



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

INTERIM FINANCIAL STATEMENT
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3 months ended			12 months ended		
	31.12.2019	31.12.2018	Changes	31.12.2019	31.12.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	Unaudited	Audited		Unaudited	Audited	
Revenue	109,798	116,870	(6.1)	423,221	462,857	(8.6)
Cost of sales	(61,352)	(69,943)	(12.3)	(255,049)	(296,717)	(14.0)
Gross profit	48,446	46,927	3.2	168,172	166,140	1.2
Other income	22,125	28,995	(23.7)	169,407	121,293	39.7
Administrative expenses	(18,115)	(17,784)	1.9	(71,058)	(67,161)	5.8
Other expenses	(40,925)	(49,486)	(17.3)	(174,600)	(179,897)	(2.9)
Operating profit	11,531	8,652	33.3	91,921	40,375	> 100.0
Finance costs	(133)	(22)	> 100.0	(687)	(616)	11.5
Profit before tax	11,398	8,630	32.1	91,234	39,759	> 100.0
Income tax expense	1,712	(3,407)	> (100.0)	(17,600)	(12,205)	44.2
Profit for the period / year	13,110	5,223	> 100.0	73,634	27,554	> 100.0
Profit attributable to:						
Owners of the Company	1,274	903	41.1	33,915	12,259	> 100.0
Non-controlling interests	11,836	4,320	> 100.0	39,719	15,295	> 100.0
	13,110	5,223	> 100.0	73,634	27,554	> 100.0
Earnings per share attributable to owners of the Company : (sen per share)						
Basic and diluted	0.2	0.1		4.7	1.7	

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.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	As at 31.12.2019 RM'000 Unaudited	As at 31.12.2018 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	69,055	71,375
Right-of-use ("ROU") assets	8,340	-
Investment properties	817,256	819,110
Investment securities	979,084	412,005
Intangible assets	46,427	43,178
Receivables	41,713	90,459
Deferred tax assets	4,141	8,188
Tax recoverable	20,752	16,699
	<u>1,986,768</u>	<u>1,461,014</u>
Current assets		
Inventories	215	203
Receivables	281,565	265,421
Reinsurance assets	378,181	366,250
Tax recoverable	1,082	1,620
Investment securities	405,754	356,145
Cash and bank balances	285,719	725,644
	<u>1,352,516</u>	<u>1,715,283</u>
Total assets	<u>3,339,284</u>	<u>3,176,297</u>
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	744,549	710,688
	<u>1,390,355</u>	<u>1,356,494</u>
Non-controlling interests	332,983	262,851
Total equity	<u>1,723,338</u>	<u>1,619,345</u>
Non-current liabilities		
Put & Call Options	-	409,370
Lease liabilities	6,224	-
Deferred tax liabilities	10,190	9,713
	<u>16,414</u>	<u>419,083</u>
Current liabilities		
Payables	146,465	163,072
Put & Call Options	444,300	-
Lease liabilities	2,315	-
Insurance contract liabilities	996,673	967,664
Borrowings	4,000	1,200
Tax payable	5,779	5,933
	<u>1,599,532</u>	<u>1,137,869</u>
Total liabilities	<u>1,615,946</u>	<u>1,556,952</u>
Total equity and liabilities	<u>3,339,284</u>	<u>3,176,297</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.9</u>	<u>1.9</u>

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 YEAR ENDED 31 DECEMBER 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				Retained earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2018	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)
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 year	-	-	-	12,259	12,259	15,295	27,554
Arising from increase in equity interests in a subsidiary	-	-	-	-	-	(21)	(21)
Arising from creation of units in a subsidiary	-	-	-	(1,279)	(1,279)	2,252	973
At 31 December 2018	1,011,091	(336,821)	(28,464)	710,688	1,356,494	262,851	1,619,345
At 1 January 2019	1,011,091	(336,821)	(28,464)	710,688	1,356,494	262,851	1,619,345
Profit for the year	-	-	-	33,915	33,915	39,719	73,634
Arising from increase in equity interests in a subsidiary	-	-	-	5	5	(31)	(26)
Arising from creation of units in a subsidiary	-	-	-	(59)	(59)	30,444	30,385
At 31 December 2019	1,011,091	(336,821)	(28,464)	744,549	1,390,355	332,983	1,723,338

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 YEAR ENDED 31 DECEMBER 2019

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
OPERATING ACTIVITIES		
Profit before tax	91,234	39,759
Adjustments for:		
Depreciation of property, plant and equipment	5,021	6,213
Depreciation of ROU assets	2,408	-
Depreciation of investment properties	1,854	1,868
Amortisation of premiums	987	-
Amortisation of intangible assets	3,530	2,044
Allowance of ECL of loans and trade receivables	414	4,623
Reversal of ECL allowance of insurance receivables	(1,188)	(13,707)
(Recovery of bad debts)/bad debts written off	(241)	10,619
Compensation from compulsory acquisition of investment properties	-	(1,771)
Gain on disposal of Investment properties	-	(6,477)
Realised gain on financial assets at FVTPL	(12,159)	(2,271)
(Gain)/loss on disposal of property, plant and equipment	(105)	2
Property, plant and equipment written off	7	2
Adjustment arising from valuation of Put Option	34,930	30,646
Dividend income on shares and unit trusts	(5,905)	(6,088)
Interest expense	213	616
Interest on lease liabilities	474	-
Interest income	(64,147)	(58,428)
Gain arising from fair value change in financial assets at FVTPL	(38,366)	(4,015)
Operating cash flows before working capital changes	18,961	3,635
Changes in working capital:		
Inventories	(12)	28
Receivables	70,550	38,062
Reinsurance assets	(11,931)	3
Insurance contract liabilities	29,009	30,887
Payables	(16,616)	(40,716)
Cash flows generated from operations	89,961	31,899
Income tax paid	(16,745)	(12,171)
Net cash flows generated from operating activities	73,216	19,728
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	106	10
- investment securities	449,015	286,805
- investment properties	-	8,633
Purchase of :		
- intangible assets	(6,779)	(8,673)
- property, plant and equipment	(2,709)	(2,306)
- investment property	-	(163)
- investment securities	(1,016,165)	(291,877)
- additional shares in a subsidiary	(26)	(21)
Dividend received from shares and unit trusts	5,905	6,088
Interest received	57,599	58,428
Net movement in fixed deposits with licensed bank	519,665	(51,286)
Net cash flows generated from investing activities	6,611	5,638
FINANCING ACTIVITIES		
Net movement of borrowings	2,800	(29,800)
Interest expense paid	(204)	(612)
Repayment of lease liabilities	(2,683)	-
Net cash flows used in financing activities	(87)	(30,412)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	79,740	(5,046)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108,620	113,666
CASH AND CASH EQUIVALENTS AT END OF PERIOD	188,360	108,620
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	285,719	725,644
Fixed deposits with licensed bank with maturity period of more than 3 months	(97,359)	(617,024)
	188,360	108,620

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 7 Financial instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments : Recognition and Measurement – <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – <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.
- ii) Lessor
Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117.

The following table analyses the impact of the transition to MFRS 16 on the consolidated statements of financial position of the Group as at 1 January 2019.

Group		31.12.2018 RM'000	RM'000	01.01.2019 RM'000
Non-current assets				
ROU assets	(a)	<u>-</u>	<u>10,251</u>	<u>10,251</u>
Non-current liabilities				
Lease liabilities	(b)	<u>-</u>	<u>8,539</u>	<u>8,539</u>
Current liabilities				
Lease liabilities	(b)	<u>-</u>	<u>1,712</u>	<u>1,712</u>

Note:

- (a) ROU assets consist of office buildings leased during the year. Subsequent to initial recognition, the ROU assets were measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any measurement of lease liabilities.
- (b) Lease liabilities were measured at present value of the remaining lease payments, discounted at the Group incremental borrowing rate of 5.0% to 5.1%.

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 of the Group.

The insurance subsidiary has appointed a consultant on the requirements of MFRS 17 and has completed the gap analysis on business requirements to identify data and system gaps and the preliminary financial impact assessment in determining the measurement model to be applied.

It is currently in the process of developing the portfolio modelling framework and determining of technical position.

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 year ended 31 December 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 year ended 31 December 2019.

A6 Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and year ended 31 December 2019.

A7 Dividends Paid

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

A8 Segmental Information

	3 months ended			12 months ended		
	31.12.2019	31.12.2018	Changes	31.12.2019	31.12.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Revenue						
Insurance	92,304	103,150	(10.5)	375,486	413,653	(9.2)
Credit	8,011	2,836	>100	18,168	12,838	41.5
Investments	9,483	10,884	(12.9)	29,567	36,366	(18.7)
Total	109,798	116,870	(6.1)	423,221	462,857	(8.6)

	3 months ended			12 months ended		
	31.12.2019	31.12.2018	Changes	31.12.2019	31.12.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Results						
Insurance	17,103	13,168	29.9	93,165	42,300	> 100.0
Credit	(4,707)	(7,667)	(38.6)	4,958	(10,563)	> 100.0
Investments	(998)	3,129	> (100.0)	(6,889)	8,022	> (100.0)
	11,398	8,630	32.1	91,234	39,759	> 100.0
Income tax expense	1,712	(3,407)	> (100.0)	(17,600)	(12,205)	44.2
Profit for the year	13,110	5,223	> 100.0	73,634	27,554	> 100.0

A8 Segmental Information

Assets and Liabilities as at 31 December 2019

	Assets RM'000	Liabilities RM'000
Insurance	1,833,060	1,122,664
Credit	606,859	450,003
Investments	899,365	43,279
Total	3,339,284	1,615,946

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			12 months ended		
	31.12.2019 RM'000	31.12.2018 RM'000	Changes %	31.12.2019 RM'000	31.12.2018 RM'000	Changes %
Interest income	17,333	11,908	45.6	64,147	58,428	9.8
Dividend income	548	574	(4.5)	2,280	2,220	2.7
Fair value changes in financial assets at FVTPL	(18,972)	(851)	> 100.0	38,366	4,015	> 100.0
Fee and commission income	9,022	11,498	(21.5)	39,267	42,072	(6.7)
Reversal of allowance of loans and trade receivables	(1,058)	141	> (100.0)	-	141	> (100.0)
Gain on disposal of property, plant and equipment	6	-	> 100.0	105	-	> 100.0
Realised gain on financial assets at FVTPL	5,574	1,031	> 100.0	12,159	2,271	> 100.0
Gain on disposal of investment properties	-	372	> 100.0	-	6,477	> (100.0)
Reversal of ECL allowance of Insurance receivables	1,188	-	> 100.0	1,188	-	> 100.0
Bad debts recovered	962	-	> 100.0	962	-	> 100.0
Service income earned from Malaysia Motor Insurance Pool ("MMIP")	1,011	3,298	(69.3)	1,011	3,298	(69.3)
Recognition of premium tax recovered from premium ceded to foreign reinsurers.	6,100	-	> 100.0	6,100	-	> 100.0
Others	411	1,024	> 100.0	3,822	2,371	> 100.0
Total	22,125	28,995	(23.7)	169,407	121,293	39.7

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 31.12.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Financial assets at FVTPL		
Investment securities:		
- quoted shares	689,298	394,786
- unquoted bonds	695,540	373,364
	<u>1,384,838</u>	<u>768,150</u>
Financial assets at amortised cost		
Receivables	323,278	353,455
Cash and bank balances	285,719	725,644
	<u>608,997</u>	<u>1,079,099</u>
	<u>1,993,835</u>	<u>1,847,249</u>
Total financial assets	1,993,835	1,847,249
	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
LIABILITIES		
Liabilities at amortised cost		
Put and Call Options	444,300	409,370
Lease liabilities	8,539	-
Payables	146,465	140,502
Borrowings	4,000	1,200
	<u>603,304</u>	<u>551,072</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.

(ii) Fair Values (cont'd)

(a) Financial instruments that are carried at fair value

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2019				
Financial assets at FVTPL				
Quoted shares/unit trusts	689,298	-	-	689,298
Unquoted debt securities/shares	-	691,135	4,405	695,540
	689,298	691,135	4,405	1,384,838

i **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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Insurance premium receivables	(160)	247	1,466	2,050
Management fee receivable	177	188	596	666
Insurance commission payable	(8)	(41)	(99)	(263)
Claims paid	(149)	(153)	(543)	(413)
Professional fees paid	(9)	(6)	(77)	(34)
IT management fee payable	(19)	(19)	(78)	(78)
Dividend received	798	798	3,390	2,991

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 February 2020, 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 reporting

There was no material event subsequent to financial year ended 31 December 2019.

A14 Capital Commitments

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for :		
Computer and software	573	250
Property, plant and equipment	-	64
Total	573	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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Not later than 1 year	6,795	6,323
Later than 1 year and not later than 5 years	1,710	5,968
Total future minimum lease receivables	8,505	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 year ended 31 December 2019.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B1 Review of performance of the Group**

	31.12.2019 RM'000	31.12.2018 RM'000	<i>Changes</i> %	31.12.2019 RM'000	31.12.2018 RM'000	<i>Changes</i> %
Revenue	109,798	116,870	(6.1)	423,221	462,857	(8.6)
Operating profit	11,531	8,652	33.3	91,921	40,375	> 100.0
Profit before tax	11,398	8,630	32.1	91,234	39,759	> 100.0
Profit after tax	13,110	5,223	> 100.0	73,634	27,554	> 100.0
Profit attributable to owners of the Company	1,274	903	41.1	33,915	12,259	> 100.0

B1 Review of performance of the Group (cont'd)

4Q2019 vs 4Q2018

Revenue for 4Q2019 at RM109.8 million was RM7.1 million lower compared to revenue of RM116.9 million posted in 4Q2018 mainly due to lower earned premiums recorded by Insurance segment. The unfavourable variance was mitigated by higher revenue from Credit segment.

Profit Before Tax ("PBT") for 4Q2019 at RM11.4 million increased by 32.1% from PBT of RM8.6 million in 4Q2018. This was mainly due to higher PBT reported by the Insurance segment.

Insurance

The Insurance subsidiary posted higher PBT of RM17.1 million in 4Q2019 compared to PBT of RM13.2 million in 4Q2018 due to higher investment income and lower claims ratio.

Credit

In 4Q2019, the Credit segment recorded a loss before tax of RM4.7 million compared to loss before tax of RM7.7 million reported in 4Q2018 mainly due to higher interest income.

12M2019 vs 12M2018

Revenue reported in 12M2019 was RM423.2 million, a decrease of RM39.7 million compared to RM462.9 million achieved in 12M2018. This was due to lower revenue from Insurance and Investment segments.

However, PBT of the Group for 12M2019 at RM91.2 million has improved significantly by RM51.5 million compared to PBT of RM39.7 million reported in 12M2018. This is largely due to fair value gain in financial assets at FVTPL from investment and lower claims ratio reported by the insurance subsidiary.

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

	3 months ended 31.12.2019	3 months ended 30.09.2019	Changes
	RM'000	RM'000	%
Revenue	109,798	100,249	9.5
Operating profit	11,531	21,322	(45.9)
Profit before tax	11,398	21,124	(46.0)
Profit after tax	13,110	14,634	(10.4)
Profit attributable to owners of the Company	1,274	4,894	(74.0)

4Q2019 vs 3Q2019

In 4Q2019, PBT of RM11.4 million was a decrease of RM9.7 million compared to PBT of RM21.1 million posted in 3Q2019 due to a decrease in investment income.

B3 Group's prospects

In 2019, Malaysian's GDP grew by 4.3% for the year, slowing down from 4.7% growth in 2018 due to lower public consumption and weaker net exports of goods and services. Coronavirus outbreak would further affect the economy adversely through lower foreign tourists and spending on local goods and services. Malaysian economic growth in 2020 is expected to be dependant on private-sector spending and improved global trade activities whilst prolonged coronavirus outbreak, escalation of trade disputes and supply disruptions in the commodities sector would be a major downside risks to the growth.

B3 Group's prospects (cont'd)

Insurance

Insurance subsidiary continues its "Build as We Grow" strategy to widen its distribution channels, enhance its product offerings, expand profitably, drive for operational efficiency, and engage with its Partners, Customers, Human Capital, and Local Society through Lifetime Partnership, Net Promoter Score, Engagement, Diversity and Inclusion, and Corporate Social Responsibility Programs.

Credit

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

Investments

The Group has been conserving its assets as the property market has slowed down and remained lackluster.

The Group will assess viable options to create sustainable value in the land banks, either through joint venture arrangements with reliable partners or outright disposal of the land at appropriate time.

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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense	(6,348)	3,553	12,978	12,351
Deferred tax	4,636	(146)	4,622	(146)
Total income tax expense	<u>(1,712)</u>	<u>3,407</u>	<u>17,600</u>	<u>12,205</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.

The effective tax rate for the Group for the quarter and the year were lower than the statutory rate due to non-taxable income.

B6 Profit before tax

Included in the profit before tax are the following items:

	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	981	719	3,530	2,044
Amortisation of premiums	327	-	987	-
Depreciation of property, plant and equipment	1,311	1,597	5,021	6,213
Depreciation of ROU assets	534	-	2,408	-
Depreciation of investment properties	464	466	1,854	1,868
Dividend income on shares and unit trusts	(548)	(574)	(2,280)	(2,220)
Fund management charges	892	383	1,600	1,049
Fair value changes in financial assets at FVTPL	18,972	851	(38,366)	(4,015)
Interest expense	133	22	687	616
Interest income	(17,333)	(11,908)	(64,147)	(58,428)
(Gain)/loss on disposal of property, plant and equipment	(6)	2	(105)	2
Adjustment arising from the valuation of Put Option	9,203	8,375	34,930	30,646
Rental expense of buildings	(1,232)	866	842	3,692
Realised gain on financial assets at FVTPL	(5,574)	(1,031)	(12,159)	(2,271)
Reversal of ECL allowance of insurance receivables	(3,094)	(12,626)	(1,188)	(13,707)
Allowance for ECL of loans and advances and other receivables	414	4,623	414	4,623
(Recovery of bad debts)/bad debts written off	(231)	10,619	(241)	10,619
Gain on disposal of investment properties	-	(372)	-	(6,477)
Compensation from compulsory acquisition of Investment properties	-	(1,771)	-	(1,771)
Property, plant and equipment written off	(1)	2	7	2

B7 Receivables

	As at	As at
	31.12.2019	31.12.2018
	RM'000	RM'000
Trade receivables	219,687	144,373
Less: allowance for impairment	(29,980)	(30,962)
Total trade receivables	<u>189,707</u>	<u>113,411</u>
Other receivables	134,578	243,268
Less: allowance for impairment	(1,007)	(799)
Total other receivables	<u>133,571</u>	<u>242,469</u>
Total receivables	<u>323,278</u>	<u>355,880</u>
At 1 January	31,761	26,332
Effect from adoption of MFRS 9	-	14,790
Charge for the year (Note B6)	(774)	(9,361)
	<u>30,987</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 31.12.2019			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 2019 was not qualified.

B13 Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the profit for the quarter and year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the quarter and year ended 31 December 2019.

	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit attributable to owners of the Company (RM'000)	<u>1,274</u>	<u>903</u>	<u>33,915</u>	<u>12,259</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>0.2</u>	<u>0.1</u>	<u>4.7</u>	<u>1.7</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
21 February 2020