536
Investments	5,189	(2,736)	4,786	(2,617)
	9,896	774	6,565	34,108
Income tax expense	(840)	3,133	(2,311)	(4,904)
Profit for the period	**9,056**	**3,907**	**4,254**	**29,204**

Assets and Liabilities as at 30 June 2018

	Assets	**Liabilities**
	RM'000	**RM'000**
Insurance	1,738,198	1,175,954
Credit	564,623	396,973
Investments	899,168	33,934
Total	**3,201,989**	**1,606,861**

A5 Accounting Estimates

There were no changes in estimates that have had any material effect during the quarter ended 30 June 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 30 June 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 30 June 2018	
Assets	
Property, plant and equipment	73,134
Investment properties	820,806
Intangible assets	37,751
Deferred tax assets	8,391
Inventories	219
Receivables	351,246
Reinsurance assets	390,600
Investment securities	788,878
Tax recoverable	19,452
Cash and bank balances	711,512
	3,201,989
Liabilities	
Payables	177,142
Put Option	394,276
Insurance contract liabilities	1,017,195
Borrowings	4,200
Tax payable	4,040
Deferred tax liabilities	10,008
	1,606,861

(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 2018, the Group held the following financial assets that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at FVTPL				
Quoted shares	434,501	-	-	434,501
Unquoted bonds/shares	-	350,149	4,228	354,377
	434,501	**350,149**	**4,228**	**788,878**

A9 Related Party Disclosures

	3 months ended		6 months ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Affiliated companies				
Gross insurance premium receivables	241	890	1,484	2,071
Management fee receivable	147	216	350	401
Insurance commission payable	(58)	(125)	(174)	(210)
Claims paid	(138)	(43)	(195)	(252)
Professional fees paid	(12)	(15)	(17)	(20)
IT management fee payable	(20)	(20)	(39)	(39)
Dividend received	798	-	1,595	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 August 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 30 June 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 30 June 2018 RM'000 Approved and contracted
Computer software and hardware	1,343
Property, plant and equipment	35
Total	**1,378**

A13 Operating Lease Arrangements

(i) The Group as lessee

The future aggregate minimum lease payments payable under operating leases contracted for the period ended 30 June 2018 but not recognised as liabilities are as follows:

	As at 30.06.2018 RM'000
Not later than 1 year	2,353
Later than 1 year and not later than 5 years	753
Total future minimum lease payments	**3,106**

(ii) The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for the period ended 30 June 2018 but not recognised as receivables are as follows:

	As at 30.06.2018 RM'000
Not later than 1 year	5,744
Later than 1 year and not later than 5 years	7,853
Total future minimum lease receivables	**13,597**

A14 Unusual Items Affecting Interim Financial Report

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current period ended 30 June 2018.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

	3 months ended			6 months ended		
	30.06.2018	**30.06.2017**	***Changes***	**30.06.2018**	**30.06.2017**	***Changes***
	RM'000	**RM'000**	***RM'000***	**RM'000**	**RM'000**	***RM'000***
Revenue	116,421	117,773	*(1,352)*	227,557	234,308	*(6,751)*
Operating profit	10,054	849	*9,205*	7,113	34,224	*(27,111)*
Profit before tax	9,896	774	*9,122*	6,565	34,108	*(27,543)*
Profit after tax	9,056	3,907	*5,149*	4,254	29,204	*(24,950)*
Profit attributable to owners of the Company	8,027	1,559	*6,468*	4,749	18,503	*(13,754)*

<u>2Q2018 vs 2Q2017</u>

In 2Q2018, the Group posted revenue of RM116.42 million, a marginal decline of RM1.35 million compared to RM117.77 million in 2Q2017. This was mainly due to lower revenue from the Insurance segment.

Profit before tax of RM9.90 million in 2Q2018 has improved substantially from the profit before tax of RM0.77 million in 2Q2017. The improvement was mainly due to gain from compulsory acquisition of land.

Insurance

The Insurance subsidiary posted a profit before tax of RM1.96 million in 2Q2018 (2Q2017: Profit before tax: RM6.26 million). The adverse variance was due to higher claims, higher marketing and administrative expenses in the current quarter.

Credit

The Credit Division recorded a profit before tax of RM2.75million in 2Q2018 (2Q2017: Loss before tax: RM2.75 million) mainly attributed to fair value changes in the FVTPL financial assets in the current quarter.

<u>1H2018 vs 1H2017</u>

Revenue reported in 1H2018 was RM227.56 million which was a decrease of RM6.75 million compared to RM234.31 million achieved in 1H2017 mainly due to reduced revenue from the Insurance segment.

In 1H2018, profit before tax of RM6.57 million has decreased by RM27.54 million when compared with the profit before tax of RM34.11 million achieved in 1H2017 due to changes in the present value of the Put Option and loss from insurance segment of RM0.35 million compared to profit before tax of RM27.19 million posted in 1H2017.

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

	3 months ended	3 months ended	
	30.06.2018	**31.03.2018**	**Changes**
	RM'000	**RM'000**	***RM'000***
Revenue	116,421	111,136	*5,285*
Operating profit/(loss)	10,054	(2,941)	*12,995*
Profit/(loss) before tax	9,896	(3,331)	*13,227*
Profit/(loss) after tax	9,056	(4,802)	*13,858*
Profit/(loss) attributable to owners of the Company	8,027	(3,278)	*11,305*

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

2Q2018 vs 1Q2018

In 2Q2018, the profit before tax at RM9.90 million was significantly higher than the loss before taxation of RM3.33 million in 1Q2018 mainly due to gain on compulsory acquisition of land in 2Q2018.

B3 Group's prospects

Malaysian economy grew by 5.4% in 1Q2018 amd 4.5% in 2Q2018 as all economic sectors improved with the continued expansion in the private sector and strengthening of the Malaysian ringgit. Private sector activity remained the main driver of growth as both private consumption and investment expanded during the period..

Going forward, the Malaysian economy is expected to remain on a steady growth plan, supported mainly by private consumption and activity

I**nsurance**

The Malaysian economy registered growth at a much slower pace of 4.9% in 1H2018 against 5.7% for the corresponding period last year. The Gross Written Premium of General Insurance in Malaysia grew marginally at 0.7% while the Net Claims Incurred Ratio and Combined Ratio increased by 1.3% and 0.4% respectively.

The insurance subsidiary will continue the momentum to "Build as we Grow", by leveraging on Robotic Process Automation initiative to improve management efficiencies, OMNI channel strategy to improve customer and intermediaries experience and robust portfolio strategy to spur profitable growth.

Credit and Investments

The Credit Division remains selective in financing reputable niche clientele to grow its business.

However, the property sector remained in an oversupply position for higher end property development and office space. In view of weak property market, the Group will conserve its asset whilst on the look out for profitable ventures to create value through joint venture arrangements with well established and sound 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		**6 months ended**	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense	842	(3,133)	2,313	5,582
Deferred tax	(2)	-	(2)	(678)
Total income tax expense	840	(3,133)	2,311	4,904

Income tax is calculated at the Malaysian statutory rate of 24% (2017:24%) of the estimated assessable profit for the current quarter ended 30 June 2018.

The effective tax rate for the Group for the current quarter is lower than the statutory tax rate mainly due to non-taxable income.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		6 months ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Amortisation of intangible assets	427	270	798	548
Amortisation of premiums	168	(67)	330	(31)
Depreciation of property, plant and equipment	1,512	1,518	3,031	3,006
Depreciation of investment properties	306	467	772	934
Dividend income on quoted shares and unit trusts	(628)	(1,267)	(1,231)	(2,062)
Fund management charges	440	146	481	432
(Gain)/loss arising from fair value change in financial assets at FVTPL	(6,808)	8,719	(6,889)	1,918
Interest expense	158	75	548	116
Interest income	(13,429)	(11,844)	(23,018)	(28,914)
Gain on disposal of property, plant and equipment	(1)	-	-	-
Gain on disposal of investment property	(6,105)	-	(6,105)	-
Changes in present value of Put Option	7,905	-	15,552	-
Rent of land and buildings	868	993	1,726	1,976
Realised gain on AFS financial assets	-	(2,845)	-	(7,491)
Realised loss/(gain) on financial assets at FVTPL	2,260	(38)	(1,947)	(287)
(Write-back)/allowance for impairment of trade receivables	(1,105)	8	(232)	1,258
Impairment loss on AFS financial assets	-	4,800	-	4,800

B7 Receivables

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Trade receivables	277,307	287,936
Less: allowance for impairment	(40,639)	(26,191)
Total trade receivables	236,668	261,745
Other receivables	114,719	128,300
Less: allowance for impairment	(141)	(141)
Total other receivables	114,578	128,159
Total receivables	351,246	389,904

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

Neither past due nor impaired	202,967	246,351
Past due but not impaired	74,340	41,585
Impaired	(40,639)	(26,191)
	236,668	261,745

Movement in allowance accounts (individually and collectively impaired)

At 1 January	26,191	41,287
MFRS adjustment	14,680	-
Charge for the year (Note B6)	(232)	(15,096)
	40,639	26,191

B8 Retained profits

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Total retained profits		
- realised	797,804	799,132
- unrealised	(2,668)	(5,166)
Less: Consolidation adjustments	(89,477)	(88,991)
Retained profits as per Statements of Changes in Equity	705,659	704,975

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 30.06.2018			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	-	4,200	4,200	16,000	15,000	31,000
Total borrowings	-	4,200	4,200	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 MPHB Capital Berhad ("MPHB 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 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.

The trial stage of these five suits has been completed. These five suits are currently awaiting the decision from the High Court.

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 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 2018.

	3 months ended		6 months ended	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Profit attributable to owners of the Company (RM'000)	8,027	1,559	4,749	18,503
Weighted average number of ordinary shares in issue ('000)	715,000	715,000	715,000	715,000
Earnings Per Share (sen per share)	1.12	0.22	0.66	2.59

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