



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

**INTERIM FINANCIAL STATEMENT**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	3 months ended			9 months ended		
	30.09.2019	30.09.2018	Changes	30.09.2019	30.09.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	100,249	118,430	(15.4)	313,423	345,987	(9.4)
Cost of sales	(63,311)	(62,185)	1.8	(193,697)	(226,774)	(14.6)
Gross profit	36,938	56,245	(34.3)	119,726	119,213	0.4
Other income	49,415	25,899	90.8	147,282	92,298	59.6
Administrative expenses	(17,587)	(15,106)	16.4	(52,943)	(49,377)	7.2
Other expenses	(47,444)	(42,428)	11.8	(133,675)	(130,411)	2.5
<b>Operating profit</b>	21,322	24,610	(13.4)	80,390	31,723	> 100.0
Finance costs	(198)	(46)	> 100.0	(554)	(594)	(6.7)
<b>Profit before tax</b>	21,124	24,564	(14.0)	79,836	31,129	> 100.0
Income tax expense	(6,490)	(6,487)	0.0	(19,312)	(8,798)	> 100.0
<b>Profit for the period</b>	14,634	18,077	(19.0)	60,524	22,331	> 100.0
<b>Profit attributable to:</b>						
Owners of the Company	4,894	6,607	(25.9)	32,641	11,356	> 100.0
Non-controlling interests	9,740	11,470	(15.1)	27,883	10,975	> 100.0
	14,634	18,077	(19.0)	60,524	22,331	> 100.0
<b>Earnings per share attributable to owners of the Company : (sen per share)</b>						
Basic and diluted	0.7	0.9		4.6	1.6	

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.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

	As at 30.09.2019 RM'000 Unaudited	As at 31.12.2018 RM'000 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	69,203	71,375
Right-of-use ("ROU") assets	9,279	-
Investment properties	817,720	819,110
Investment securities	880,410	412,005
Intangible assets	44,395	43,178
Receivables	105,368	90,459
Deferred tax assets	8,189	8,188
Tax recoverable	16,699	16,699
	<u>1,951,263</u>	<u>1,461,014</u>
<b>Current assets</b>		
Inventories	207	203
Receivables	257,908	265,421
Reinsurance assets	385,369	366,250
Tax recoverable	1,711	1,620
Investment securities	405,368	356,145
Cash and bank balances	350,811	725,644
	<u>1,401,374</u>	<u>1,715,283</u>
<b>Total assets</b>	<b><u>3,352,637</u></b>	<b><u>3,176,297</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	1,011,091	1,011,091
Other reserves	(336,821)	(336,821)
Merger deficit	(28,464)	(28,464)
Retained earnings	744,432	710,688
	<u>1,390,238</u>	<u>1,356,494</u>
Non-controlling interests	310,247	262,851
<b>Total equity</b>	<b><u>1,700,485</u></b>	<b><u>1,619,345</u></b>
<b>Non-current liabilities</b>		
Put & Call Options	435,097	409,370
Lease liabilities	7,251	-
Deferred tax liabilities	9,666	9,713
	<u>452,014</u>	<u>419,083</u>
<b>Current liabilities</b>		
Payables	175,173	163,072
Lease liabilities	2,409	-
Insurance contract liabilities	999,870	967,664
Borrowings	4,000	1,200
Tax payable	18,686	5,933
	<u>1,200,138</u>	<u>1,137,869</u>
<b>Total liabilities</b>	<b><u>1,652,152</u></b>	<b><u>1,556,952</u></b>
<b>Total equity and liabilities</b>	<b><u>3,352,637</u></b>	<b><u>3,176,297</u></b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b><u>1.9</u></b>	<b><u>1.9</u></b>

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

I-----Attributable to owners of the Company-----I

	I---Non-distributable---I		Distributable	Total	Non-controlling interests	Total equity	
	Share capital	Other reserves	Merger deficit				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2018</b>	1,011,091	(338,547)	(28,464)	704,975	1,349,055	249,201	1,598,256
Effect from adoption of MFRS 9	-	1,726	-	(5,267)	(3,541)	(3,876)	(7,417)
<b>At 1 January 2018 (restated)</b>	1,011,091	(336,821)	(28,464)	699,708	1,345,514	245,325	1,590,839
Profit for the period	-	-	-	11,356	11,356	10,975	22,331
Arising from increase in equity interests in a subsidiary	-	-	-	(1,796)	(1,796)	1,777	(19)
<b>At 30 September 2018</b>	<b>1,011,091</b>	<b>(336,821)</b>	<b>(28,464)</b>	<b>709,268</b>	<b>1,355,074</b>	<b>258,077</b>	<b>1,613,151</b>
<b>At 1 January 2019</b>	1,011,091	(336,821)	(28,464)	710,688	1,356,494	262,851	1,619,345
Effect of adoption of MFRS 16	-	-	-	(176)	(176)	-	(176)
<b>At 1 January 2019 (restated)</b>	1,011,091	(336,821)	(28,464)	710,512	1,356,318	262,851	1,619,169
Profit for the period	-	-	-	32,641	32,641	27,883	60,524
Arising from creation of units in a subsidiary	-	-	-	1,279	1,279	19,533	20,812
Arising from increase in equity interests in a subsidiary	-	-	-	-	-	(20)	(20)
<b>At 30 September 2019</b>	<b>1,011,091</b>	<b>(336,821)</b>	<b>(28,464)</b>	<b>744,432</b>	<b>1,390,238</b>	<b>310,247</b>	<b>1,700,485</b>

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.

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

	9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	79,836	31,129
Adjustments for:		
Depreciation of property, plant and equipment	3,710	4,616
Depreciation of ROU assets	1,874	-
Depreciation of investment properties	1,390	1,402
Amortisation of premiums	660	508
Amortisation of intangible assets	2,549	1,325
Reversal of allowance of loans and trade receivables	(1,058)	-
Allowance/(Reversal of ECL allowance) for impairment of insurance receivables	1,906	(1,081)
Write back of bad debts	(10)	-
Gain on disposal of Investment properties	-	(6,105)
Realised gain on financial assets at FVTPL	(6,585)	(1,240)
Gain on disposal of property, plant and equipment	(99)	-
Property, plant and equipment written off	8	-
Adjustment arising from valuation of Put Option	25,727	22,271
Dividend income on shares and unit trusts	(1,732)	(1,646)
Interest expense	149	594
Interest on lease liabilities	405	-
Interest income	(46,814)	(46,520)
Gain arising from fair value change in financial assets at FVTPL	(57,338)	(4,866)
<b>Operating cash flows before working capital changes</b>	<u>4,578</u>	<u>387</u>
Changes in working capital:		
Inventories	(4)	15
Receivables	10,112	28,319
Reinsurance assets	(19,119)	(25,965)
Insurance contract liabilities	32,206	65,872
Payables	12,093	(42,757)
<b>Cash flows generated from operations</b>	<u>39,866</u>	<u>25,871</u>
Income tax paid	(6,698)	(11,606)
<b>Net cash flows generated from operating activities</b>	<u>33,168</u>	<u>14,265</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of :		
- property, plant and equipment	101	1
- investment securities	239,212	220,097
- investment properties	-	6,098
Purchase of :		
- intangible assets	(3,766)	(5,893)
- property, plant and equipment	(1,548)	(1,964)
- investment property	-	(163)
- investment securities	(693,577)	(238,473)
- additional shares in a subsidiary	(20)	(19)
Dividend received from shares and unit trusts	1,732	1,646
Interest received	49,280	46,515
<b>Net cash flows (used in)/generated from investing activities</b>	<u>(408,586)</u>	<u>27,845</u>
<b>FINANCING ACTIVITIES</b>		
Net movement of borrowings	2,800	(28,300)
Interest expense paid	(141)	(585)
Repayment of lease liabilities	(2,074)	-
Net movement in fixed deposits with licensed bank	380,619	(136,266)
<b>Net cash flows generated from/(used in) financing activities</b>	<u>381,204</u>	<u>(165,151)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,786	(123,041)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>108,620</u>	<u>195,695</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>114,406</b></u>	<u><b>72,654</b></u>
<b>Cash and cash equivalents consist of :</b>		
Deposits, cash and bank balances	350,811	692,629
Fixed deposits with licensed bank with maturity period of more than 3 months	(236,405)	(619,975)
	<u><b>114,406</b></u>	<u><b>72,654</b></u>

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 – <i>Prepayment Features with Negative Compensation</i>	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 - <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 11 Joint Arrangements contained in the documents entitled “ <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i> ”	1 January 2019
Amendments to MFRS 112 Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the documents entitled “ <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i> ”	1 January 2019
Amendments to MFRS 123 Borrowing Costs Eligible for Capitalisation contained in the documents entitled “ <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i> ”	1 January 2019
IC Int 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRS 3 Business Combinations- <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements – <i>Definition of Material</i>	1 January 2020
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

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.)

### Effect of adoption of MFRS 16 Leases

MFRS 16 Leases supercedes MFRS 117 Leases and its related interpretations. 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.

#### i) Lessee

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" ("ROU") of the underlying asset during the lease term. Lessee will be required to recognise interest expense on the lease liability and the depreciation expense on ROU assets.

#### ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessor 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 changes in accounting policies have been applied retrospectively from 1 January 2019 and in accordance with the transition requirements, comparatives are not restated.

The following table analyses the impact of the transition to MFRS 16 on the consolidated statements of financial position of the Group.

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

#### 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 amount 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 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 September 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 September 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 September 2019.

**A7 Dividends Paid**

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

**A8 Segmental Information**

	3 months ended			9 months ended		
	30.09.2019 RM'000	30.09.2018 RM'000	Changes %	30.09.2019 RM'000	30.09.2018 RM'000	Changes %
<b>Segmental Revenue</b>						
Insurance	90,944	106,782	(14.8)	283,182	310,503	(8.8)
Credit	2,238	2,475	(9.6)	10,157	10,002	1.5
Investments	7,067	9,173	(23.0)	20,084	25,482	(21.2)
<b>Total</b>	<b>100,249</b>	<b>118,430</b>	<b>(15.4)</b>	<b>313,423</b>	<b>345,987</b>	<b>(9.4)</b>
<b>Segmental Results</b>						
Insurance	26,759	29,483	(9.2)	76,062	29,132	> 100.0
Credit	(1,999)	(5,026)	(60.2)	9,665	(2,896)	> 100.0
Investments	(3,636)	107	> (100.0)	(5,891)	4,893	> (100.0)
	21,124	24,564	(14.0)	79,836	31,129	> 100.0
Income tax expense	(6,490)	(6,487)	0.0	(19,312)	(8,798)	> 100.0
<b>Profit for the period</b>	<b>14,634</b>	<b>18,077</b>	<b>(19.0)</b>	<b>60,524</b>	<b>22,331</b>	<b>&gt; 100.0</b>

**A8 Segmental Information (cont'd.)****Assets and Liabilities as at 30 September 2019**

	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
Insurance	1,850,953	1,173,554
Credit	602,292	439,733
Investments	899,392	38,865
<b>Total</b>	<b>3,352,637</b>	<b>1,652,152</b>

**Assets and Liabilities as at 31 December 2018**

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

**A9 Other income**

	<b>3 months ended</b>			<b>9 months ended</b>		
	<b>30.09.2019 RM'000</b>	<b>30.09.2018 RM'000</b>	<b>Changes %</b>	<b>30.09.2019 RM'000</b>	<b>30.09.2018 RM'000</b>	<b>Changes %</b>
Interest income	15,910	14,521	9.6	46,814	46,520	0.6
Dividend income	648	415	56.1	1,732	1,646	5.2
Gain arising from fair value change in financial assets at FVTPL	16,726	(2,023)	> 100.0	57,338	4,866	> 100.0
Fee and commission income	11,696	11,936	(2.0)	30,245	30,574	(1.1)
Reversal of allowance of loans and trade receivables	16	-	> 100.0	1,058	-	> 100.0
Gain on disposal of property, plant and equipment	-	-	-	99	-	> 100.0
Realised gain on financial assets at FVTPL	3,396	693	> 100.0	6,585	1,240	> 100.0
Gain on disposal of investment properties	-	-	-	-	6,105	> (100.0)
Others	1,023	357	> 100.0	3,411	1,347	> 100.0
<b>Total</b>	<b>49,415</b>	<b>25,899</b>	<b>90.8</b>	<b>147,282</b>	<b>92,298</b>	<b>59.6</b>



## 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 30.09.2019 RM'000	As at 31.12.2018 RM'000
<b>ASSETS</b>		
<b>Financial assets at FVTPL</b>		
Investment securities:		
- quoted shares	563,494	394,786
- unquoted bonds	722,284	373,364
	<u>1,285,778</u>	<u>768,150</u>
<b>Financial assets at amortised cost</b>		
Receivables	363,276	355,880
Cash and bank balances	350,811	725,644
	<u>714,087</u>	<u>1,081,524</u>
<b>Total financial assets</b>	<u>1,999,865</u>	<u>1,849,674</u>
<b>LIABILITIES</b>		
<b>Liabilities at amortised cost</b>		
Put Option	435,097	409,370
Payables	175,173	163,072
Borrowings	4,000	1,200
<b>Total financial liabilities</b>	<u>614,270</u>	<u>573,642</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 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
<b>As at 30 September 2019</b>				
<b>Financial assets at FVTPL</b>				
Quoted shares/unit trusts	563,494	-	-	563,494
Unquoted debt securities/shares	-	717,988	4,296	722,284
	<b>563,494</b>	<b>717,988</b>	<b>4,296</b>	<b>1,285,778</b>
<b>As at 31 December 2018</b>				
<b>Financial assets at FVTPL</b>				
Quoted shares/unit trusts	394,786	-	-	394,786
Unquoted debt securities/shares	-	369,055	4,309	373,364
	<b>394,786</b>	<b>369,055</b>	<b>4,309</b>	<b>768,150</b>

**(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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<b>Affiliated companies</b>				
Insurance premium receivables	124	287	1,626	1,669
Management fee receivable	112	128	419	478
Insurance commission payable	(14)	(15)	(91)	(87)
Claims paid	(171)	(65)	(394)	(260)
Professional fees paid	(10)	(11)	(68)	(28)
IT management fee payable	(20)	(20)	(59)	(59)
Dividend received	997	598	2,592	2,193

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 19 November 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 September 2019.

**A14 Capital Commitments**

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
<b>Approved and contracted for :</b>		
Computer and software	7	250
Property, plant and equipment	10	64
<b>Total</b>	<u>17</u>	<u>314</u>

**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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Not later than 1 year	6,020	6,323
Later than 1 year and not later than 5 years	2,754	5,968
<b>Total future minimum lease receivables</b>	<u>8,774</u>	<u>12,291</u>

**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 September 2019.

## B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

### B1 Review of performance of the Group

	3 months ended			9 months ended		
	30.09.2019	30.09.2018	Changes	30.09.2019	30.09.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	100,249	118,430	(15.4)	313,423	345,987	(9.4)
Operating profit	21,322	24,610	(13.4)	80,390	31,723	> 100.0
Profit before tax	21,124	24,564	(14.0)	79,836	31,129	> 100.0
Profit after tax	14,634	18,077	(19.0)	60,524	22,331	> 100.0
Profit attributable to owners of the Company	4,894	6,607	(25.9)	32,641	11,356	> 100.0

#### **3Q2019 vs 3Q2018**

Revenue for the quarter ended 30 September 2019 at RM100.2 million was RM18.2 million lower compared to revenue of RM118.4 million posted in 3Q2018 mainly due to lower earned premiums recorded by Insurance segment. Lower hospitality revenue for the current quarter has adversely affected the performance of the investment segment as well.

Profit Before Tax ("PBT") for 3Q2019 at RM21.1 million has decreased by 14.0% from PBT of RM24.6 million achieved in 3Q2018 due to lower PBT reported by the Insurance and Investments segments. However, the unfavourable variance was mitigated by improvement in the performance of the Credit business.

#### **Insurance**

The Insurance subsidiary posted lower PBT of RM26.8 million in 3Q2019 compared to PBT of RM29.5 million in 3Q2018. In tandem with the drop in the earned premiums as well as higher operating and administrative expenses, the insurance subsidiary reported lower PBT.

#### **Credit**

In 3Q2019, the Credit Segment recorded a loss before tax of RM2.0 million compared to loss before tax of RM5.0 million reported in 3Q2018 due mainly to higher fair value gain on Investment securities and Interest income.

#### **9M2019 vs 9M2018**

Revenue reported in 9M2019 was RM313.4 million, a decrease of RM32.6 million compared to RM346.0 million achieved in 9M2018. This was due to lower revenue from Insurance and Investments segments.

However, PBT of the Group for 9M2019 at RM79.8 million has improved significantly by RM48.7 million compared to PBT of RM31.1 million reported in 9M2018. This is largely due to gain arising from fair value change in financial assets at FVTPL.

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

	30.09.2019	30.06.2019	Changes
	RM'000	RM'000	%
Revenue	100,249	109,531	(8.5)
Operating profit	21,322	35,513	(40.0)
Profit before tax	21,124	35,320	(40.2)
Profit after tax	14,634	27,377	(46.5)
Profit attributable to owners of the Company	4,894	15,661	(68.8)

**3Q2019 vs 2Q2019**

In 3Q2019, PBT of RM21.1 million was a decrease of RM14.2 million compared to PBT of RM35.3 million posted in 2Q2019 due to lower revenue from the Insurance and Investment segments.

**B3 Group's prospects**

Malaysian economy has slowed down in 3Q2019 in view of the US-China trade dispute and it is mainly supported by private sector expenditure.

Malaysian economy is expected to grow between 4.3% to 4.5% in 2019 and the Malaysian 2020 Budget aims to strike a balance between continuing fiscal consolidation efforts and introducing measures to buffer economic slowdown.

**Insurance**

Insurance subsidiary continues with its momentum to "Build as we Grow" strategy. It has implemented claims management, underwriting guidelines and enhanced products with improvements in technical and operating results for the 3Q2019 versus the corresponding period last year. It continues to engage with Agents, Brokers and Customers by providing tailored programs and products towards the life time partnership and profitable growth.

**Credit**

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

**Investments**

Malaysian property market has been lackluster for the past years and the Group has been conserving its assets.

However, the Group is continually on the look out for viable options to create sustainable value in the land banks, either through 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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense	6,490	6,485	19,326	8,798
Deferred tax	-	2	(14)	-
Total income tax expense	<u>6,490</u>	<u>6,487</u>	<u>19,312</u>	<u>8,798</u>

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.

**B6 Profit before tax**

Included in the profit before tax are the following items:

	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Amortisation of intangible assets	906	527	2,549	1,325
Amortisation of premiums	263	178	660	508
Depreciation of property, plant and equipment	1,267	1,585	3,710	4,616
Depreciation of ROU assets	623	-	1,874	-
Depreciation of investment properties	463	630	1,390	1,402
Dividend income on shares and unit trusts	(648)	(415)	(1,732)	(1,646)
Fund management charges	102	185	708	666
Gain arising from fair value change in financial assets at FVTPL	(16,726)	2,023	(57,338)	(4,866)
Interest expense	198	46	554	594
Interest income	(15,910)	(14,521)	(46,814)	(46,520)
Gain on disposal of property, plant and equipment	-	-	(99)	-
Adjustment arising from the valuation of Put Option	9,025	6,719	25,727	22,271
Rental expense of buildings	1,705	1,100	2,074	2,826
Realised gain on financial assets at FVTPL	(3,396)	(693)	(6,585)	(1,240)
Reversal of allowance of loans and trade receivables	(16)	-	(1,058)	-
Allowance/(Reversal of ECL allowance) for impairment of insurance receivables	447	(849)	1,906	(1,081)
Write back of bad debts	-	-	(10)	-
Gain on disposal of investment properties	-	-	-	(6,105)
Property, plant and equipment written off	2	-	8	-

**B7 Receivables**

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Trade receivables	247,223	144,373
Less: allowance for impairment	(31,810)	(30,962)
Total trade receivables	<u>215,413</u>	<u>113,411</u>
Other receivables	148,662	243,268
Less: allowance for impairment	(799)	(799)
Total other receivables	<u>147,863</u>	<u>242,469</u>
<b>Total receivables</b>	<b><u>363,276</u></b>	<b><u>355,880</u></b>

Movement in allowance for ECL

At 1 January	31,761	26,332
Effect from adoption of MFRS 9	-	14,790
Charge for the year (Note B6)	848	(9,361)
	<u>32,609</u>	<u>31,761</u>

## 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

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.

As for buildings situated on GRN 28274, Lot 643 and GRN 9036, Lot 1199, Seksyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, property registered under Mulpha Kluang Maritime Carriers Sdn Bhd., they remained unoccupied.

## B9 Borrowings

The Group's borrowings are as follows:

	As at 30.09.2019			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 Plaintiff 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 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.

On 13 September 2019, the High Court ordered by consent of the parties ("Consent Order") that the execution of the Judgment and all the proceedings relating thereto be stayed pending the disposal of both the Appeals before the Court of Appeal. Both the Appeals will be heard together by the Court of Appeal and the hearing date for the Appeals has yet to be fixed.



**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 September 2019.

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Profit attributable to owners of the Company (RM'000)	<u>4,894</u>	<u>6,607</u>	<u>32,641</u>	<u>11,356</u>
Weighted average number of ordinary shares in issue ('000)	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>
Earnings Per Share (sen per share)	<u>0.7</u>	<u>0.9</u>	<u>4.6</u>	<u>1.6</u>

**By Order Of The Board**  
**Ng Sook Yee**  
**Company Secretary**  
**19 November 2019**