



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

INTERIM FINANCIAL STATEMENT
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3 months ended			12 months ended		
	31.12.2020	31.12.2019	Changes	31.12.2020	31.12.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	Unaudited	Unaudited		Unaudited	Audited	
Revenue	116,181	111,224	4.5	443,252	424,647	4.4
Cost of sales	(50,024)	(59,497)	(15.9)	(246,777)	(253,194)	(2.5)
Gross profit	66,157	51,727	27.9	196,475	171,453	14.6
Other income	30,459	16,315	86.7	129,112	163,597	(21.1)
Administrative expenses	(24,337)	(18,089)	34.5	(79,993)	(71,032)	12.6
Other expenses	(53,313)	(45,997)	15.9	(186,907)	(179,672)	4.0
Operating profit	18,966	3,956	> 100.0	58,687	84,346	(30.4)
Finance costs	(157)	(133)	18.0	(656)	(687)	(4.5)
Profit before tax	18,809	3,823	> 100.0	58,031	83,659	(30.6)
Income tax expense	(1,132)	6,094	> (100.0)	(4,713)	(13,218)	(64.3)
Profit for the period/year	17,677	9,917	78.2	53,318	70,441	(24.3)
Profit/(loss) attributable to:						
Owners of the Company	2,932	(1,458)	> 100.0	12,607	31,183	(59.6)
Non-controlling interests	14,745	11,375	29.6	40,711	39,258	3.7
	17,677	9,917	78.2	53,318	70,441	(24.3)
Earnings/(loss) per share attributable to owners of the Company : (sen per share)						
Basic and diluted	0.4	(0.2)		1.8	4.4	

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 31 DECEMBER 2020

	As at	As at
	31.12.2020	31.12.2019
	RM'000	RM'000
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	65,849	69,055
Right-of-use ("ROU") assets	9,097	8,341
Investment properties	799,332	817,256
Investment securities	1,389,367	987,752
Intangible assets	51,265	46,427
Receivables	44,816	41,713
Deferred tax assets	11,977	4,326
Tax recoverable	16,698	19,114
	2,388,401	1,993,984
Current assets		
Inventories	116	216
Receivables	313,520	274,626
Reinsurance assets	502,293	368,555
Tax recoverable	2,344	1,149
Investment securities	298,724	405,754
Cash and bank balances	230,744	285,837
	1,347,741	1,336,137
Total assets	3,736,142	3,330,121
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	1,011,091	1,011,091
Other reserves	41,903	(336,821)
Merger deficit	(28,464)	(28,464)
Retained earnings	841,775	742,977
	1,866,305	1,388,783
Non-controlling interests	469,260	333,638
Total equity	2,335,565	1,722,421
Non-current liabilities		
Lease liabilities	7,097	6,225
Deferred tax liabilities	8,507	9,553
	15,604	15,778
Current liabilities		
Payables	190,605	149,908
Put and Call Options	-	444,300
Lease liabilities	2,388	2,315
Insurance contract liabilities	1,183,968	985,082
Borrowings	3,000	4,000
Tax payable	5,012	6,317
	1,384,973	1,591,922
Total liabilities	1,400,577	1,607,700
Total equity and liabilities	3,736,142	3,330,121
Net assets per share attributable to owners of the Company (RM)	2.6	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 YEAR ENDED 31 DECEMBER 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
Profit for the year	-	-	-	31,183	31,183	39,258	70,441
Arising from increase in equity interests in a subsidiary	-	-	-	5	5	(31)	(26)
Arising from creation of units in a subsidiary	-	-	-	1,101	1,101	31,560	32,661
At 31 December 2019	1,011,091	(336,821)	(28,464)	742,977	1,388,783	333,638	1,722,421
At 1 January 2020	1,011,091	(336,821)	(28,464)	742,977	1,388,783	333,638	1,722,421
Profit for the year	-	-	-	12,607	12,607	40,711	53,318
Arising from expiry of Put Option	-	378,724	-	86,147	464,871	-	464,871
Arising from increase in equity interests in a subsidiary	-	-	-	4	4	(11)	(7)
Arising from creation of units in a subsidiary	-	-	-	40	40	94,922	94,962
At 31 December 2020	1,011,091	41,903	(28,464)	841,775	1,866,305	469,260	2,335,565

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 YEAR ENDED 31 DECEMBER 2020

	12 months ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
	Unaudited	Audited
OPERATING ACTIVITIES		
Profit before tax	58,031	83,659
Adjustments for:		
Depreciation of property, plant and equipment	4,986	5,021
Depreciation of ROU assets	2,452	2,408
Depreciation of investment properties	1,847	1,854
Amortisation of premiums	1,566	-
Amortisation of intangible assets	4,516	3,531
Reversal of allowance for expected credit losses ("ECL") on insurance receivables	(1,130)	(1,188)
(Reversal of allowance)/allowance for ECL on trade receivables	(51)	22
Reversal of allowance for ECL on other receivables	(6)	(649)
(Reversal of allowance)/allowance for ECL on loan and advances	(258)	1,351
Modification loss on loan and advances	11,969	-
Bad debts recovered	(430)	(241)
Realised gain on financial assets at FVTPL	(13,119)	(10,919)
Gain on disposal of property, plant and equipment	(46)	(104)
Gain on disposal of investment properties	(397)	-
Gain on disposal of investment in a subsidiary	-	(41)
Property, plant and equipment written off	-	7
Adjustment arising from revaluation of Put Option	20,571	34,930
Dividend income on shares and unit trusts	(1,107)	(5,906)
Interest expense	210	213
Interest on lease liabilities	446	474
Interest income	(64,395)	(72,638)
Accretion income on loan and advances	(4,902)	-
Loss/(gain) arising from fair value changes in financial assets at FVTPL	9,862	(38,366)
Operating cash flows before working capital changes	<u>30,615</u>	<u>3,418</u>
Changes in working capital:		
Inventories	100	(13)
Receivables	63,135	72,948
Reinsurance assets	(133,738)	(2,305)
Insurance contract liabilities	198,886	17,418
Payables	40,694	(13,173)
Cash flows generated from operations	<u>199,692</u>	<u>78,293</u>
Income tax paid	(13,494)	(11,076)
Net cash flows generated from operating activities	<u>186,198</u>	<u>67,217</u>
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	50	106
- investment properties	1,133	-
- investment securities	759,136	446,768
Purchase of :		
- additional shares in a subsidiary	(7)	(26)
- intangible assets	(7,613)	(6,780)
- property, plant and equipment	(1,784)	(2,710)
- investment securities	(1,052,030)	(1,022,839)
Dividend received from shares and unit trusts	1,107	5,906
Interest received	62,428	72,638
Net movement in fixed deposits with licensed bank	(89,794)	519,665
Net cash flows (used in)/generated from investing activities	<u>(327,374)</u>	<u>12,728</u>
FINANCING ACTIVITIES		
Net movement of borrowings	(1,000)	2,800
Interest paid	(207)	(204)
Payment of principal portion of lease liabilities	(2,504)	(2,683)
Net cash flows used in financing activities	<u>(3,711)</u>	<u>(87)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(144,887)</u>	<u>79,858</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>188,478</u>	<u>108,620</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>43,591</u>	<u>188,478</u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	230,744	285,837
Fixed deposits with licensed banks with maturity period of more than 3 months	(187,153)	(97,359)
	<u>43,591</u>	<u>188,478</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 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 - Deferral of Effective Date*
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*

A2 Significant accounting policies (cont'd.)

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

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*

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 year ended 31 December 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 ended 31 December 2020.

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 2020.

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		
	31.12.2020	31.12.2019	Changes	31.12.2020	31.12.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Segmental Revenue						
Insurance	112,749	93,398	20.7	398,211	376,580	5.7
Credit	851	8,011	(89.4)	10,369	18,168	(42.9)
Investments	2,581	9,815	(73.7)	34,672	29,899	16.0
Total	116,181	111,224	4.5	443,252	424,647	4.4
Segmental Results						
Insurance	30,065	12,134	> 100.0	85,422	88,196	(3.1)
Credit	(5,296)	(6,241)	(15.1)	(21,145)	3,424	> (100.0)
Investments	(5,960)	(2,070)	> 100.0	(6,246)	(7,961)	(21.5)
	18,809	3,823	> 100.0	58,031	83,659	(30.6)
Income tax expense	(1,132)	6,094	> (100.0)	(4,713)	(13,218)	(64.3)
Profit for the period/year	17,677	9,917	78.2	53,318	70,441	(24.3)

Assets and Liabilities as at 31 December 2020

	Assets	Liabilities
	RM'000	RM'000
Insurance	2,349,625	1,359,086
Credit	504,853	8,678
Investments	881,664	32,813
Total	3,736,142	1,400,577

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			12 months ended		
	31.12.2020 RM'000	31.12.2019 RM'000	Changes %	31.12.2020 RM'000	31.12.2019 RM'000	Changes %
Interest income	13,717	17,333	(20.9)	64,395	64,147	0.4
Dividend income	265	548	(51.6)	1,107	2,280	(51.4)
(Loss)/gain arising from fair value changes in financial assets at FVTPL	(5,649)	(18,972)	(70.2)	(9,862)	38,366	> (100.0)
Fee and commission income	11,031	9,022	22.3	49,709	39,267	26.6
Accretion income on loan and advances	4,902	-	100.0	4,902	-	100.0
(Allowance)/reversal of allowance for ECL on loan and advances	(1)	(1,042)	(99.9)	258	-	100.0
(Allowance)/reversal of allowance for ECL on trade receivables	(3)	(16)	> (100.0)	51	-	100.0
Reversal of allowance for ECL on other receivables	-	649	(100.0)	6	649	> (100.0)
Reversal of allowance for ECL on insurance receivables	1,130	1,188	(4.9)	1,130	1,188	(4.9)
(Loss)/gain on disposal of investment properties	(1)	-	(100.0)	397	-	100.0
Gain on disposal of property, plant and equipment	-	5	(100.0)	46	104	(55.8)
Gain on disposal of investment in a subsidiary	-	41	(100.0)	-	41	(100.0)
Realised gain on financial assets at FVTPL	3,402	4,334	(21.5)	13,119	10,919	20.1
Service income earned from Malaysia Motor Insurance Pool ("MMIP")	2,146	2,605	(17.6)	3,555	5,660	(37.2)
Others	(480)	620	> (100.0)	299	976	> (100.0)
Total	30,459	16,315	86.7	129,112	163,597	(21.1)

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 31.12.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
Financial assets at FVTPL		
Investment securities:		
- quoted shares	969,410	689,299
- unquoted bonds	718,681	704,207
	1,688,091	1,393,506
Financial assets at amortised cost		
Receivables	309,589	264,704
Cash and bank balances	230,744	285,837
	540,333	550,541
	2,228,424	1,944,047
LIABILITIES		
Liabilities at amortised cost		
Put and Call Options	-	444,300
Lease liabilities	9,485	8,540
Payables	161,336	124,510
Borrowings	3,000	4,000
	173,821	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 31 December 2020				
Financial assets at FVTPL				
Current	298,724	-	-	298,724
Non-current	30,254	1,354,552	4,561	1,389,367
	328,978	1,354,552	4,561	1,688,091
As at 31 December 2019				
Financial assets at FVTPL				
Current	405,754	-	-	405,754
Non-current	283,545	699,802	4,405	987,752
	689,299	699,802	4,405	1,393,506

A10 Financial Instruments (con'd.)**ii) Fair Values****(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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Insurance premium receivables	(31)	(160)	1,435	1,466
Management fee receivable	165	177	516	596
Insurance commission payable	(12)	(8)	(28)	(99)
Claims paid	(145)	(149)	(310)	(543)
Professional fees paid	(12)	13	(65)	(55)
IT management fee payable	(19)	(19)	(78)	(78)
Dividend received	823	798	1,920	3,390

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.

A12 Contingent Liabilities

As at 25 February 2021, 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 Significant Event During The Financial Year

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 31.12.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for :		
Computer and software	2,533	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 31.12.2020 RM'000	As at 31.12.2019 RM'000
Not later than 1 year	2,807	7,184
Later than 1 year and not later than 5 years	1,505	1,801
Total future minimum lease receivables	4,312	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 ended 31 December 2020.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance of the Group

	3 months ended			12 months ended		
	31.12.2020	31.12.2019	Changes	31.12.2020	31.12.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	116,181	111,224	4.5	443,252	424,647	4.4
Operating profit	18,966	3,956	> 100.0	58,687	84,346	(30.4)
Profit before tax ("PBT")	18,809	3,823	> 100.0	58,031	83,659	(30.6)
Profit after tax ("PAT")	17,677	9,917	78.2	53,318	70,441	(24.3)
Profit attributable to owners of the Company	2,932	(1,458)	> 100.0	12,607	31,183	(59.6)

4Q2020 vs 4Q2019

In 4Q2020, the Group reported revenue of RM116.2 million which was 4.5% higher than the revenue of RM111.2 million posted in 4Q2019 mainly due to strong premium growth achieved by the Insurance subsidiary.

PBT at RM18.8 million has increased significantly compared to the PBT of RM3.8 million posted in 4Q2019. In tandem with the premium growth, the insurance subsidiary's results has contributed significantly to the improvement.

Insurance

Earned premium of the subsidiary recorded a growth of 20.7% in 4Q2020 at RM112.7 million (4Q2019: RM93.4 million) from its drive for profitable growth through strengthening of its distribution channels to increase market share.

In 4Q2020, PBT at RM30.1 million has increased significantly compared to RM12.1 million in 4Q2019 due mainly to lower net claim incurred and higher investment income. The subsidiary incurred higher operating and administrative expenses which were mitigated by the improvement in the results.

Credit

Credit segment recorded loss before tax ("LBT") of RM5.3 million compared to LBT of RM6.2 million reported in 4Q2019 due to fair value changes in financial assets at FVTPL and a moratorium granted to a loan debtor.

Investments

In 4Q2020, Investments segment recorded revenue of RM2.6 million which was 73.7% lower than the revenue of RM9.8 million in 4Q2019. COVID-19 pandemic has adversely affected the hotel operations and rental income.

In tandem with the decrease in revenue, this segment recorded a LBT of RM6.0 million in 4Q2020 compared to LBT of RM2.1 million in 4Q2019.

12M2020 vs 12M2019

In 12M2020, the Group posted revenue of RM443.3 million, an increase of 4.4% from RM424.6 million reported in 12M2019 mainly due to higher earned premiums from Insurance subsidiary.

However, Group PBT at RM58.0 million has decreased by 30.6% compared to the PBT of RM83.7 million in 4Q2019. COVID-19 pandemic and the subsequent Movement Control Orders ("MCOs") has affected the hotel operations, rental collections and the credit business adversely.

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

	3 months ended 31.12.2020	3 months ended 30.09.2020	Changes
	RM'000	RM'000	%
Revenue	116,181	129,969	(10.6)
Operating profit	18,966	27,586	(31.2)
Profit before tax	18,809	27,429	(31.4)
Profit after tax	17,677	26,330	(32.9)
Profit attributable to owners of the Company	2,932	13,690	(78.6)

4Q2020 vs 3Q2020

In 4Q2020, the Group achieved revenue of RM116.2 million, a decrease of 10.6% compared to RM130.0 million posted in 3Q2020 mainly due to lower earned premium from the insurance subsidiary.

As a result of reduced revenue, PBT in 4Q2020 at RM18.8 million was 31.4% lower compared to PBT of RM27.4 million recorded in 3Q2020.

B3 Group's prospects

According to the latest edition of the World Bank Malaysia Economic Monitor, the Malaysian economy is expected to grow by 5.6% to 6.7% in 2021 following a contraction of 5.8% in 2020 caused by COVID-19 pandemic.

The recovery of the economy is dependent on successful containment of the spread of the virus and the roll out and distribution of vaccine which would lead to higher consumer demand, greater investor confidence, and consequently a more robust recovery in domestic economic activity in 2021.

Insurance

Downside risks to the outlook remains, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the roll-out of vaccines both globally and domestically.

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 MCOs by Malaysian government had impacted the hospitality industry and property investments 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		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Income tax expense	7,184	(9,810)	13,149	9,516
Deferred tax	(6,052)	3,716	(8,436)	3,702
Total income tax expense	<u>1,132</u>	<u>(6,094)</u>	<u>4,713</u>	<u>13,218</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 and year ended 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,191	982	4,516	3,531
Amortisation of premiums	453	(660)	1,566	-
Depreciation of property, plant and equipment	1,198	1,311	4,986	5,021
Depreciation of ROU assets	656	534	2,452	2,408
Depreciation of investment properties	459	464	1,847	1,854
Dividend income on shares and unit trusts	(265)	(4,174)	(1,107)	(5,906)
Fund management charges	715	892	2,648	1,600
Loss/(gain) arising from fair value changes in financial assets at FVTPL	5,649	18,972	9,862	(38,366)
Interest expense	157	133	656	687
Interest income	(13,717)	(25,824)	(64,395)	(72,638)
Loss/(gain) on disposal of investment properties	1	-	(397)	-
Gain on disposal of property, plant and equipment	-	(5)	(46)	(104)
Adjustment arising from revaluation of Put Option	1,496	9,203	20,571	34,930
Service fees and storage fee	9	(1,229)	587	845
Realised gain on financial assets at FVTPL	(3,402)	(4,334)	(13,119)	(10,919)
Reversal of allowance for ECL on insurance receivables	(2,392)	(3,094)	(1,130)	(1,188)
Allowance/(reversal of allowance) for ECL on loan and advances	1	2,393	(258)	1,351
Allowance/(reversal of allowance) for ECL on trade receivables	3	38	(51)	22
Reversal of allowance for ECL on other receivables	-	(649)	(6)	(649)
Accretion income on loan and advances	(4,902)	-	(4,902)	-
Modification loss on loan and advances	11,969	-	11,969	-
Bad debts recovered	(430)	(231)	(430)	(241)
Property, plant and equipment written off	-	(1)	-	7

B7 Receivables

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Trade receivables	253,643	219,989
Less: allowance for ECL	(29,708)	(31,147)
Total trade receivables	<u>223,935</u>	<u>188,842</u>
Other receivables	134,545	127,647
Less: allowance for ECL	(144)	(150)
Total other receivables	<u>134,401</u>	<u>127,497</u>
Total receivables	<u>358,336</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 31 December 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 31.12.2020		As at 31.12.2019	
	Current RM'000	Total RM'000	Current RM'000	Total RM'000
Term loan - secured	3,000	3,000	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.

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/(loss) Per Share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit for the current 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 2020.

	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit attributable to owners of the Company (RM'000)	<u>2,932</u>	<u>(1,458)</u>	<u>12,607</u>	<u>31,183</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>0.4</u>	<u>(0.2)</u>	<u>1.8</u>	<u>4.4</u>

By Order Of The Board
Ng Sook Yee
Company Secretary
25 February 2021