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

INTERIM FINANCIAL STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3 months ended			6 months ended		
	30.06.2019 RM'000 Unaudited	30.06.2018 RM'000 Unaudited	Changes %	30.06.2019 RM'000 Unaudited	30.06.2018 RM'000 Unaudited	Changes %
Revenue	109,531	116,421	(5.9)	213,174	227,557	(6.3)
Cost of sales	(61,974)	(86,366)	(28.2)	(130,386)	(164,589)	(20.8)
Gross profit	47,557	30,055	58.2	82,788	62,968	31.5
Other income	49,699	37,684	31.9	97,867	66,399	47.4
Administrative expenses	(18,144)	(17,243)	5.2	(35,356)	(34,271)	3.2
Other expenses	(43,599)	(40,442)	7.8	(86,231)	(87,983)	(2.0)
Operating profit	35,513	10,054	> 100.0	59,068	7,113	> 100.0
Finance costs	(193)	(158)	22.2	(356)	(548)	(35.0)
Profit before tax	35,320	9,896	> 100.0	58,712	6,565	> 100.0
Income tax expense	(7,943)	(840)	> 100.0	(12,822)	(2,311)	> 100.0
Profit for the period	27,377	9,056	> 100.0	45,890	4,254	> 100.0
Profit attributable to:						
Owners of the Company	15,661	8,027	95.1	27,747	4,749	> 100.0
Non-controlling interests	11,716	1,029	> 100.0	18,143	(495)	> 100.0
	27,377	9,056	> 100.0	45,890	4,254	> 100.0
Earnings per share attributable to owners of the Company : (sen per share)						
Basic and diluted	2.2	1.1		3.9	0.7	

The above condensed consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	As at 30.06.2019 RM'000 Unaudited	As at 31.12.2018 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	69,477	71,375
Right-of-use ("ROU") assets	9,894	-
Investment properties	818,183	819,110
Investment securities	685,032	412,005
Intangible assets	44,676	43,178
Receivables	101,726	90,459
Deferred tax assets	8,189	8,188
Tax recoverable	16,699	16,699
	1,753,876	1,461,014
Current assets		
Inventories	195	203
Receivables	266,585	265,421
Reinsurance assets	338,527	366,250
Tax recoverable	1,130	1,620
Investment securities	396,862	356,145
Cash and bank balances	499,634	725,644
	1,502,933	1,715,283
Total assets	**3,256,809**	**3,176,297**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	1,011,091	1,011,091
Other reserves	(336,821)	(336,821)
Merger deficit	(28,464)	(28,464)
Retained earnings	739,315	710,688
	1,385,121	1,356,494
Non-controlling interests	296,193	262,851
Total equity	1,681,314	1,619,345
Non-current liabilities		
Put Option	426,072	409,370
Lease Liabilities	8,137	-
Deferred tax liabilities	9,666	9,713
	443,875	419,083
Current liabilities		
Payables	165,805	163,072
Lease Liabilities	2,099	-
Insurance contract liabilities	945,694	967,664
Borrowings	4,000	1,200
Tax payable	14,022	5,933
	1,131,620	1,137,869
Total liabilities	1,575,495	1,556,952
Total equity and liabilities	**3,256,809**	**3,176,297**
Net assets per share attributable to owners of the Company (RM)	**1.9**	**1.9**

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED 30 JUNE 2019

	I-----Attributable to owners of the Company-----I						
	I------------Non-distributable----------I			Distributable			
	Share capital RM'000	**Other reserves RM'000**	**Merger deficit RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
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	-	1,726	-	(9,145)	(7,419)	(3,876)	(11,295)
Total adjustments	-	1,726	-	(5,267)	(3,541)	(3,876)	(7,417)
At 1 January 2018 (restated)	1,011,091	(336,821)	(28,464)	699,708	1,345,514	245,325	1,590,839
Profit for the period	-	-	-	4,749	4,749	(495)	4,254
Arising from increase in equity interests in a subsidiary	-	-	-	-	-	(19)	(19)
At 30 June 2018	**1,011,091**	**(336,821)**	**(28,464)**	**704,457**	**1,350,263**	**244,811**	**1,595,074**
At 1 January 2019	1,011,091	(336,821)	(28,464)	710,688	1,356,494	262,851	1,619,345
Adjustments from adoption of MFRS 16	-	-	-	(176)	(176)	-	(176)
At 1 January 2019 (restated)	1,011,091	(336,821)	(28,464)	710,512	1,356,318	262,851	1,619,169
Profit for the period	-	-	-	27,747	27,747	18,143	45,890
Arising from creation of units in a subsidiary	-	-	-	1,056	1,056	15,206	16,262
Arising from increase in equity interests in a subsidiary	-	-	-	-	-	(7)	(7)
At 30 June 2019	**1,011,091**	**(336,821)**	**(28,464)**	**739,315**	**1,385,121**	**296,193**	**1,681,314**

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

MPHB Capital Berhad
(1010253-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

	6 months ended	
	30.6.2019	30.06.2018
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	58,712	6,565
Adjustments for:		
Depreciation of property, plant and equipment	2,443	3,031
Depreciation of ROU assets	1,251	-
Depreciation of investment properties	927	772
Amortisation of premiums	397	330
Amortisation of intangible assets	1,643	798
Allowance/(reversal) for impairment of receivables	417	(232)
Write back of bad debts	(10)	-
Gain on disposal of Investment properties	-	(6,105)
Realised gain on disposal of financial assets at FVTPL	(3,189)	(1,947)
Gain on disposal of property, plant and equipment	(99)	-
Property, plant and equipment written off	6	-
Adjustment arising from valuation of Put Option	16,702	15,552
Dividend income on shares and unit trusts	(1,084)	(1,231)
Interest expense	81	548
Interest on lease liabilities	275	-
Interest income	(30,904)	(23,018)
Gain arising from fair value change in financial assets at FVTPL	(40,612)	(6,889)
Operating cash flows before working capital changes	6,956	(11,826)
Changes in working capital:		
Inventories	8	12
Receivables	4,805	24,101
Reinsurance assets	27,723	(24,347)
Insurance contract liabilities	(21,970)	80,418
Payables	2,725	(26,656)
Cash flows generated from operations	20,247	41,702
Income tax paid	(4,291)	(5,157)
Net cash flows generated from operating activities	15,956	36,545
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	100	1
- investment securities	162,350	95,784
- investment properties	-	7,498
Purchase of :		
- intangible assets	(3,141)	(2,000)
- property, plant and equipment	(552)	(870)
- investment securities	(432,690)	(101,746)
- additional shares in a subsidiaries	(7)	(19)
Dividend received from shares and unit trusts	1,084	1,231
Interest received	29,523	23,018
Repayment of lease liabilities	(1,360)	-
Net cash flows (used in)/generated from investing activities	(244,693)	22,897
FINANCING ACTIVITIES		
Net movement of borrowings	2,800	(26,800)
Interest paid	(73)	(534)
Net movement in fixed deposits with licensed bank	191,708	(55,516)
Net cash flows generated from/(used in) financing activities	194,435	(82,850)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,302)	(23,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108,620	195,695
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**74,318**	**172,287**
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	499,634	711,512
Fixed deposits with licensed bank with maturity period of more than 3 months	(425,316)	(539,225)
	74,318	**172,287**

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 2018. 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 2018.

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 2018, except for the following:

A2.1 Standards, Amendments and Annual Improvements to Standards effective for the financial periods beginning on or after 1 January 2019

Description	Effective for periods beginning on or after
Amendments to MFRS 9 Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 11: Joint Arrangements contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"	1 January 2019
Amendments to MFRS 112: Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"	1 January 2019
Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"	1 January 2019
IC Int 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRS 3 Business Combinations -Definition of Business	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements – Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by MASB

These pronouncements are expected to have no material impact to the financial statements of the Group upon their initial application except as described below:

A2 Significant Accounting Policies (cont'd.)

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use ("ROU") assets.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group applied MFRS 16 using the modified retrospective approach and did not restate comparative amount.

The following table presents the impact of changes to the consolidated statements of financial position of the Group resulting from the initial adoption of MFRS 16 Leases as at 1 January 2019:

Group		As at 31.12.2018 RM'000	Changes RM'000	As at 01.01.2019 RM'000
Non-current assets				
ROU assets	(a)	-	10,666	10,666
Non-current liabilities				
Lease liabilities	(b)	-	8,437	8,437
Current liabilities				
Lease liabilities	(b)	-	2,405	2,405

Note:

(a) The ROU assets consist of office buildings leased during the period. Subsequent to initial recognition, the ROU assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any measurement of lease liabilities.

(b) The lease liabilities arising from the rental of office buildings are recognised and discounted using the Group's borrowing rate of 5.17% as at 31 December 2018. Subsequent to initial recognition, the Group measures the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying a mount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

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.

A2 Significant Accounting Policies (cont'd.)

MFRS 17 Insurance Contracts (cont'd.)

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the 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 of the Group.

The Group has appointed a consultant to look into the requirements of MFRS 17 and has completed the assessment of the operational impacts for adopting MFRS 17 and intends to assess the financial impact in the current year.

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 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and period ended 30 June 2019.

A5 Significant estimates and changes in estimates

There were no changes in estimates that have had any material effect during the current quarter and period ended 30 June 2019.

A6 Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and period ended 30 June 2019.

A7 Dividends Paid

No dividend was paid during the current quarter and period under review.

A8 Segmental Information

	3 months ended			6 months ended		
	30.06.2019	30.06.2018	Changes	30.06.2019	30.06.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Revenue						
Insurance	97,808	104,491	(6.4)	192,238	203,721	(5.6)
Credit	5,486	4,248	29.1	7,919	7,527	5.2
Investments	6,237	7,682	(18.8)	13,017	16,309	(20.2)
Total	**109,531**	**116,421**	**(5.9)**	**213,174**	**227,557**	**(6.3)**
Segmental Results						
Insurance	31,249	1,962	> 100.0	49,303	(351)	> 100.0
Credit	5,282	2,745	92.4	11,664	2,130	> 100.0
Investments	(1,211)	5,189	> (100.0)	(2,255)	4,786	> (100.0)
	35,320	9,896	> 100.0	58,712	6,565	> 100.0
Income tax expense	(7,943)	(840)	> 100.0	(12,822)	(2,311)	> 100.0
Profit for the period	**27,377**	**9,056**	**> 100.0**	**45,890**	**4,254**	**> 100.0**

A8 Segmental Information (cont'd.)

Assets and Liabilities as at 30 June 2019

	Assets RM'000	Liabilities RM'000
Insurance	1,760,554	1,108,224
Credit	595,756	430,724
Investments	900,499	36,547
Total	**3,256,809**	**1,575,495**

Assets and Liabilities as at 31 December 2018

	Assets RM'000	Liabilities RM'000
Insurance	1,708,698	1,111,197
Credit	566,987	412,417
Investments	900,612	33,338
Total	**3,176,297**	**1,556,952**

A9 Other income

	3 months ended			6 months ended		
	30.06.2019 RM'000	30.06.2018 RM'000	Changes %	30.06.2019 RM'000	30.06.2018 RM'000	Changes %
Interest income	17,797	13,429	32.5	30,904	23,018	34.3
Dividend income	566	628	(9.9)	1,084	1,231	(11.9)
Gain arising from fair value change in financial assets at FVTPL	19,620	5,861	> 100.0	40,612	6,889	> 100.0
Fee and commission income	9,209	11,461	(19.6)	18,549	18,638	(0.5)
Write-back impairment loans receivable	1,048	-	100.0	1,048	-	100.0
Gain arising from disposal of property, plant and equipment	33	-	100.0	99	-	100.0
Gain arising from disposal of investment	(772)	197	> (100.0)	3,189	1,947	63.8
Gain on disposal of investment properties	-	6,105	(100.0)	-	6,105	(100.0)
Others	2,198	3	> 100.0	2,382	8,571	(72.2)
Total	**49,699**	**37,684**	**31.9**	**97,867**	**66,399**	**47.4**

A10 Financial Instruments

(i) Classification

The following table analyses the financial assets and liabilities of the Group in the condensed consolidated statement of financial position by the classes and categories of financial instruments to which they are assigned by their measurement basis.

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Financial assets at FVTPL		
Investment securities:		
- quoted shares	521,641	394,786
- unquoted bonds	560,253	373,364
	1,081,894	**768,150**
Financial assets at amortised cost		
Receivables	368,311	353,455
Cash and bank balances	499,634	725,644
	867,945	**1,079,099**
Total financial assets	**1,949,839**	**1,847,249**
LIABILITIES		
Liabilities at amortised cost		
Put Option	426,072	409,370
Payables	165,805	163,072
Borrowings	4,000	1,200
Total financial liabilities	**595,877**	**573,642**

(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 is 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.

A10 Financial Instruments (cont'd.)

(a) Financial instruments that are carried at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 30 June 2019				
Financial assets at FVTPL				
Quoted shares/unit trusts	521 ,641	-	-	521,641
Unquoted debt securities/shares	-	555,995	4,258	560,253
	521,641	**555,995**	**4,258**	**1,081,894**
As at 31 December 2018				
Financial assets at FVTPL				
Quoted shares/unit trusts	394,786	-	-	394,786
Unquoted debt securities/shares	-	369,055	4,309	373,364
	394,786	**369,055**	**4,309**	**768,150**

(b) Financial instruments that are not carried at fair value

The carrying amount of financial assets and financial liabilities at amortised cost are reasonable approximation of their fair values.

A11 Related Party Disclosures

	3 months ended		6 months ended	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Affiliated companies				
Gross insurance premium receivables	555	241	1,626	1,484
Management fee receivable	153	147	307	350
Insurance commission payable	(101)	(58)	(202)	(174)
Claims paid	(116)	(138)	(223)	(195)
Professional fees paid	(52)	(12)	(58)	(17)
IT management fee payable	(20)	(20)	(39)	(39)
Dividend received	798	798	1,595	1,595

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.

A12 Contingent Liabilities

As at 21 August 2019, 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.

A13 Events after the interim period

There was no material event subsequent to the end of the current quarter and period ended 30 June 2019.

A14 Capital Commitments

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for :		
Computer and software	64	250
Property, plant and equipment	9	64
Total	**73**	**314**

A15 Operating Lease Arrangements

The Group as lessor

The future aggregate minimum lease payments receivable under operating leases contracted for but not recognised as receivables are as follows:

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
Not later than 1 year	6,354	6,323
Later than 1 year and not later than 5 years	4,105	5,968
Total future minimum lease receivables	**10,459**	**12,291**

A16 Unusual Items Affecting Interim Financial Report

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and period ended 30 June 2019.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

	3 months ended			6 months ended		
	30.06.2019	**30.06.2018**	***Changes***	**30.06.2019**	**30.06.2018**	***Changes***
	RM'000	**RM'000**	***%***	**RM'000**	**RM'000**	***%***
Revenue	109,531	116,421	*(5.9)*	213,174	227,557	*(6.3)*
Operating profit	35,513	10,054	*> 100.0*	59,068	7,113	*> 100.0*
Profit before tax	35,320	9,896	*> 100.0*	58,712	6,565	*> 100.0*
Profit after tax	27,377	9,056	*> 100.0*	45,890	4,254	*> 100.0*
Profit attributable to owners of the Company	15,661	8,027	*95.1*	27,747	4,749	*> 100.0*

2Q2019 vs 2Q2018

Revenue for the quarter ended 30 June 2019 at RM109.5 million was RM6.9 million lower compared to revenue of RM116.4 million posted in 2Q2018 as the Insurance and investment segments recorded a decrease in revenue.

Profit Before Tax ("PBT") for 2Q2019 increased significantly by RM25.4 million to RM35.3 million from PBT of RM9.9 million recorded in 2Q2018. The improvement was mainly due to lower claims incurred at insurance segment and increase in fair value gain on investment securities.

Insurance

The Insurance subsidiary posted PBT of RM31.3 million in 2Q2019 compared to PBT of RM2.0 million in 2Q2018. PBT increased by RM29.3 million as claims ratio was lower coupled with increase in fair value gain on investment securities.

Credit

In 2Q2019, the Credit Segment recorded a PBT of RM5.3 million compared to PBT of RM2.7 million reported in 2Q2018. The favourable results was mainly due to higher fair value gain on investment securities and interest income.

1H2019 vs 1H2018

Revenue reported in 1H2019 was RM213.2 million which was a decrease of RM14.4 million compared to RM227.6 million achieved in 1H2018. The Insurance and investment segments reported lower revenue for the period ended 30 June 2019.

However, PBT for 1H2019 was RM58.7 million which was a vast improvement of RM52.1 million compared to PBT of RM6.6 million reported in 1H2018 due to higher contributions from Insurance and credit segments

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

	30.06.2019	31.03.2019	*Changes*
	RM'000	RM'000	*%*
Revenue	109,531	103,643	*5.7*
Operating profit	35,513	23,555	*50.8*
Profit before tax	35,320	23,392	*51.0*
Profit after tax	27,377	18,513	*47.9*
Profit attributable to owners of the Company	15,661	12,086	*29.6*

2Q2019 vs 1Q2019

In 2Q2019, PBT of RM35.3 million was an increase of RM11.9 million compared to PBT of RM23.4 million posted in 1Q2019. Higher investment income as well as lower claims ratio of the insurance subsidiary had resulted in the better results.

B3 Group's prospects

In the 2Q2019, Malaysian economy expanded by 4.9% despite current global economic uncertainties and was higher than 4.5% forecasted growth. Strong private sector expenditure, recovery in commodity output and higher net exports have contributed to the positive growth.

Malaysian economy is expected to grow between 4.3% to 4.8% in 2019 .

Insurance

Insurance subsidiary continues with its momentum to "Build as we Grow" strategy. It continues to drive efficiency, modernization and self-service for faster time-to-market via Business Process Management, OMNI channel strategy to enhance customer and intermediaries experience to spur profitable growth by strengthening its channel partnerships with agencies and brokers.

Credit

The Credit Division will maintain its credit strategy in financing reputable niche clientele with low risk exposure.

Investments

In view of the current weak and lacklustre property market outlook, the Group will continue to conserve its assets whilst continuing evaluating all viable options to create sustainable value in the land banks, either joint venture arrangements with reliable partners or outright disposal of the land.

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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense	7,957	842	12,836	2,313
Deferred tax	(14)	(2)	(14)	(2)
Total income tax expense	7,943	840	12,822	2,311

Income tax is calculated at the Malaysian statutory rate of 24% (2018:24%) of the estimated assessable profit for the current quarter and previous corresponding periods.

The effective tax rate for the Group for the current quarter was lower than the statutory 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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	868	427	1,643	798
Amortisation of premiums	211	168	397	330
Depreciation of property, plant and equipment	1,219	1,512	2,443	3,031
Depreciation of Right-of-use assets	579	-	1,251	-
Depreciation of investment properties	464	306	927	772
Dividend income on shares and unit trusts	(566)	(628)	(1,084)	(1,231)
Fund management charges	572	440	606	481
Gain arising from fair value change in financial assets at FVTPL	(19,605)	(6,808)	(40,612)	(6,889)
Interest expense	193	158	356	548
Interest income	(17,797)	(13,429)	(30,904)	(23,018)
Gain on disposal of property, plant and equipment	(99)	(1)	(99)	-
Gain on disposal of investment properties	-	(6,105)	-	(6,105)
Adjustment arising from the valuation of Put Option	9,663	7,905	16,702	15,552
Rental expense of buildings	369	868	369	1,726
Realised (gain)/loss on financial assets at FVTPL	(1,782)	2,260	(3,189)	(1,947)
(Write-back)/allowance for impairment of trade receivables	(1,101)	(1,105)	417	(232)
Write back of bad debts	-	-	(10)	-
Property, plant and equipment written off	6	-	6	-

B7 Receivables

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
Trade receivables	250,264	144,373
Less: allowance for impairment	(31,379)	(30,962)
Total trade receivables	218,885	113,411
Other receivables	150,225	243,268
Less: allowance for impairment	(799)	(799)
Total other receivables	149,426	242,469
Total receivables	368,311	355,880

<u>Movement in allowance for ECL</u>

At 1 January	31,761	26,332
Effect from adoption of MFRS 9	-	14,790
Charge for the year (Note B6)	417	(9,361)
	32,178	31,761

B8 Corporate Proposals

Non-Compliance (Property)

Pursuant to the listing of the Company, the Group has undertaken to rectify the following non-compliances as at 31 December 2018. 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 favor of TNB over that portion of land on which the TNB sub-station is situated but the outcome is still pending; and

II) The undetermined status of the certificate of fitness for occupation.

As the Group was unable to determine the status of the certificate of fitness for occupation to the buildings erected thereon, the Group has demolished the buildings on the following pieces of land:

I) 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

II) GRN 28273, Lot 642, Seksyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, property registered under Queensway Nominees (Tempatan) Sdn Bhd.

B9 Borrowings

The Group's borrowings are as follows:

	As at 30.06.2019			As at 31.12.2018		
	Non-current RM'000	**Current RM'000**	**Total RM'000**	**Non-current RM'000**	**Current RM'000**	**Total RM'000**
Term loan						
- unsecured	-	-	-	-	1,200	1,200
- secured	-	4,000	4,000	-	-	-
Total borrowings	-	4,000	4,000	-	1,200	1,200

All the borrowings are denominated in Ringgit Malaysia.

B10 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 the Company 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 subsidiaries"), 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 subsidiaries.

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 the Company and its subsidiaries are conducted, several injunctions to restrain the conduct of the Company with regards to the subsidiaries as well as an order that ISM's shares in the subsidiaries are to be purchased by the Defendants at a value to be 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 Defense 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.

On 21 June 2019, the High Court allowed the Plaintiff's claim premised on minority shareholders oppression under Section 181 of the Companies Act 1965.

The High Court has made the following orders:

1. The Company (as the majority shareholder) is to buy out the Plaintiff's 30% shares in the subsidiaries;
2. The buyout price is to be determined by an independent firm of accountants by taking into account the value of the lands owned by the subsidiaries as determined by a licensed valuer;
3. The identities of the firm of accountants and the valuers are to be determined by agreement between the parties within 30 days from 21 June 2019 or if no agreement by the parties, the High Court will make the appointment based on nominations by the 2 parties;
4. ISM and the Company to mutually execute the terms and engagement of the accountant and valuer and shall equally bear the costs of the accountant and valuer;
5. Interest on the buyout sum will accrue at the rate of 5% per annum from the date expiring 7 days from the final determination of the buyout price by the independent accountant until full payment;
6. Nominal damages in the sum of RM10,000.00 to be paid to the Plantiff with interest of 5% per annum to be calculated from 22 June 2019 to the date of full and final settlement;
7. Costs of RM100,000.00 to be paid to the Plaintiff, subject to payment of allocator;
8. Both parties are given liberty to apply and
9. The Plaintiff's claim for punitive and exemplary damages and the Defendants' counterclaim are dismissed.

On 28 June 2019, the Defendants have appealed to the Court of Appeal against the judgement made by the High Court on 21 June 2019 ("Appeal"). On 18 July 2019, the Plaintiff has appealed to the Court of Appeal against certain parts of the judgement made by the High Court on 21 June 2019 (collectively referred to hereinafter as "the Appeals").

The hearing date of the Appeals has yet to be fixed by the Court of Appeal.

The Defendants have filed to the High Court an application to stay the execution of the High Court's judgement dated 21 June 2019 ("Judgement") and all the proceedings relating thereto pending the disposal of the Appeal ("Defendant's Stay Application").

The High Court has granted an interim stay of the execution of the Judgement and all proceedings relating thereto pending the final determination of the Defendants' Stay Application.

The hearing date for the Defendants' Stay Application is fixed on 11 October 2019.

B11 Dividend

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

B12 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not qualified.

B13 Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the profit for the quarter and current period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the quarter and current period ended 30 June 2019.

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit attributable to owners of the Company (RM'000)	15,661	8,027	27,747	4,749
Weighted average number of ordinary shares in issue ('000)	715,000	715,000	715,000	715,000
Earnings Per Share (sen per share)	2.2	1.1	3.9	0.7

By Order Of The Board
Ng Sook Yee
Company Secretary
21 August 2019