



MPHB CAPITAL BERHAD
201201025763 (1010253-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3 months ended			6 months ended		
	30.06.2020	30.06.2019	Changes	30.06.2020	30.06.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	94,024	109,531	(14.2)	197,102	213,174	(7.5)
Cost of sales	(53,734)	(61,974)	(13.3)	(122,685)	(130,386)	(5.9)
Gross profit	40,290	47,557	(15.3)	74,417	82,788	(10.1)
Other income	65,119	49,699	31.0	101,036	97,867	3.2
Administrative expenses	(18,534)	(18,144)	2.1	(37,308)	(35,356)	5.5
Other expenses	(40,406)	(43,599)	(7.3)	(126,010)	(86,231)	46.1
Operating profit	46,469	35,513	30.9	12,135	59,068	(79.5)
Finance costs	(149)	(193)	(22.8)	(342)	(356)	(3.9)
Profit before tax	46,320	35,320	31.1	11,793	58,712	(79.9)
Income tax expense	(2)	(7,943)	> (100.0)	(2,482)	(12,822)	(80.6)
Profit for the period	46,318	27,377	69.2	9,311	45,890	(79.7)
Profit/(loss) attributable to:						
Owners of the Company	25,745	15,661	64.4	(4,015)	27,747	> (100.0)
Non-controlling interests	20,573	11,716	75.6	13,326	18,143	(26.6)
	46,318	27,377	69.2	9,311	45,890	(79.7)
Earnings/(loss) per share attributable to owners of the Company : (sen per share)						
Basic and diluted	3.6	2.2		(0.6)	3.9	

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	As at	As at
	30.06.2020	31.12.2019
	RM'000	RM'000
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	67,410	69,055
Right-of-use ("ROU") assets	7,121	8,341
Investment properties	816,329	817,256
Investment securities	1,026,217	987,752
Intangible assets	48,711	46,427
Receivables	67,550	41,713
Deferred tax assets	5,699	4,326
Tax recoverable	16,699	19,114
	2,055,736	1,993,984
Current assets		
Inventories	134	216
Receivables	305,771	274,626
Reinsurance assets	372,980	368,555
Tax recoverable	4,396	1,149
Investment securities	398,088	405,754
Cash and bank balances	302,945	285,837
	1,384,314	1,336,137
Total assets	3,440,050	3,330,121
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	739,675	742,977
	1,385,481	1,388,783
Non-controlling interests	379,411	333,638
Total equity	1,764,892	1,722,421
Non-current liabilities		
Lease liabilities	5,043	6,225
Deferred tax liabilities	8,768	9,553
	13,811	15,778
Current liabilities		
Payables	167,809	149,908
Put and Call Options	459,660	444,300
Lease liabilities	2,392	2,315
Insurance contract liabilities	1,027,302	985,082
Borrowings	1,000	4,000
Tax payable	3,184	6,317
	1,661,347	1,591,922
Total liabilities	1,675,158	1,607,700
Total equity and liabilities	3,440,050	3,330,121
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 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2020

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

	I--Non-distributable--I		Distributable				Total equity RM'000
	Share capital RM'000	Other reserves RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
At 1 January 2019	1,011,091	(336,821)	(28,464)	710,688	1,356,494	262,851	1,619,345
Adjustment from adoption of MFRS 16	-	-	-	(176)	(176)	-	(176)
	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 increase in equity interests in a subsidiary	-	-	-	-	-	(7)	(7)
Arising from creation of units in a subsidiary	-	-	-	1,056	1,056	15,206	16,262
At 30 June 2019	1,011,091	(336,821)	(28,464)	739,315	1,385,121	296,193	1,681,314
At 1 January 2020	1,011,091	(336,821)	(28,464)	742,977	1,388,783	333,638	1,722,421
Profit for the period	-	-	-	(4,015)	(4,015)	13,326	9,311
Arising from increase in equity interests in a subsidiary	-	-	-	7	7	(10)	(3)
Arising from creation of units in a subsidiary	-	-	-	706	706	32,457	33,163
At 30 June 2020	1,011,091	(336,821)	(28,464)	739,675	1,385,481	379,411	1,764,892

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2020

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
	Unaudited	Unaudited
OPERATING ACTIVITIES		
Profit before tax	11,793	58,712
Adjustments for:		
Depreciation of property, plant and equipment	2,554	2,443
Depreciation of ROU assets	1,163	1,251
Depreciation of investment properties	927	927
Amortisation of premiums	715	397
Amortisation of intangible assets	2,206	1,643
Allowance for expected credit losses ("ECL") on insurance receivables	1,351	1,459
Reversal of allowance on trade receivables	(56)	-
Reversal of allowance on other receivables	(6)	-
Reversal of allowance on loan and advances	(1,557)	(1,042)
Bad debts recovered	-	(10)
Realised gain on financial assets at FVTPL	(7,148)	(3,189)
Gain on disposal of property, plant and equipment	-	(99)
Property, plant and equipment written off	1	6
Adjustment arising from revaluation of Put Option	15,360	16,702
Dividend income on shares and unit trusts	(712)	(1,084)
Interest expense	147	81
Interest on lease liabilities	195	275
Interest income	(33,522)	(30,904)
Loss/(gain) arising from fair value change in financial assets at FVTPL	5,672	(40,612)
Operating cash flows before working capital changes	<u>(917)</u>	<u>6,956</u>
Changes in working capital:		
Inventories	82	8
Receivables	(23,216)	4,805
Reinsurance assets	(4,425)	27,723
Insurance contract liabilities	42,220	(21,970)
Payables	17,899	2,725
Cash flows generated from operations	<u>31,643</u>	<u>20,247</u>
Income tax paid	(8,605)	(4,291)
Net cash flows generated from operating activities	<u>23,038</u>	<u>15,956</u>
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	-	100
- investment securities	214,694	162,350
Purchase of :		
- additional shares in a subsidiary	(3)	(7)
- intangible assets	(4,490)	(3,141)
- property, plant and equipment	(910)	(552)
- investment securities	(244,732)	(432,690)
Dividend received from shares and unit trusts	712	1,084
Interest received	33,218	29,523
Net movement in fixed deposits with licensed bank	(199,364)	191,708
Net cash flows used in investing activities	<u>(200,875)</u>	<u>(51,625)</u>
FINANCING ACTIVITIES		
Net movement of borrowings	(3,000)	2,800
Interest paid	(145)	(73)
Payment of principal portion of lease liabilities	(1,274)	(1,360)
Net cash flows (used in)/generated from financing activities	<u>(4,419)</u>	<u>1,367</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(182,256)</u>	<u>(34,302)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>188,478</u>	<u>108,620</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>6,222</u>	<u>74,318</u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	302,945	499,634
Fixed deposits with licensed banks with maturity period of more than 3 months	(296,723)	(425,316)
	<u>6,222</u>	<u>74,318</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 2019 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 have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting*, International Accounting Standard (“IAS”), 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 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 2019. 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 2019.

A2 Significant accounting policies

A2.1 Adoption of Amendments to Standards

The accounting policies adopted in the preparation of the Condensed Report are consistent with those adopted in the preparation of the Group’s audited financial statements for the financial year ended 31 December 2019, except for the following:

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3: Business Combinations – *Definition of a business*
Amendments to MFRS 9: *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures: Interest Rate Benchmark Reform*
Amendments to MFRS 101: *Presentation of Financial Statements – Definition of Material*
Amendments to MFRS 108: *Accounting Policies, Changes In Accounting Estimates and Errors – Definition of Material*

A2.2 Standards issued but not yet effective

As at date of authorization of this Condensed Report, the following Standards and amendments to Standards have been issued by the MASB but are not yet effective.

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3: Business Combinations – *Reference to the Conceptual Framework*
Amendments to MFRS 101: *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Annual Improvements to MFRS Standards 2018-2020:

- Amendments to MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards*
- Amendments to MFRS 9: *Financial Instruments*

Effective for financial periods beginning on or after 1 January 2023

MFRS 17: *Insurance Contracts*

Effective date of these Amendments to Standards has been deferred, and yet to be announced

Amendments to MFRS 10: *Consolidated Financial Statements* and MFRS 128: *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group.

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-to-date ended 30 June 2020.

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-to-date ended 30 June 2020.

A6 Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and year-to-date ended 30 June 2020.

A7 Dividends Paid

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

A8 Segmental Information

	3 months ended			6 months ended		
	30.06.2020	30.06.2019	Changes	30.06.2020	30.06.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Revenue						
Insurance	89,483	97,808	(8.5)	183,325	192,238	(4.6)
Credit	3,689	5,486	(32.8)	7,951	7,919	0.4
Investments	852	6,237	(86.3)	5,826	13,017	(55.2)
Total	94,024	109,531	(14.2)	197,102	213,174	(7.5)
Segmental Results						
Insurance	41,684	31,249	33.4	27,978	49,303	(43.3)
Credit	8,072	5,282	52.8	(9,749)	11,664	> (100.0)
Investments	(3,436)	(1,211)	> 100.0	(6,436)	(2,255)	> 100.0
	46,320	35,320	31.1	11,793	58,712	(79.9)
Income tax expense	(2)	(7,943)	> (100.0)	(2,482)	(12,822)	(80.6)
Profit for the period	46,318	27,377	69.2	9,311	45,890	(79.7)

A8 Segmental Information (cont'd.)**Assets and Liabilities as at 30 June 2020**

	Assets RM'000	Liabilities RM'000
Insurance	1,947,029	1,175,357
Credit	610,925	465,780
Investments	882,096	34,021
Total	3,440,050	1,675,158

Assets and Liabilities as at 31 December 2019

	Assets RM'000	Liabilities RM'000
Insurance	1,826,066	1,114,333
Credit	606,202	450,541
Investments	897,853	42,826
Total	3,330,121	1,607,700

A9 Other income

	3 months ended			6 months ended		
	30.06.2020 RM'000	30.06.2019 RM'000	Changes %	30.06.2020 RM'000	30.06.2019 RM'000	Changes %
Interest income	17,093	17,797	(4.0)	33,522	30,904	8.5
Dividend income	323	566	(42.9)	712	1,084	(34.3)
Fair value changes in financial assets at FVTPL	32,108	19,605	63.8	32,108	40,612	(20.9)
Fee and commission income	13,116	9,209	42.4	26,175	18,549	41.1
Reversal of allowance on loan and advances	1,557	1,042	49.4	1,557	1,042	49.4
Gain on disposal of property, plant and equipment	-	33	> (100.0)	-	99	> (100.0)
Realised gain on financial assets at FVTPL	1,891	1,782	6.1	7,148	3,189	> 100.0
(Reversal)/service income earned from Malaysia Motor Insurance Pool ("MMIP")	(1,276)	(938)	36.0	(603)	2,107	> (100.0)
Others	307	603	(49.1)	417	281	48.4
Total	65,119	49,699	31.0	101,036	97,867	3.2

A10 Financial Instruments

(i) Classification

The following table analyses the financial assets and financial 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 30.06.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
Financial assets at FVTPL		
Investment securities:		
- quoted shares	632,964	689,299
- unquoted bonds	791,341	704,207
	<u>1,424,305</u>	<u>1,393,506</u>
Financial assets at amortised cost		
Receivables	332,915	264,704
Cash and bank balances	302,945	285,837
	<u>635,860</u>	<u>550,541</u>
	<u>2,060,165</u>	<u>1,944,047</u>
Total financial assets	2,060,165	1,944,047
	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
LIABILITIES		
Liabilities at amortised cost		
Put and Call Options	459,660	444,300
Lease liabilities	7,435	8,540
Payables	145,105	124,510
Borrowings	1,000	4,000
Total financial liabilities	<u>613,200</u>	<u>581,350</u>

(ii) Fair Values

(a) Financial instruments that are carried at fair value

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 (unobservable inputs)

A10 Financial Instruments (cont'd.)**(ii) Fair Values (cont'd.)****(a) Financial instruments that are carried at fair value (cont'd.)**

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 30 June 2020				
Financial assets at FVTPL				
Quoted shares/unit trusts	632,964	-	-	632,964
Unquoted debt securities/shares	-	786,790	4,551	791,341
	632,964	786,790	4,551	1,424,305
As at 31 December 2019				
Financial assets at FVTPL				
Quoted shares/unit trusts	689,299	-	-	689,299
Unquoted debt securities/shares	-	699,802	4,405	704,207
	689,299	699,802	4,405	1,393,506

(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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Insurance premium receivables	515	555	1,401	1,626
Management fee receivable	84	153	195	307
Insurance commission payable	(4)	(101)	(14)	(202)
Claims paid	(83)	(116)	(134)	(223)
Professional fees paid	(6)	(52)	(6)	(58)
IT management fee payable	(20)	(20)	(39)	(39)
Dividend received	499	798	1,097	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 period 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.

A12 Contingent Liabilities

As at 26 August 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 the current quarter and year-to-date ended 30 June 2020.

A14 Capital Commitments

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for :		
Property, plant and equipment	6	-
Computer and software	808	573
Total	814	573

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 30.06.2020 RM'000	As at 31.12.2019 RM'000
Not later than 1 year	4,577	7,184
Later than 1 year and not later than 5 years	287	1,801
Total future minimum lease receivables	4,864	8,985

A16 Unusual Items Affecting Interim Financial Statements

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and year-to-date ended 30 June 2020.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

	3 months ended			6 months ended		
	30.06.2020	30.06.2019	Changes	30.06.2020	30.06.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	94,024	109,531	(14.2)	197,102	213,174	(7.5)
Operating profit	46,469	35,513	30.9	12,135	59,068	(79.5)
Profit before tax ("PBT")	46,320	35,320	31.1	11,793	58,712	(79.9)
Profit after tax ("PBT")	46,318	27,377	69.2	9,311	45,890	(79.7)
Profit/(loss) attributable to owners of the Company	25,745	15,661	64.4	(4,015)	27,747	> (100.0)

2Q2020 vs 2Q2019

In 2Q2020, revenue at RM94.0 million was 14.2% lower than the revenue of RM109.5 million achieved in 2Q2019 due to lower earned premiums from the Insurance segment and reduced contributions from the Investment segment. COVID-19 pandemic and the implementation of Movement Control Order ("MCO") to contain COVID-19 has adverse impact on Investment segment.

However, PBT was 31.1% higher compared to the PBT of RM35.3 million in 2Q2019 mainly due to fair value changes in financial assets at fair value through profit or loss ("FVTPL").

Insurance

Earned premium reduced by 8.5% to RM89.5 million in 2Q2020 compared to RM97.8 million reported in 2Q2019. Despite lower revenue, PBT improved by 33.4% to RM41.7 million in 2Q2020 resulting from changes in the fair value of financial assets at FVTPL.

Credit

In 2Q2020, the Credit segment recorded PBT of RM8.1 million compared to PBT of RM5.3 million reported in 2Q2019 mainly due to fair value changes in financial assets at FVTPL.

Investment

Investment segment reported revenue of RM0.9 million which was RM5.3 million lower than the revenue of RM6.2 million in 2Q2019.

In 2Q2020, it reported loss of RM3.5 million compared to loss of RM1.2 million in 2Q2019. The adverse performance on the Investment segment was due to the impact of COVID-19 pandemic and the subsequent closure of inter-state and international borders.

1H2020 vs 1H2019

Revenue in 1H2020 at RM197.1 million was 7.5% lower than revenue of RM213.2 million posted in 1H2019 due to lower earned premiums from Insurance segment, reduced contributions from hotel operations and rental income. COVID-19 pandemic and implementation of MCO had negatively affected the hotel operations and rental income in the investment segment.

As a result, PBT in 1H2020 was lower at RM11.8 million compared to the PBT of RM58.7 million in 1H2019 due to lower earned premiums and the negative impact from COVID-19 pandemic which has affected the Investment segment as well.

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

	3 months ended 30.06.2020	3 months ended 31.03.2020	Changes
	RM'000	RM'000	%
Revenue	94,024	103,078	(8.8)
Operating profit/(loss)	46,469	(34,334)	> 100.0
Profit/(loss) before tax	46,320	(34,527)	> 100.0
Profit/(loss) after tax	46,318	(37,007)	> 100.0
Profit/(loss) attributable to owners of the Company	25,745	(29,760)	> 100.0

2Q2020 vs 1Q2020

In 2Q2020, PBT of RM46.3 million was higher compared to loss before tax ("LBT") of RM34.5 million posted in 1Q2020 due to improvement in the changes in fair value in financial assets at FVTPL.

B3 Group's prospects

The Malaysian gross domestic product ("GDP") contracted by 17.1% in 2Q2020 mainly due to implementation of MCO to curb the spread of COVID-19 and all sectors, other than agriculture sector, experienced negative growth. The Malaysian economy is expected to recover gradually in 2H2020 as various recovery stimulus and packages have been launched progressively as businesses reopens gradually. BNM forecast Malaysia's GDP to be between -3.5% to -5.5% in 2020.

Insurance

Insurance subsidiary will continue its "Build as We Grow" strategy to widen its distribution channels, enhance its product offerings to expand profitably and drive for operational efficiencies.

Credit

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

Investments

The COVID-19 pandemic and implementation of MCO by Malaysian government had significant adverse impact on the hospitality industry. In view of current lacklustre property sentiments, the Group will continue to conserve and safeguard its resources.

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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Income tax expense	2,158	7,957	4,638	12,836
Deferred tax	(2,156)	(14)	(2,156)	(14)
Total income tax expense	<u>2</u>	<u>7,943</u>	<u>2,482</u>	<u>12,822</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2019: 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 and previous corresponding quarters 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		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,100	868	2,206	1,643
Amortisation of premiums	372	211	715	397
Depreciation of property, plant and equipment	1,302	1,219	2,554	2,443
Depreciation of ROU assets	552	579	1,163	1,251
Depreciation of investment properties	463	464	927	927
Dividend income on shares and unit trusts	(323)	(566)	(712)	(1,084)
Fund management charges	636	572	1,260	606
Fair value changes in financial assets at FVTPL	(32,108)	(19,605)	5,672	(40,612)
Interest expense	149	193	342	356
Interest income	(17,093)	(17,797)	(33,522)	(30,904)
Gain on disposal of property, plant and equipment	-	(99)	-	(99)
Adjustment arising from the revaluation of Put Option	5,876	9,663	15,360	16,702
Service fees and storage fee	44	369	307	369
Realised gain on financial assets at FVTPL	(1,891)	(1,782)	(7,148)	(3,189)
Allowance for ECL/(reversal of allowance) on insurance receivables	912	(59)	1,351	1,459
Reversal of allowance on loan and advances	(1,557)	(1,042)	(1,557)	(1,042)
Reversal of allowance on trade receivables	(56)	-	(56)	-
Reversal of allowance on other receivables	(6)	-	(6)	-
Bad debts recovered	-	-	-	(10)
Property, plant and equipment written off	-	6	1	6

B7 Receivables

	As at	As at
	30.06.2020	31.12.2019
	RM'000	RM'000
Trade receivables	277,417	219,989
Less: allowance for ECL	(30,885)	(31,147)
Total trade receivables	<u>246,532</u>	<u>188,842</u>
Other receivables	126,933	127,647
Less: allowance for ECL	(144)	(150)
Total other receivables	<u>126,789</u>	<u>127,497</u>
Total receivables	<u>373,321</u>	<u>316,339</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 30 June 2020. 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 30.06.2020		As at 31.12.2019	
	Current RM'000	Total RM'000	Current RM'000	Total RM'000
Term loan - secured	1,000	1,000	4,000	4,000

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-69-02/ 2016, WA-22NCC-70-02/ 2016, WA-22NCC-71-02/ 2016 and WA-22NCC-72-02/ 2016]**

ISM Sendirian Berhad ("ISM or the 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.

B10 Material Litigation (cont'd.)

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 of 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 land 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. 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 for a stay of the execution of the High Court's judgement dated 21 June 2019 ("Judgement") and all the proceedings relating thereto pending the disposal of the Appeals.

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. The case management for the Appeals has been fixed on 6 October 2020.

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/(loss) Per Share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit or loss for the current quarter and year-to-date ended 30 June 2020 attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and year-to-date ended 30 June 2020.

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Profit/(loss) attributable to owners of the Company (RM'000)	<u>25,745</u>	<u>15,661</u>	<u>(4,015)</u>	<u>27,747</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/(loss) per share (sen per share)	<u>3.6</u>	<u>2.2</u>	<u>(0.6)</u>	<u>3.9</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
26 August 2020