



MPHB CAPITAL BERHAD
(201201025763)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3 months ended			9 months ended		
	30.09.2020	30.09.2019	Changes	30.09.2020	30.09.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	129,969	100,249	29.6	327,071	313,423	4.4
Cost of sales	(74,068)	(63,311)	17.0	(196,753)	(193,697)	1.6
Gross profit	55,901	36,938	51.3	130,318	119,726	8.8
Other income	35,397	49,415	(28.4)	98,653	147,282	(33.0)
Administrative expenses	(18,348)	(17,587)	4.3	(55,656)	(52,943)	5.1
Other expenses	(45,364)	(47,444)	(4.4)	(133,594)	(133,675)	(0.1)
Operating profit	27,586	21,322	29.4	39,721	80,390	(50.6)
Finance costs	(157)	(198)	(20.7)	(499)	(554)	(9.9)
Profit before tax	27,429	21,124	29.8	39,222	79,836	(50.9)
Income tax expense	(1,099)	(6,490)	(83.1)	(3,581)	(19,312)	(81.5)
Profit for the period	26,330	14,634	79.9	35,641	60,524	(41.1)
Profit attributable to:						
Owners of the Company	13,690	4,894	> 100.0	9,675	32,641	(70.4)
Non-controlling interests	12,640	9,740	29.8	25,966	27,883	(6.9)
	26,330	14,634	79.9	35,641	60,524	(41.1)
Earnings per share attributable to owners of the Company : (sen per share)						
Basic and diluted	1.9	0.7		1.4	4.6	

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	As at 30.09.2020 RM'000 Unaudited	As at 31.12.2019 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	66,465	69,055
Right-of-use ("ROU") assets	9,578	8,341
Investment properties	800,856	817,256
Investment securities	1,263,317	987,752
Intangible assets	49,135	46,427
Receivables	67,550	41,713
Deferred tax assets	5,927	4,326
Tax recoverable	16,699	19,114
	2,279,527	1,993,984
Current assets		
Inventories	114	216
Receivables	303,058	274,626
Reinsurance assets	506,226	368,555
Tax recoverable	4,981	1,149
Investment securities	297,433	405,754
Cash and bank balances	309,572	285,837
	1,421,384	1,336,137
Total assets	3,700,911	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	752,798	742,977
	1,398,604	1,388,783
Non-controlling interests	457,804	333,638
Total equity	1,856,408	1,722,421
Non-current liabilities		
Lease liabilities	7,709	6,225
Deferred tax liabilities	8,767	9,553
	16,476	15,778
Current liabilities		
Payables	177,682	149,908
Put and Call Options	463,375	444,300
Lease liabilities	2,406	2,315
Insurance contract liabilities	1,179,029	985,082
Borrowings	2,000	4,000
Tax payable	3,535	6,317
	1,828,027	1,591,922
Total liabilities	1,844,503	1,607,700
Total equity and liabilities	3,700,911	3,330,121
Net assets per share attributable to owners of the Company (RM)	2.0	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 SEPTEMBER 2020

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

	I--Non-distributable--I			Distributable		Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Other reserves RM'000	Merger deficit RM'000	Retained earnings RM'000	Total 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	-	-	-	32,641	32,641	27,883	60,524
Arising from increase in equity interests in a subsidiary	-	-	-	1,279	1,279	19,533	20,812
Arising from creation of units in a subsidiary	-	-	-	-	-	(20)	(20)
At 30 September 2019	1,011,091	(336,821)	(28,464)	744,432	1,390,238	310,247	1,700,485
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	-	-	-	9,675	9,675	25,966	35,641
Arising from increase in equity interests in a subsidiary	-	-	-	7	7	(10)	(3)
Arising from creation of units in a subsidiary	-	-	-	139	139	98,210	98,349
At 30 September 2020	1,011,091	(336,821)	(28,464)	752,798	1,398,604	457,804	1,856,408

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 SEPTEMBER 2020

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
	Unaudited	Unaudited
OPERATING ACTIVITIES		
Profit before tax	39,222	79,836
Adjustments for:		
Depreciation of property, plant and equipment	3,788	3,710
Depreciation of ROU assets	1,796	1,874
Depreciation of investment properties	1,388	1,390
Amortisation of premiums	1,113	660
Amortisation of intangible assets	3,325	2,549
Allowance for expected credit losses ("ECL") on insurance receivables	1,262	1,906
Reversal of allowance for ECL on trade receivables	(54)	(16)
Reversal of allowance for ECL on other receivables	(6)	-
Reversal of allowance for ECL on loan and advances	(259)	(1,042)
Bad debts recovered	-	(10)
Realised gain on financial assets at FVTPL	(9,717)	(6,585)
Gain on disposal of property, plant and equipment	(46)	(99)
Gain on disposal of investment properties	(398)	-
Property, plant and equipment written off	-	8
Adjustment arising from revaluation of Put Option	19,075	25,727
Dividend income on shares and unit trusts	(842)	(1,732)
Interest expense	174	149
Interest on lease liabilities	325	405
Interest income	(50,678)	(46,814)
Loss/(gain) arising from fair value changes in financial assets at FVTPL	4,213	(57,338)
Operating cash flows before working capital changes	13,681	4,578
Changes in working capital:		
Inventories	102	(4)
Receivables	55,672	10,112
Reinsurance assets	(137,671)	(19,119)
Insurance contract liabilities	193,947	32,206
Payables	27,772	12,093
Cash flows generated from operations	153,503	39,866
Income tax paid	(10,167)	(6,698)
Net cash flows generated from operating activities	143,336	33,168
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	50	101
- investment properties	1,134	-
- investment securities	642,031	239,212
Purchase of :		
- additional shares in a subsidiary	(3)	(20)
- intangible assets	(4,292)	(3,766)
- property, plant and equipment	(1,202)	(1,548)
- investment securities	(804,884)	(693,577)
Dividend received from shares and unit trusts	842	1,732
Interest received	50,678	49,280
Net movement in fixed deposits with licensed bank	(107,535)	380,619
Net cash flows used in investing activities	(223,181)	(27,967)
FINANCING ACTIVITIES		
Net movement of borrowings	(2,000)	2,800
Interest paid	(172)	(141)
Payment of principal portion of lease liabilities	(1,783)	(2,074)
Net cash flows (used in)/generated from financing activities	(3,955)	585
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(83,800)	5,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	188,478	108,620
CASH AND CASH EQUIVALENTS AT END OF PERIOD	104,678	114,406
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	309,572	350,811
Fixed deposits with licensed banks with maturity period of more than 3 months	(204,894)	(236,405)
	104,678	114,406

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 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 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 4: *Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments*
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 101: *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
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 unaudited interim financial statements, the following Standards and amendments to Standards have been issued by the Malaysia Accounting Standards Board but are not yet effective.

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16: *Leases – COVID-19 – Related Rent Concessions*

Effective for financial periods beginning on or after 1 June 2021

Amendments to MFRS 9: *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7: *Financial Instruments: Disclosures*, MFRS 4: *Insurance Contracts* and MFRS 16: *Leases – Interest Rate Benchmark Reform-Phase 2*

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3: *Business Combinations – Reference to the Conceptual Framework*
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*
Amendments to MFRS 17: *Insurance Contracts*
Amendments to MFRS 101: *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

A2 Significant accounting policies (cont'd.)

A2.2 Standards issued but not yet effective (cont'd.)

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*

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

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 2023, 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.

Below are some of the key milestones achieved by the Group:

- Completed the gap analysis on business requirements to identify data and system gaps;
- Finalisation of technical position via technical position papers are in progress and on track to complete;
- Complete the preliminary financial impact assessment in determining the measurement model to be applied; and
- In the process of developing the portfolio modelling framework.

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 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 period ended 30 September 2020.

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 2020.

A7 Dividends Paid

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

A8 Segmental Information

	3 months ended			9 months ended		
	30.09.2020	30.09.2019	Changes	30.09.2020	30.09.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Revenue						
Insurance	102,137	90,944	12.3	285,462	283,182	0.8
Credit	1,567	2,238	(30.0)	9,518	10,157	(6.3)
Investments	26,265	7,067	> 100.0	32,091	20,084	59.8
Total	129,969	100,249	29.6	327,071	313,423	4.4
Segmental Results						
Insurance	27,379	26,759	2.3	55,357	76,062	(27.2)
Credit	(6,100)	(1,999)	> 100.0	(15,849)	9,665	> (100.0)
Investments	6,150	(3,636)	> 100.0	(286)	(5,891)	(95.1)
	27,429	21,124	29.8	39,222	79,836	(50.9)
Income tax expense	(1,099)	(6,490)	(83.1)	(3,581)	(19,312)	(81.5)
Profit for the period	26,330	14,634	79.9	35,641	60,524	(41.1)

Assets and Liabilities as at 30 September 2020

	Assets	Liabilities
	RM'000	RM'000
Insurance	2,305,769	1,341,747
Credit	508,169	469,807
Investments	886,973	32,949
Total	3,700,911	1,844,503

Assets and Liabilities as at 31 December 2019

	Assets	Liabilities
	RM'000	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			9 months ended		
	30.09.2020 RM'000	30.09.2019 RM'000	Changes %	30.09.2020 RM'000	30.09.2019 RM'000	Changes %
Interest income	17,156	15,910	7.8	50,678	46,814	8.3
Dividend income	130	648	(79.9)	842	1,732	(51.4)
Gain/(loss) arising from fair value changes in financial assets at FVTPL	1,459	16,726	(91.3)	(4,213)	57,338	> (100.0)
Fee and commission income	12,503	11,696	6.9	38,678	30,245	27.9
(Allowance)/reversal of allowance for ECL on loan and advances	(1,298)	-	(100.0)	259	1,042	(75.1)
(Allowance)/reversal of allowance for ECL on trade receivables	(2)	16	> (100.0)	54	16	> 100.0
Reversal of allowance for ECL on other receivables	-	-	-	6	-	100.0
Gain on disposal of investment properties	398	-	100.0	398	-	100.0
Gain on disposal of property, plant and equipment	46	-	100.0	46	99	(53.5)
Realised gain on financial assets at FVTPL	2,569	3,396	(24.4)	9,717	6,585	47.6
Service income earned from Malaysia Motor Insurance Pool ("MMIP")	2,012	948	> 100.0	1,409	3,055	(53.9)
Others	424	75	> 100.0	779	356	> 100.0
Total	35,397	49,415	(28.4)	98,653	147,282	(33.0)

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 30.09.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
Financial assets at FVTPL		
Investment securities:		
- quoted shares	881,705	689,299
- unquoted bonds	679,045	704,207
	1,560,750	1,393,506
Financial assets at amortised cost		
Receivables	328,958	264,704
Cash and bank balances	309,572	285,837
	638,530	550,541
Total financial assets	2,199,280	1,944,047

A10 Financial Instruments (cont'd.)**(i) Classification (cont'd.)**

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. (cont'd.)

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
LIABILITIES		
Liabilities at amortised cost		
Put and Call Options	463,375	444,300
Lease liabilities	10,115	8,540
Payables	154,351	124,510
Borrowings	2,000	4,000
Total financial liabilities	629,841	581,350

(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)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 30 September 2020				
Financial assets at FVTPL				
Quoted shares/unit trusts	881,705	-	-	881,705
Unquoted debt securities/shares	-	674,396	4,649	679,045
	881,705	674,396	4,649	1,560,750
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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Insurance premium receivables	65	124	1,466	1,626
Management fee receivable	156	112	351	419
Insurance commission payable	(2)	(14)	(16)	(91)
Claims paid	(31)	(171)	(165)	(394)
Professional fees paid	(47)	(10)	(53)	(68)
IT management fee payable	(20)	(20)	(59)	(59)
Dividend received	-	997	1,097	2,592

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 25 November 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 period

On 7 May 2015 ("completion date"), the Company announced that Multi-Purpose Capital Holdings Berhad ("MPCHB"), a wholly owned subsidiary of the Company had disposed 49,000,000 ordinary shares of RM1.00 each, representing 49% of the issued and paid-up share capital of MPI Generali Insurans Berhad ("MPI Generali") to Generali Asia N.V. ("Generali Asia") for a total consideration of approximately RM356,000,000.

In accordance with the Sale and Purchase Agreement and the Call and Put Option Agreement, both dated 18 December 2014, entered into between MPCHB and Generali Asia:

- Two years from completion date, Generali Asia has the option to acquire from MPCHB and to require MPCHB to sell 21% of the issued and paid up share capital of MPI Generali ("Call Option") at the time of the exercise of the Call Option; and
- Five years from the completion date, Generali Asia has the option to put to MPCHB and to require MPCHB to acquire all of the issued and paid up share capital of MPI Generali ("Put Option") held by Generali Asia at the time of the exercise of the Put Option.

The Put Option has lapsed on 6 November 2020.

A14 Capital Commitments

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for :		
Computer and software	<u>3,676</u>	<u>573</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 30.09.2020 RM'000	As at 31.12.2019 RM'000
Not later than 1 year	3,053	7,184
Later than 1 year and not later than 5 years	<u>154</u>	<u>1,801</u>
Total future minimum lease receivables	<u>3,207</u>	<u>8,985</u>

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 period ended 30 September 2020.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

	3 months ended			9 months ended		
	30.09.2020	30.09.2019	Changes	30.09.2020	30.09.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	129,969	100,249	29.6	327,071	313,423	4.4
Operating profit	27,586	21,322	29.4	39,721	80,390	(50.6)
Profit before tax ("PBT")	27,429	21,124	29.8	39,222	79,836	(50.9)
Profit after tax ("PAT")	26,330	14,634	79.9	35,641	60,524	(41.1)
Profit attributable to owners of the Company	13,690	4,894	> 100.0	9,675	32,641	(70.4)

3Q2020 vs 3Q2019

The Group achieved revenue of RM130.0 million in 3Q2020 which was 29.6% higher than the revenue of RM100.2 million reported in 3Q2019. Higher earned premiums from Insurance subsidiary and recognition of revenue from a joint venture in property had contributed favourably to the performance of the Group.

PBT at RM27.4 million has improved by 29.8% compared to the PBT of RM21.1 million posted in 3Q2019. This is mainly due to recognition of profit from Investment segment.

Insurance

Earned premium increased by 12.3% to RM102.1 million in 3Q2020 from RM90.9 million reported in 3Q2019. In spite of higher earned premium and lower claims ratio, PBT improved marginally by 2.3% to RM27.4 million in 3Q2020 as a result of higher operating and administrative expense and lower investment income.

Credit

In 3Q2020, the Credit segment recorded loss before tax ("LBT") of RM6.1 million compared to LBT of RM2.0 million reported in 3Q2019 due to fair value changes in financial assets at FVTPL and suspension of interest on one of the loan debtors.

Investment

In 3Q2020, Investment segment recorded revenue of RM26.3 million which was RM19.2 million higher than the revenue of RM7.1 million in 3Q2019 due to revenue recognition from joint venture agreement.

PBT has improved significantly at RM6.1 million in 3Q2020 compared to LBT of RM3.6 million in 3Q2019 mainly due to recognition of profit from the joint venture.

9M2020 vs 9M2019

9M2020 revenue at RM327.1 million had increased by 4.4% from RM313.4 million in 9M2019 due to revenue recognition from the joint venture.

In spite of higher revenue in 9M2020, Group PBT has decreased by RM40.6 million to RM39.2 million compared to the PBT of RM79.8 million in 9M2019. This was due to absence of fair value gain from financial assets at FVTPL.

COVID-19 pandemic and implementation of Movement Control Order ("MCO") and Conditional MCO ("CMCO") had negatively affected the hotel operation and rental income in Investment segment.

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

	3 months ended		3 months ended	Changes
	30.09.2020	30.06.2020	30.06.2020	
	RM'000	RM'000	RM'000	%
Revenue	129,969	94,024	94,024	38.2
Operating profit	27,586	46,469	46,469	(40.6)
Profit before tax	27,429	46,320	46,320	(40.8)
Profit after tax	26,330	46,318	46,318	(43.2)
Profit attributable to owners of the Company	13,690	25,745	25,745	(46.8)

3Q2020 vs 2Q2020

In 3Q2020, the Group achieved revenue of RM130.0 million, an increase of 38.2% compared to RM94.0 million posted in 2Q2020 mainly due to higher earned premium from the insurance subsidiary and recognition of revenue from the joint venture in property.

However, PBT in 3Q2020 at RM27.4 million was 40.8% lower compared to PBT of RM46.3 million recorded in 2Q2020 mainly due to changes in the fair value of financial assets at FVTPL.

B3 Group's prospects

The Malaysian gross domestic product ("GDP") contracted by 2.7% in 3Q2020 and the contraction is expected to remain between 3.5% to 5.5%. The recent implementation of the containment measures due to the resurgence of the COVID-19 cases may affect the GDP in the future.

Insurance

Insurance subsidiary will continue its "Build as We Grow" strategy to widen its distribution channels, enhance its product offerings to improve profitability and operational efficiencies.

Credit

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

Investments

COVID-19 pandemic and subsequent implementation of Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") by Malaysian government impacted the hospitality industry adversely.

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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Income tax expense	1,327	6,490	5,965	19,326
Deferred tax	(228)	-	(2,384)	(14)
Total income tax expense	<u>1,099</u>	<u>6,490</u>	<u>3,581</u>	<u>19,312</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 period.

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

The effective tax rate for the Group for the previous corresponding period was higher than the statutory rate as certain expenses being not deductible for tax purposes.

B6 Profit before tax

Included in the Profit before tax are the following items:

	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,119	906	3,325	2,549
Amortisation of premiums	398	263	1,113	660
Depreciation of property, plant and equipment	1,234	1,267	3,788	3,710
Depreciation of ROU assets	633	623	1,796	1,874
Depreciation of investment properties	461	463	1,388	1,390
Dividend income on shares and unit trusts	(130)	(648)	(842)	(1,732)
Fund management charges	673	102	1,933	708
(Gain)/loss arising from fair value changes in financial assets at FVTPL	(1,459)	(16,726)	4,213	(57,338)
Interest expense	157	198	499	554
Interest income	(17,156)	(15,910)	(50,678)	(46,814)
Gain on disposal of investment properties	(398)	-	(398)	-
Gain on disposal of property, plant and equipment	(46)	-	(46)	(99)
Adjustment arising from revaluation of Put Option	3,715	9,025	19,075	25,727
Service fees and storage fee	271	1,705	578	2,074
Realised gain on financial assets at FVTPL	(2,569)	(3,396)	(9,717)	(6,585)
(Reversal of allowance)/allowance for ECL on insurance receivables	(89)	447	1,262	1,906
Allowance/(reversal of allowance) for ECL on loan and advances	1,298	-	(259)	(1,042)
Allowance/(reversal of allowance) for ECL on trade receivables	2	(16)	(54)	(16)
Reversal of allowance for ECL on other receivables	-	-	(6)	-
Bad debts recovered	-	-	-	(10)
Property, plant and equipment written off	-	2	-	8

B7 Receivables

	As at	As at
	30.09.2020	31.12.2019
	RM'000	RM'000
Trade receivables	261,636	219,989
Less: allowance for ECL	(32,096)	(31,147)
Total trade receivables	<u>229,540</u>	<u>188,842</u>
Other receivables	141,212	127,647
Less: allowance for ECL	(144)	(150)
Total other receivables	<u>141,068</u>	<u>127,497</u>
Total receivables	<u>370,608</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 September 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 on GRN 28274, Lot 643 and GRN 9036, Lot 1199, Sekyen 67, Town of Kuala Lumpur, District and State of Wilayah Persekutuan Kuala Lumpur, properties registered under Mulpha Kluang Maritime Carriers Sdn. Bhd.

The buildings situated on GRN 28274, Lot 643 and GRN 9036, Lot 1199, remained unoccupied.

B9 Borrowings

The Group's borrowings are as follows:

	As at 30.09.2020		As at 31.12.2019	
	Current RM'000	Total RM'000	Current RM'000	Total RM'000
Term loan - secured	2,000	2,000	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.)

(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] (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 of the Appeals has been fixed on 10 and 11 May 2021.

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 current quarter 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 2020.

	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit attributable to owners of the Company (RM'000)	13,690	4,894	9,675	32,641
Weighted average number of ordinary shares in issue ('000)	715,000	715,000	715,000	715,000
Earnings per share (sen per share)	1.9	0.7	1.4	4.6

By Order Of The Board
Ng Sook Yee
Company Secretary
25 November 2020