MULPHA INTERNATIONAL BHD (19764-T)

ANNUAL REPORT 2013

Cover Image : Blue Pearl Bay, One&Only Hayman Island, Great Barrier Reef

CONTENTS

CORPORATE **PROFILE**

Mulpha International Bhd is a diversified investment company listed on the Main Market of Bursa Malaysia Securities Berhad. Its shareholders' funds are in excess of RM2.2 billion.

The Group's focus is on high-end property development and investment, retirement and healthcare, infrastructure and civil construction, with operations and investments in Malaysia, Australia and the UK. In Malaysia, Mulpha holds strategic stakes in Mudajaya Group Bhd and Mulpha Land Bhd, and is the developer of the award winning 1,765-acre Leisure Farm in Iskandar Malaysia.

Over the years, Mulpha has leveraged on its expertise abroad to become Malaysia's largest real estate investor and developer in Australia, owning world-class assets that include Sanctuary Cove and InterContinental Sanctuary Cove Resort in Queensland, InterContinental Sydney, Norwest Business Park Sydney and the award-winning One&Only Hayman Island on the Great Barrier Reef.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Executive Chairman
Lee Seng Huang

Non-Independent Executive Director
Law Chin Wat

Non-Independent Non-Executive Director
Chung Tze Hien

Independent Non-Executive Directors
Kong Wah Sang
Chew Hoy Ping
Dato' Lim Say Chong
Dato' Yusli Bin Mohamed Yusoff
Loong Caesar

AUDIT COMMITTEE

Chew Hoy Ping *(Chairman)*
Kong Wah Sang
Dato' Lim Say Chong

NOMINATION COMMITTEE

Kong Wah Sang *(Chairman)*
Chew Hoy Ping
Loong Caesar

REMUNERATION COMMITTEE

Dato' Yusli Bin Mohamed Yusoff *(Chairman)*
Kong Wah Sang
Chung Tze Hien

COMPANY SECRETARIES

Lee Eng Leong (MIA 7313)
Lee Suan Choo (MAICSA 7017562)

REGISTERED OFFICE

PH2, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7718 6288
Fax No : (603) 7718 6363

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7841 8000
Fax No : (603) 7841 8008

AUDITORS

KPMG
Chartered Accountants

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd
UBS AG

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : MULPHA
Stock Code : 3905

WEBSITE ADDRESS

www.mulpha.com.my

INVESTOR RELATIONS

Email : *irmulpha@mulpha.com.my*
Tel No : (603) 7718 6368 / (603) 7718 6266

AWARDS & ACHIEVEMENTS 2013

InterContinental Sydney

Travel + Leisure World's Best Hotel Awards
Top Hotel for Families

TAA Awards for Excellence, NSW
Engineer of the Year

TAA Awards for Excellence, NSW
Health & Safety Hotel of the Year

Hayman

Luxury Travel & Style Magazine Gold List
Best Australian Family Resort

Elite Traveler – DVF Penthouse
Top 101 Suites of the World

Trip Advisor – 2013
Certificate of Excellence winner

World Travel Awards
Australasia's Leading Family Resort & Australia's Leading Resort

SPICE News
Top 5 in Best Resort and Best Sole Use

Holidays with Kids
Top 10 Best Family Resorts – Over 4 Stars, Australia

BIMBADGEN AWARDS & REVIEWS

2013 Sydney Royal Wine Show
GOLD – Bimbadgen Estate 2012 Semillon

International Cool Climate Wine Show 2013
SILVER – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot

Spiegelau International Wine Show 2013
GOLD – Bimbadgen Signature 2009 Palmers Lane Semillon
SILVER – Bimbadgen Signature 2011 Hunter Valley Semillon

Cairns Show Wine Awards 2013
GOLD – Bimbadgen Regions 2012 Sauvignon Blanc

Cowra Wine Show 2013
SILVER – Bimbadgen Signature 2009 Palmers Lane Semillon

New World Wine Awards 2013
GOLD – Bimbadgen Regions 2010 Botrytis Semillon
SILVER – Bimbadgen Estate 2013 Semillon
SILVER – Bimbadgen Estate 2011 Shiraz

NSW Small Wine Makers Show 2013
TROPHY – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot
GOLD – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot
SILVER – Bimbadgen Signature 2013 Hunter Valley Semillon
SILVER – Bimbadgen Signature 2012 Hunter Valley Chardonnay

New Zealand International Wine Show 2013
GOLD – Bimbadgen Signature 2009 Palmers Lane Semillon

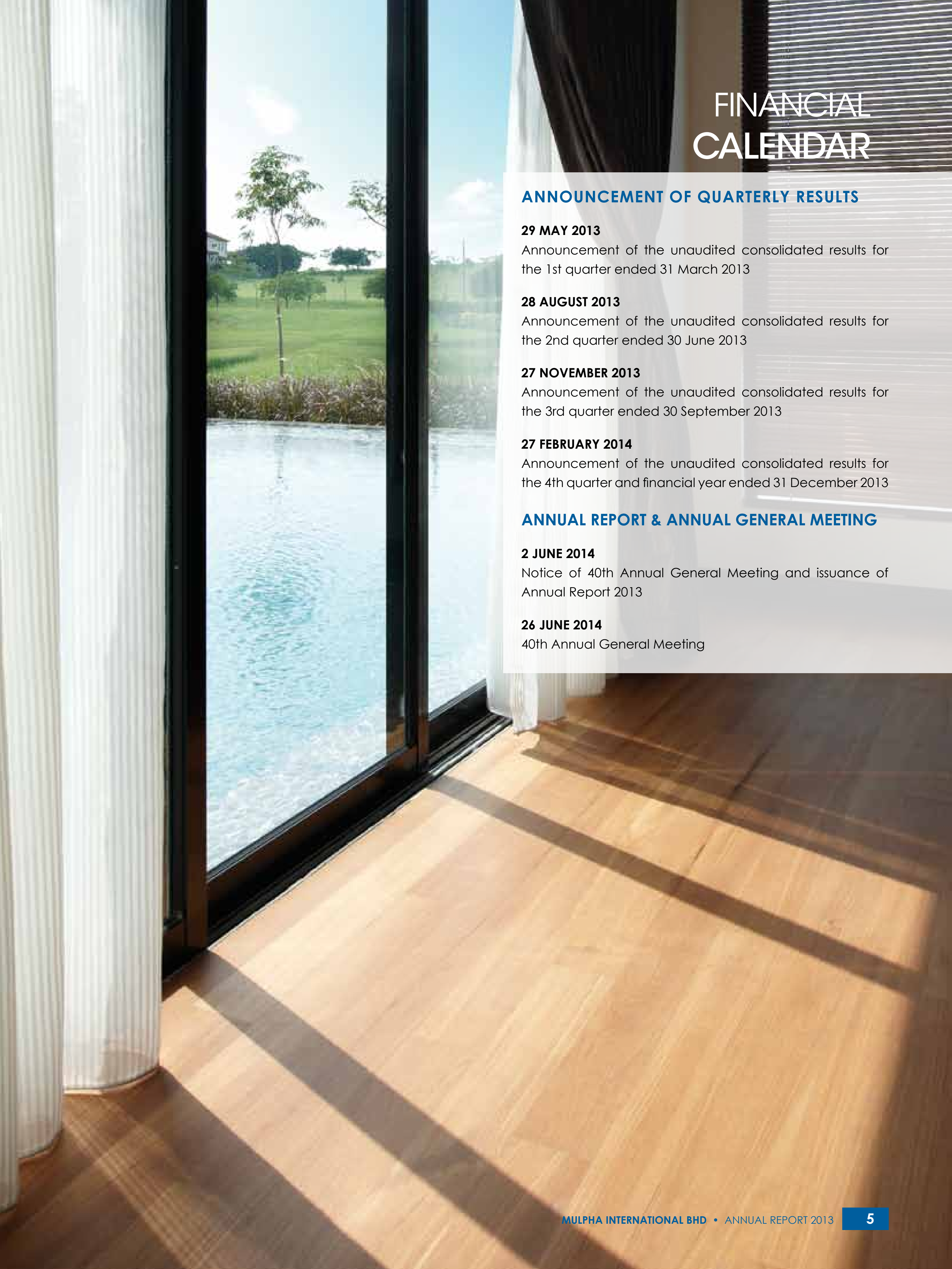
2013 Perth Royal Wine Show
GOLD – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot
SILVER – Bimbadgen Signature 2013 Hunter Valley Semillon
SILVER – Bimbadgen Estate 2013 Semillon

2013 Riverina Wine Show
SILVER – Bimbadgen Estate 2013 Semillon
SILVER – Bimbadgen Ridge 2013 Semillon Sauvignon Blanc

Royal Adelaide Wine Show 2013
SILVER – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot

2013 NSW Wine Awards
TROPHY – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot
GOLD – Bimbadgen Regions 2012 Cabernet Sauvignon Merlot

2013 Dan Murphy's National Wine Show of Australia - Canberra
TOP GOLD – Bimbadgen Estate 2013 Semillon



FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

29 MAY 2013
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2013

28 AUGUST 2013
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2013

27 NOVEMBER 2013
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2013

27 FEBRUARY 2014
Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2013

ANNUAL REPORT & ANNUAL GENERAL MEETING

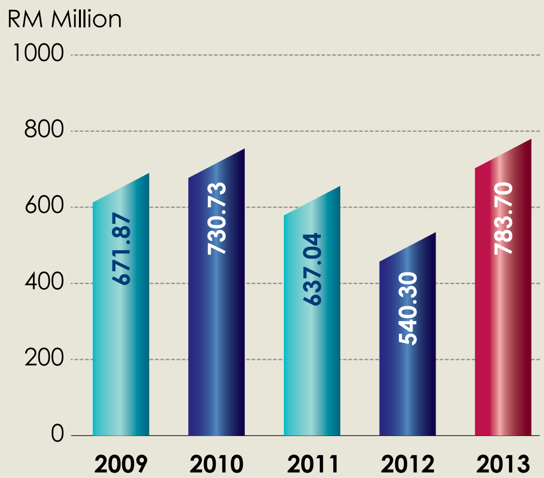
2 JUNE 2014
Notice of 40th Annual General Meeting and issuance of Annual Report 2013

26 JUNE 2014
40th Annual General Meeting

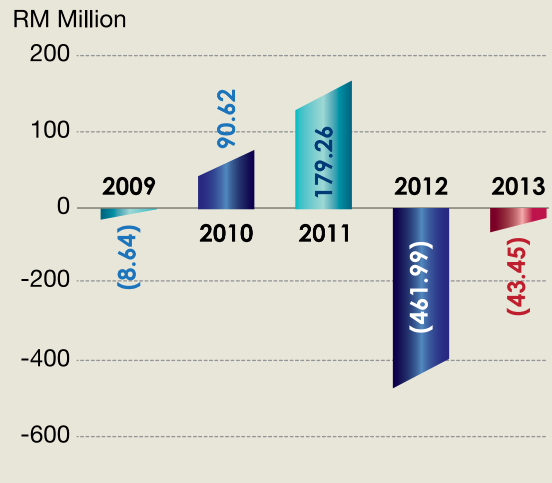
GROUP'S 5-YEAR
FINANCIAL HIGHLIGHTS

	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Non-Current Assets	2,788,996	2,922,191	3,409,079	3,374,900	3,404,149
Current Assets	1,469,086	1,130,003	1,171,933	1,138,704	745,558
Total Assets	4,258,082	4,052,194	4,581,012	4,513,604	4,149,707
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	1,177,957	1,177,957	1,177,957	1,177,957	588,978
Reserves	1,107,454	1,309,329	1,826,939	1,639,197	1,603,340
Equity attributable to Owners of the Company	2,285,411	2,487,286	3,004,896	2,817,154	2,192,318
Non-Controlling Interests	52,130	34,926	98,957	97,516	48,207
Total Equity	2,337,541	2,522,212	3,103,853	2,914,670	2,240,525
Liabilities					
Non-Current Liabilities	832,135	843,056	304,429	1,165,716	312,238
Current Liabilities	1,088,406	686,926	1,172,730	433,218	1,596,944
Total Liabilities	1,920,541	1,529,982	1,477,159	1,598,934	1,909,182
Total Equity and Liabilities	4,258,082	4,052,194	4,581,012	4,513,604	4,149,707
GROUP RESULTS					
(Loss)/Profit before Taxation	(43,451)	(461,987)	179,255	90,615	(8,640)
Taxation	15,692	(11,868)	(3,074)	21,898	19,103
(Loss)/Profit after Taxation	(27,759)	(473,855)	176,181	112,513	10,463
Non-Controlling Interests	(4,497)	(1,108)	2,745	(412)	(20,192)
Net (Loss)/Profit attributable to Owners of the Company	(32,256)	(474,963)	178,926	112,101	(9,729)
SELECTED RATIOS					
(Loss)/Earnings Per Share (Sen)	(1.49)	(20.84)	7.67	5.32	(0.76)
Net Assets Per Share (RM)	1.07	1.13	1.30	1.19	1.85

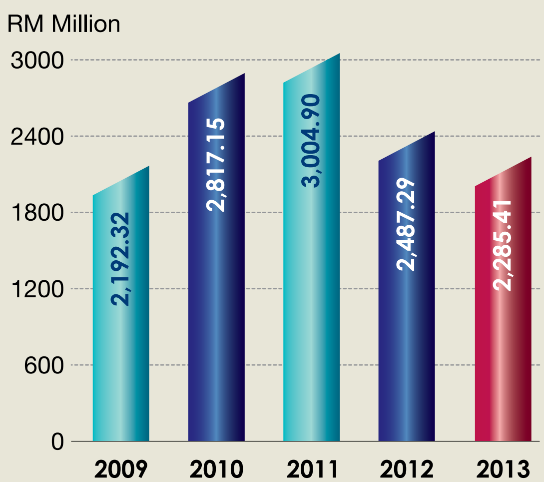
REVENUE



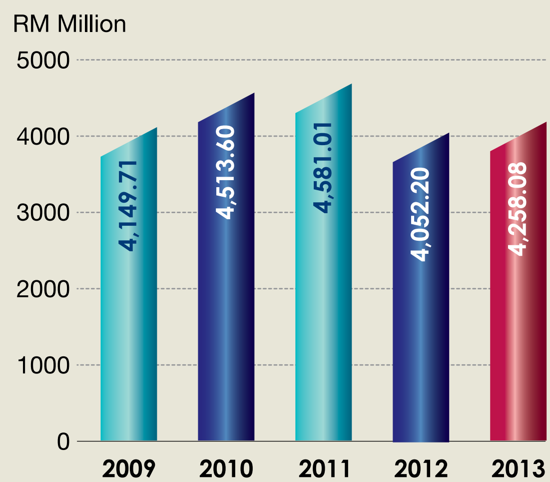
PROFIT/(LOSS) BEFORE TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS



Where Design And **Nature Meet**

One&Only Hayman Island, Australia's iconic private island resort, presents astonishing natural beauty, restorative peace, indulgence and adventure.

PROFILE OF BOARD OF DIRECTORS

Lee Seng Huang

Non-Independent Executive Chairman
Malaysian

Mr Lee, aged 39, was educated in University of Sydney, Australia and has a wide experience in the financial services and real estate investment industry in the Asian region. He has previously served in various capacities on the Board of Lippo Limited and Lippo China Resources Limited in Hong Kong, Auric Pacific Group Limited in Singapore and Export and Industry Bank, Inc. in Philippines.

Mr Lee is currently the Group Executive Chairman of Sun Hung Kai & Co. Ltd. Listed in Hong Kong, Sun Hung Kai & Co. Ltd. is the leading non-bank financial institution in Hong Kong. He is also the Chairman of Aveo Group (formerly known as FKP Property Group), a leading property developer listed on the Australian Securities Exchange. In addition, he is a Non-Executive Director of Mudajaya Group Berhad, a company listed on Bursa Malaysia Securities Berhad.

Mr Lee was appointed to the Board as Executive Chairman on 15 December 2003.

Mr Lee has no directorships in other public companies in Malaysia apart from Mudajaya Group Berhad.

Law Chin Wat

Non-Independent Executive Director
Malaysian

Mr Law, aged 62, graduated with a Master of Business Administration (MBA) Degree from University of East Asia, Macau in 1986. He has previously held directorships and has been involved in many local and overseas companies, dealing in varied businesses including property development and construction, timber, portfolio investments and trading. Prior to this, he has held senior financial management positions in public listed companies after having worked and gained broad experience in finance, auditing and taxation in a major international accounting firm for several years. Currently, he is also a Director of 2 public companies in Singapore and Hong Kong.

Mr Law was appointed to the Board as Executive Director on 11 September 2000 and he also serves as Chairman of the Risk Management Committee.

Mr Law has no directorships in other public companies in Malaysia.

Chung Tze Hien

Non-Independent Non-Executive Director
Malaysian

Mr Chung, aged 63, graduated with a Commerce Degree from University of Otago, New Zealand and later qualified as an Associate Member of the Institute of Chartered Accountants of New Zealand, and Institute of Chartered Secretaries and Administrators of United Kingdom. He is also a member of the Malaysian Institute of Accountants.

Mr Chung was appointed as the Chief Executive Officer and Director of the Company on 27 February 2001 and has helmed the position for almost 12 years until his retirement on 31 January 2013. He was subsequently redesignated as Non-Independent Non-Executive Director on 1 February 2013. Prior to joining the Company, Mr Chung worked for and held senior managerial positions in several public listed companies in Hong Kong, Singapore and Malaysia involving a variety of industries and businesses.

Mr Chung serves as a member of the Remuneration Committee.

Mr Chung has no directorships in other public companies.

PROFILE OF BOARD OF DIRECTORS

Kong Wah Sang

Independent Non-Executive Director
Malaysian

Mr Kong, aged 55, graduated with a Bachelor of Economics Degree from Monash University in Melbourne, Australia and is a member of CPA Australia. He has broad experience in accounting, finance, management consulting and information technology. He is presently the Adviser of a management consulting firm.

Mr Kong was appointed to the Board on 21 November 2002 and he also serves as Chairman of the Nomination Committee as well as a member of the Audit and Remuneration Committees.

Mr Kong has no directorships in other public companies.

Chew Hoy Ping

Independent Non-Executive Director
Malaysian

Mr Chew, aged 56, is a member of the Malaysian Institute of Accountants. His experience is primarily in professional services and banking, both locally and internationally. He served with PriceWaterhouseCoopers ("PwC"), a global accounting firm for almost 30 years, during which time he was involved in a diverse range of auditing, financial and advisory engagements. He was a partner with PwC for 15 years and also acted in many leadership roles in PwC including Asia-Pacific chairmanship for corporate finance and business recovery services. His skills encompass accounting and auditing, corporate finance, business recovery and restructurings, mergers and acquisitions, valuations, risk management, bank management and financing.

Mr Chew was appointed to the Board on 16 May 2007 and he also serves as Chairman of the Audit Committee as well as a member of the Nomination Committee.

Mr Chew has no directorships in other public companies apart from Malaysia Smelting Corporation Berhad.

Dato' Lim Say Chong

Independent Non-Executive Director
Malaysian

Dato' Lim, aged 73, obtained a Bachelor of Arts with honours in Economics from University of Malaya and a Masters in Business Administration from University of British Columbia, Canada. He also attended an Advanced Management Programme at Harvard Business School, Boston, USA.

Dato' Lim worked with the Imperial Chemical Industries (ICI) PLC's Group of Companies in Malaysia and abroad for 30 years, during which time he served on the Board of several companies within the Group in Malaysia and South East Asia. He later became the Managing Director of ICI (Malaysia) Group for 5 years. He was also the Group Managing Director of Chemical Company of Malaysia Bhd from 1989 to 2004.

Dato' Lim was appointed to the Board on 6 August 2007 and he also serves as a member of the Audit Committee.

Dato' Lim has no directorships in other public companies apart from serving as the Chairman of Carlsberg Brewery Malaysia Bhd.

Dato' Yusli Bin Mohamed Yusoff
Independent Non-Executive Director
Malaysian

Dato' Yusli, aged 55, graduated with a Bachelor of Economics Degree from University of Essex, England and is a member of the Institute of Chartered Accountants in England & Wales, Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants as well as an Honorary Member of the Institute of Internal Auditors Malaysia.

Dato' Yusli began his career with Peat Marwick Mitchell & Co. in London and has since held various key positions in a number of public listed and private companies in Malaysia, providing him with experience in property and infrastructure development, telecommunications, engineering, merchant banking and stockbroking. He was the Chief Executive Officer and Executive Director of Bursa Malaysia Berhad from 10 April 2004 to 31 March 2011.

Dato' Yusli was appointed to the Board on 13 July 2011 and he also serves as Chairman of the Remuneration Committee.

Dato' Yusli has no directorships in other public companies apart from Mudajaya Group Berhad, YTL Power International Berhad, AirAsia X Berhad, Westports Holdings Berhad, Pelaburan MARA Berhad and Australasia Resources & Minerals Berhad.

Loong Caesar
Independent Non-Executive Director
Malaysian

Mr Loong, aged 54, was trained at Raffles Institution, Singapore, London School of Economics and Political Science (LSE) and Caius College, Cambridge University. He was admitted as a Barrister of the Middle Temple, London in 1983 and as an Advocate and Solicitor of the High Court of Malaya in 1985. In 1994, he was admitted as an Advocate and Solicitor of the Supreme Court of Singapore.

Mr Loong is a Senior Advocate and Solicitor practising at Raslan Loong. He is a corporate and commercial lawyer with extensive experience in all areas of corporate and commercial law including mergers and acquisitions, investment funds, capital markets, securities, listings, public offerings, corporate banking, structured finance, power and corporate restructuring. He is a Director and Exco member of the EU-Malaysia Chamber of Commerce and Industry (EUMCCI) and Malaysia-Australia Business Council (MABC).

Mr Loong was appointed to the Board on 13 July 2011 and he also serves as a member of the Nomination Committee.

Mr Loong has no directorships in other public companies apart from EU-Malaysia Chamber of Commerce and Industry and Malaysia-Australia Business Council.

NOTES:

1. Family Relationship with Director and/or Major Shareholder

Mr Lee Seng Huang, the Executive Chairman and major shareholder of the Company, is the son of Madam Yong Pit Chin, a major shareholder of the Company.

Save as disclosed above, none of the other Directors has any family relationship with any director and/or major shareholder of the Company.

2. Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3. Conviction for Offences

None of the Directors has any conviction for offences within the past 10 years other than traffic offences, if any.

4. Attendance of Board Meetings

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2013 is disclosed in the Statement on Corporate Governance.

CHAIRMAN'S **STATEMENT**

FINANCIAL HIGHLIGHTS

The year 2013 saw a recovery in the global economy led by the U.S. and in part Europe. Against this backdrop, Malaysia continued to perform relatively well with GDP growth of 4.7% which together with the continuing strong demand for property in Iskandar Malaysia, enabled the Group's Malaysian operations to further build on the momentum from the previous year. In Australia, the weakening of the Australian Dollar and the turnaround in property prices and demand enabled the Group's Australian operations to improve on its performance as compared to the previous year.

The Group generated revenue of RM783.70 million and pre-tax loss of RM43.45 million in 2013, a significant improvement on the RM540.30 million revenue and pre-tax loss of RM461.99 million generated in 2012. The higher revenue in 2013 reflected the strong performance of Leisure Farm and the better performance of the Group's Australian operations, whilst the much smaller pre-tax loss in 2013 was primarily due to the absence of major provisions for fair value adjustments as there were no significant impairments of the Group's assets in Australia in 2013 and the Group's listed associate in Australia, Aveo Group.

Although the Group's Net Assets ("NA") dropped marginally from RM1.13 per share to RM1.07 per share, the Group's total assets remained at RM4.26 billion as at the end of 2013. Meanwhile, in the absence of new investment opportunities, the Group continued with its share buyback programme in 2013 in view of the significant discount of its shares relative to its NA. As at 25 April 2014, 222,149,800 shares or approximately 9.43% of the total number of issued shares have been repurchased at an average price of approximately RM0.41 per share. The Board of Directors will once again seek your approval at the forthcoming annual general meeting to renew the mandate to repurchase up to 10% of the Company's issued shares for another year.

REVIEW OF OPERATIONS

MALAYSIA

Leisure Farm

Building on its success in 2012, Leisure Farm achieved another record year in 2013 with locked in sales of RM259.2 million, more than double the sales of RM101 million achieved in the previous year. The significantly higher sales value was achieved mainly due to strong demand for the remaining units of Leisure Farm's Precinct 7A Bayou Creek detached and semi-detached homes, show villas and a limited number of bungalow lots.

In early 2013, in view of the strong demand for bungalow lots, Leisure Farm revamped our sales strategy, focusing on developing and selling higher value built homes. This includes our exclusive individually designed show villas which have land areas ranging from 15,000 to 50,000 square feet and built-up areas ranging from 5,500 to 14,000 square feet. It is envisaged that going forward, in order to improve transparency of prices, simplify our sales processes and maximise development revenue, bungalow lots would only be sold by tender on a very limited release basis. The first such tender of bungalow lots was successfully held in July 2013. Our new sales strategy was validated with overwhelming interest, resulting in all the lots offered being sold at record prices.

In view of the strong demand and sharp increase in prices of residential properties in Iskandar Malaysia over the past 2 to 3 years, a period of consolidation was inevitable and this was triggered at the end of 2013 and early 2014 by the tightening measures undertaken by the federal government to curb speculation in the property sector as well as the Johor state government's imposition of certain restrictions and levies on foreign property purchasers. Notwithstanding this turn of events, management believes that Leisure Farm's

Leisure Farm, Iskandar Malaysia

prime location with its proximity to Singapore, improving interchange access, low cost base combined with our focus on developing a world class international gated community, places us in a strong position to ride through this consolidation period.

Following the overwhelming success of Precinct 7A Bayou Creek which was fully sold last year, Leisure Farm is planning to launch the next phase of Bayou Creek homes called Precinct 7B later this year with an additional 40 semi-detached and 17 detached homes with built-up areas of between 3,600 to 7,000 square feet each to be released. Also slated for the 2nd half of 2014 is the launch of Bayou Garden which comprises of 92 super-link and semi-detached garden homes with built-up areas of approximately 3,200 square feet each.

At present, residents travelling from the Second Link Highway to Leisure Farm have to drive along 15 minutes of trunk road through Gelang Patah town before they arrive at Leisure Farm. Substantial efforts have been made over the past few years to secure direct access from the Second Link Highway to Leisure Farm and this has culminated with Leisure Farm entering into a collaboration with UEM Sunrise Berhad in February 2014 to jointly invest over RM100 million to build a highway interchange and a series of ramps and slip roads to/from the Second Link Highway as well as to upgrade certain existing state roads, part of which are targeted to be completed in 2016 with the remainder in 2018. The accessibility of Leisure Farm to the Second Link highway is poised to improve significantly upon completion of these access roads, and travel time from Leisure Farm to the Second Link CIQ will be cut to only 5 minutes from the present 15 minutes. More than just a set of roadworks and highway interchanges, this project epitomes the Group's development philosophy of long term value creation through our focus on quality and reinvestment in the communities that we build in the Asia Pacific region. The roadworks and interchange will not just benefit the stakeholders of Leisure Farm - it will add value to the overall Iskandar Malaysia, improving infrastructure and connectivity.

Mulpha Land Berhad

Mulpha Land Berhad ("MLB") is the Group's 61.93% subsidiary which is listed on Bursa Malaysia. MLB spent 2013 streamlining and unlocking its non-core assets by disposing of these assets and reinvesting the proceeds into larger scale developments. As part of this process, a 12.76 acre piece of land in Kapar and a bungalow lot in Leisure Farm has been sold. In addition, conditional agreements have

Enclave Bangsar, Kuala Lumpur

been entered into for the sale of Raintree Residences and 6.66 acres of development land in Leisure Farm.

MLB has in turn invested a part of these proceeds into the acquisition of 6.41 acres of land in Tropicana which was completed in the 4th quarter of 2013. This project, in which MLB has entered into a 51%:49% joint venture with Mudajaya Group Berhad, is currently awaiting approvals from the authorities for a mixed commercial development with a Gross Development Value of RM720 million. The Tropicana project together with the development of serviced residences on approximately 2 acres of land in Jalan Semangat, Section 13, Petaling Jaya, will be the new flagship projects of MLB once they are launched in the near future.

Whilst these 2 flagship projects in prime locations in the Klang Valley will keep MLB busy in 2014, MLB will continue with new launches at its Taman Bukit Punchor and Taman Desa Aman developments in Penang and Kedah respectively.

Mudajaya Group Berhad

Mudajaya Group Berhad is a 22.17% associate of the Group that is listed on Bursa Malaysia and is focused on power, infrastructure and construction. In 2013, Mudajaya contributed a share of profit of RM33.57 million to the Group compared to RM52.22 million in 2012.

Mudajaya's major on-going construction projects include the following:

- Design and construction of civil structure works for a 1,000 MW Coal-Fired Power Plant at Tanjung Bin, Johor Darul Takzim
- Design and construction of all civil works associated with the Balance of Plant component of the 1,000 MW Coal-Fired Manjung No. 4 Power Plant Project
- Construction and completion of Projek Mass Rapid Transit Lembah Kelang Package V3 from Dataran Sunway Station to Section 17
- Equipment Procurement contract (Phase 1 & 2) for a 4 x 360 MW Coal-Fired Power Plant in Chhattisgarh, India

In addition, while facing some unfortunate delays, Mudajaya's massive 4 x 360 MW Coal-Fired Power Plant project in Chhattisgarh, India in which it holds a 26% stake is progressing well and barring any unforeseen circumstances, should start producing power later in the 2nd half of 2014.

In 2013, Mudajaya was awarded The Edge Billion Ringgit Club Corporate Awards "Highest Growth in Profit Before Tax" under the Construction Sector. Mudajaya has been a winner of The Edge Billion Ringgit Club awards for the last four consecutive years since 2010.

Mudajaya was also recognised once again as 'Forbes Asia's 200 Best Under a Billion', listing the company as one of the outstanding Malaysian companies in its list of 200 of the best firms out of over 15,000 listed Asia Pacific companies in 2013.

AUSTRALIA

Hotels and Investment Property

In 2013, positive economic conditions as well as a weaker Australian Dollar, led to a growth in international arrivals and contributed to a generally stronger year for the Australian hotel industry. It is anticipated that the Australian Dollar will remain weak in 2014, and this will provide further support to the hotel industry as more Australians will travel and do business domestically whilst Australia will continue to be an attractive destination for international tourists and investments.

Sanctuary Cove, Brisbane

(a) InterContinental Sydney Hotel

The InterContinental Sydney Hotel continued to perform strongly in 2013 with higher occupancy and average room rates compared to the previous year. Due to its pre-eminent location overlooking the Sydney Harbour with expansive views of the Harbour Bridge and the famous landmarks surrounding the hotel such as the Sydney Opera House, the Royal Botanic Gardens and Circular Quay, and with little new supply coming on stream, the hotel is expected to continue to perform strongly.

(b) InterContinental Sanctuary Cove Resort Hotel

The InterContinental Group took over the management of the InterContinental Sanctuary Cove Resort Hotel in December 2012 and has been focusing on building its business in 2013. Due to the lead time required by the new operators, the hotel's performance in 2013 was somewhat subdued but is expected to improve in 2014 with a particular focus on increasing its meetings, incentives, conventions and events ("MICE") business.

(c) One&Only Hayman Island, Great Barrier Reef

In 2013, the Group appointed renowned international resort operator, Kerzner International ("Kerzner") to manage and rebrand Hayman Island as the One&Only Hayman Island, Great Barrier Reef. Kerzner developed and operates resorts such as Atlantis Dubai as well as a number of other unique boutique luxury resort hotels under the One&Only brand that are positioned in the most beautiful locales around the world. One&Only is expected to leverage on the unique location of Hayman Island and the Kerzner international distribution, as well as, introduce higher service standards and operational efficiencies to Hayman's operations. As a result of this new agreement, the resort was closed in January 2014 in order to undertake an extensive A$60 million refurbishment programme with the reopening of the One&Only Hayman Island targeted for 1 July 2014.

(d) 99 Macquarie Street

99 Macquarie Street is an iconic heritage building located next to the InterContinental Sydney Hotel that has been extensively refurbished to its original glory, housing contemporary internal modern workspaces. The office space in the building is fully tenanted with long-term tenants such as the international advertising group M&C Saatchi, and houses Mulpha's own Australian operations.

One&Only Hayman Island, Great Barrier Reef

Developments

(a) Sanctuary Cove

In line with the initial signs of a recovery in the Queensland property market in 2013, Sanctuary Cove's performance improved considerably, with an increase in new property sales as well as resales. Sanctuary Cove has been able to leverage on its overseas distribution network, in particular China, in order to soften the impact of lower local demand during the past few years. Whilst the local market is expected to continue to improve in 2014, purchasers from China and other parts of Asia continue to be a key source of interest for Sanctuary Cove.

The Sanctuary Cove Marine Village continued to perform well in 2013 despite the more difficult general retail operating environment in Australia. During this period, Sanctuary Cove continued to upgrade the facilities in the Marine Village and improve the occupancy rates and the tenancy mix with the introduction of a number of new retailers.

(b) Norwest Land

Mulpha FKP Pty Limited ("MFKP") is an established developer at the forefront of residential and commercial development in North West Sydney. It has developed one of Australia's largest business parks, the internationally acclaimed Norwest Business Park and is currently developing the masterplanned communities of Bella Vista Waters, the Lakes and Beautmont Rise. The Gross Development Value of projects currently under development is approximately A$1.01 billion comprising:

- about 450 land lots in Mulgoa Rise, Bella Vista Waters and Edgewater
- over 600 Townhouses and Apartments in Norwest Town Centre and Mulgoa Rise; and
- about 168,000 square metres of commercial land.

On 12 February 2014, the Group entered into an agreement with Aveo Group ("Aveo") to purchase Aveo's 49.99% interest in MFKP for a total purchase consideration of A$55.95 million. Upon MFKP becoming a wholly-owned subsidiary of the Group, it is expected to provide a larger contribution towards the Group's performance in 2014.

(c) One&Only Hayman Private Residences

The One&Only Hayman Private Residences comprise of a very small number of exclusive residences which provide a rare ownership opportunity in one of the world's most exotic locations. The residences are situated on the eastern hillside of the island with panoramic views of the Whitsunday Passage and Coral Sea. Two of the most spectacular houses ever developed in Australia have already been completed and delivered. Development was suspended pending the island wide refurbishment programme and rebranding. With a clear service benchmark established with the One&Only brand, we will recommence the staged rollout of the ultra-luxury Hayman Private Residences after the reopening of the resort in the second half of 2014.

Aveo Group

With a 26.22% equity interest in Aveo, the Group is the largest securityholder of Aveo, an S&P/ASX 200 company listed on the Australian Stock Exchange and a leading and trusted owner, operator and manager of retirement communities with over 12,000 units in 75 retirement villages across Australia. Aveo also manages and develops a diversified A$800 million property portfolio. Over the last 30 years, Aveo's portfolio has grown to one that encompasses retirement, residential, commercial, industrial and mixed-use property assets.

In 2013, Aveo made a strategic decision to focus on its retirement business and began an asset divestment programme of its non-retirement property assets. As part of its transformation to become a pure retirement group, Aveo is accelerating the development of its pipeline of new retirement units whilst identifying suitable locations for new

Norwest Business Park, Sydney

retirement developments as well as offering care services to a larger portion of its portfolio. As part of this strategic refocusing exercise, FKP Property Group was rebranded Aveo Group in December 2013 to align the Aveo Group with the Aveo brand of its retirement villages.

In view of its intention to divest its non-retirement property assets, Aveo wrote down the fair value of these non-retirement assets in 2013, causing the Group to recognise a further non-cash equity share of losses of A$35.69 million, while the Group continued to recognise a loss, it was a significant improvement over the non-cash equity share of losses of A$101.9 million recognised in 2012. Excluding the write down of these non-retirement property assets, Aveo continued to register an underlying profit on operations over the same period. Over the past 11 months, Aveo has disposed of A$196 million of non-retirement assets, all at or above their carrying values and as a result, no further write downs are anticipated in 2014.

VIETNAM

Indochine Park Tower

Indochine Park Tower ("IPT") is an 18 storey exclusive serviced residences building situated in a prime location within District 3 of Ho Chi Minh City and is 70% owned by the

Group. It comprises 55 fully furnished and serviced luxurious 3 bedroom residences and penthouses ranging from 128 to 249 square metres each and is primarily targeted at the expatriate community in Ho Chi Minh. IPT's occupancy rates are currently standing at approximately 84% and this is expected to improve once IPT completes its ongoing programme of upgrading the fixtures and furnishings of the residences.

SIGNIFICANT EVENTS

Aveo Group Entitlement Offer

In December 2013, Aveo undertook an underwritten 5 for 9 accelerated non-renounceable pro-rata entitlement offer ("Entitlement Offer") of new fully paid ordinary stapled securities ("New Stapled Securities") to raise approximately A$232 million. The Group maintained its interest in Aveo by subscribing to its full entitlement under the Entitlement Offer, which amounted to 46,848,134 New Stapled Securities at the offer price of A$1.30 each for a total cash consideration of A$60.90 million. After the completion of the Entitlement Offer, the Group held 131,174,775 Aveo Stapled Securities thereby maintaining its 26.22% interest in the enlarged Aveo Stapled Securities. The Entitlement Offer was undertaken to further de-lever and extinguish substantially all short-term debt maturities, thereby improving Aveo's capital position, as well as enabling Aveo to accelerate the implementation of its strategy of being a pure retirement developer, manager and owner.

Investment in London Marriott Hotel Grosvenor Square

The Group has in recent years been exploring potential investment opportunities in other parts of the world, in order to diversify its income streams. The focus has been to identify internationally renowned assets which hold the potential to generate strong yields and significant capital appreciation. On 31 March 2014, the Group bought an indirect 33% stake in the London Marriot Hotel Grosvenor Square which is located on Grosvenor Square in Mayfair, one of the most exclusive areas in central London. The hotel comprises 237 guest rooms, 2 highly acclaimed restaurants, a newly created bar, 3 private dining rooms, extensive conference and meeting room space, a club lounge and a state of the art fitness centre.

PROSPECTS

Over the past few years, the Group has undergone a major internal reorganisation and consolidation process, where there has been a refocusing of its strategies, a streamlining of our assets via the disposal of non-core assets and reinvestments in existing core assets. Management remains focused on improving on our operating cost base as well as strategically upgrading the quality of our talent pool and senior management ranks. This retooling of our operating platform coupled with our strong balance sheet will allow the group to capitalise on opportunistic acquisitions in the coming years.

APPRECIATION

Dato' Robert Chan Woot Khoon passed away on 3 July 2013 after 17 years of providing our Group with his valuable insights and input as a member of the Board of Directors of the Company. I would like to express my condolences to his family as well as my gratitude for his dedication and contributions to the Group.

I would also like to thank my colleagues for their effort, hard work and dedication over the past year. Despite a period of substantial change, the new management team members are working well together and have stepped up to ensure a seamless transition.

LEE SENG HUANG
Executive Chairman

12 May 2014

STATEMENT ON
CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensure that good corporate governance is practised throughout the Group with the ultimate objective of protecting and enhancing shareholders' value and the financial performance of the Company and of the Group.

1. THE BOARD

1.1 Responsibilities of the Board and Management

The Board leads and controls the Group. The Board is responsible for the overall performance of the Group and focuses on strategies, performance, standards of conduct, financial and major business matters.

To ensure the effective discharge of its functions and responsibilities, the Board has set and approved business authority limits which set out relevant matters which the Board may delegate to the Management. These authority limits are reviewed and revised as and when required, to ensure an optimum structure for efficient and effective decision-making in the Group.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference.

1.2 Corporate Code of Conduct and Board Charter

The Board has formalised a Corporate Code of Conduct to provide guidance for Directors, senior executives and other employees regarding the standards expected of them in the conduct of business. Directors and employees are required to uphold high standards of integrity in discharging their duties and to comply with the relevant laws and regulations.

The Board Charter which sets out inter alia, the roles and responsibilities of the Board and Board Committees, the procedures for convening Board meetings, financial reporting, investor relations and shareholder communication, has also been formalised. The Charter which serves as a source of reference for new Directors, will be reviewed periodically to keep it up-to-date with changes in regulations and best practices to ensure its effectiveness and relevance to the Board's objectives.

1.3 Composition and Board Balance

The Board currently has 8 members, comprising 2 Executive Directors and 6 Non-Executive Directors. Out of the 6 Non-Executive Directors, 5 are Independent Directors.

Collectively, the Directors bring a wide range of experience in the areas of business, accounting, finance, economics, legal, real estate investment and property development, which are relevant to the Group. The role of the Independent Directors provides independent judgment, objectivity and check and balance on the Board. A brief profile of each Director is presented on pages 9 to 11 of the Annual Report.

The Executive Chairman is primarily responsible for the vision and strategic direction of the Group as well as matters pertaining to the Board. The Executive Director is responsible for the implementation of the objectives, goals and operational matters of the Group. Although the Executive Chairman, Mr Lee Seng Huang is not an Independent Director, a majority of the Board members consists of Independent Directors.

Mr Kong Wah Sang has been appointed by the Board as the Independent Non-Executive Director to whom any concern regarding the Company may be conveyed.

1.4 Board Meetings and Supply of Information

The Board normally meets quarterly to review financial, operational and business performances, with additional meetings convened when necessary. In the intervals between Board meetings, Board decisions for urgent matters are obtained via circular resolutions, to which are attached sufficient information required for an informed decision.

All Directors are provided with an agenda and a set of Board papers at least a week prior to the Board meeting to enable the Directors to review and consider the items to be deliberated at the Board meeting. The Directors may seek advice from the Management, or request further explanation, information or updates on the matters of the Company, where necessary.

The Board papers include, inter alia, the progress report on the Group's developments, business plan and budget, quarterly financial results and minutes/ decisions of meetings of the Board Committees. Additionally, the Board is furnished with adhoc reports to ensure that it is apprised of key business, financial and operational matters, as and when the need arises.

A total of 6 Board meetings were held during the financial year ended 31 December 2013 and the record of attendance of the Directors is as follows:-


Luxury Villa at Leisure Farm, Iskandar Malaysia

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Lee Seng Huang	5/6	83
Law Chin Wat	5/6	83
Chung Tze Hien	5/6	83
Kong Wah Sang	6/6	100
Chew Hoy Ping	6/6	100
Dato' Lim Say Chong	5/6	83
Dato' Yusli Bin Mohamed Yusoff	5/6	83
Loong Caesar	5/6	83
Dato' Robert Chan Woot Khoon *(Passed away on 3 July 2013)*	1/3*	33

* *Reflects the number of Board Meetings attended during the time the Director held office.*

All the Directors have complied with the minimum requirement of at least 50% on attendance of Board meetings during the financial year as stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), except for Dato' Robert Chan Woot Khoon who passed away on 3 July 2013.

The Directors may seek independent professional advice when necessary, at the Company's expense, in the furtherance of their duties.

1.5 Time Commitment

For the financial year, the level of time commitment given by the Directors was satisfactory, which was evidenced by the attendance record of the Directors at the Board meetings held.

In accordance with the Board Charter, Directors are required to notify the Chairman before accepting any new directorship and to indicate the time that will be spent on the new appointment.

To facilitate the Directors' time planning, a schedule of meetings comprising the dates of Board and Board Committees' meetings and Annual General Meeting ("AGM"), would be prepared and circulated to them at the end of every year.

1.6 Re-Appointment, Retirement by Rotation and Re-Election

The Company's Articles of Association provides that one-third of the Board is subject to retirement by rotation at each AGM. Each Director shall retire once at least in each 3 years but shall be eligible for re-election. The Directors to retire in each year are those who have been longest in office since their last election or appointment. As for Directors who are appointed by the Board, they are subject to re-election at the next AGM following their appointment.

Pursuant to Section 129(2) of the Companies Act, 1965, the office of a Director who is of or over the age of 70 years shall become vacant at the conclusion of the forthcoming AGM and subject to approval being obtained from the shareholders, may be re-appointed to hold office until the next AGM in accordance with Section 129(6) of the Companies Act, 1965.

The performance of those Directors who are subject to re-election and re-appointment at the AGM will be subject to assessment conducted by the Nomination Committee, whereupon the Committee's recommendations are made to the Board on the proposed re-election and re-appointment of the Directors concerned for shareholders' approval at the AGM.

1.7 Appointment of New Directors

A formal procedure and process has been established for the nomination and appointment of new Directors. The process for the nomination and appointment of new Directors is summarised as follows:-

(a) Identification of skills required for the Board.
(b) Selection of candidates.
(c) Review and assessment by the Nomination Committee.
(d) Recommendation to the Board for approval.

A proposed candidate is first considered by the Nomination Committee which takes into account, among others, the skills and experience of the candidate, before making a recommendation to the Board for approval. In evaluating the suitability of the candidates, the following factors are considered:-

(i) background, character, competence, integrity and time commitment;
(ii) qualifications, skills, expertise and experience;
(iii) professionalism; and
(iv) in the case of candidates for the position of Independent Non-Executive Directors, the candidate's independence and ability to discharge such responsibilities as expected from Independent Non-Executive Directors, will be evaluated.

In pursuit of the gender diversity policy, the Nomination Committee is mindful of its responsibilities to ensure that new appointments would provide the appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition. The Nomination Committee will endeavour to consider women candidates in the recruitment exercise, when the need arises.

1.8 Directors' Training

In addition to the Mandatory Accredited Programme (MAP) as required by Bursa Securities, all the Directors had attended training programmes and seminars during the financial year, organised by the relevant regulatory authorities or professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Directors have on-going access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretary. The records of all training programmes attended by the Directors are maintained by the Company Secretary.

Details of the training programmes attended by the Directors during the financial year ended 31 December 2013 are as follows:-

Name of Directors	Title	Organiser	Date
Lee Seng Huang	• Brief Overview of the Companies Ordinance Rewrite	P.C. Woo & Co., Hong Kong	6 June 2013
Law Chin Wat	• Corporate Fraud Control Conference 2013	Malaysian Institute of Corporate Governance	3 & 4 July 2013
	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013
Chung Tze Hien	• Better Business Decisions: Understanding Economic Indicators and Business Cycles	Malaysian Institute of Accountants	21 & 22 August 2013
	• Aged Care: Empowering the Elderly II – for Asian organisations	Australian Trade Commission	29 & 30 October 2013
	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013
Kong Wah Sang	• Nominating Committee Programme	The ICLIF Leadership & Governance Centre and Bursa Malaysia Berhad	9 October 2013
	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013

Name of Directors	Title	Organiser	Date
Chew Hoy Ping	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013
	• Risk Management & Internal Control Workshop for Audit Committee Members	Bursa Malaysia Berhad	29 November 2013
Dato' Lim Say Chong	• Advocacy Session on Corporate Disclosure for Directors	Bursa Malaysia Berhad	5 September 2013
	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013
Dato' Yusli Bin Mohamed Yusoff	• Nominating Committee Programme	The ICLIF Leadership & Governance Centre and Bursa Malaysia Berhad	14 May 2013
	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013
Loong Caesar	• Total Shareholders' Return for the Board & Blue Ocean Strategy	Smart Focus Business Consulting	27 November 2013

The Nomination Committee had assessed the training needs of Directors based on the training programmes attended by each Director in 2013.

The Board is also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

1.9 Board Committees

The Board has delegated specific responsibilities to the following Committees:-

(a) Audit Committee ("AC")

Please refer to the AC Report set out on pages 28 and 29 of the Annual Report.

(b) Nomination Committee

The Nomination Committee currently consists of all Independent Non-Executive Directors. The members of the Nomination Committee are as follows:-

(i) Kong Wah Sang (Chairman)
(Independent Non-Executive Director)

(ii) Chew Hoy Ping
(Independent Non-Executive Director)

(iii) Loong Caesar
(Independent Non-Executive Director)

The main responsibilities of the Nomination Committee are as follows:-

(i) To recommend to the Board, candidates for directorships to be filled.

(ii) To recommend to the Board, Directors or officers of the Company to fill the seats on Board Committees.

(iii) To review the Board's mix of skills, experience and other qualities including core competencies which Directors should bring to the Board, as well as the size and diversity of the Board composition taking into account the current and future needs of the Company.

(iv) To carry out the process annually for assessing the effectiveness of the Board as a whole and the Board Committees, the contributions and performance of individual Directors, and the independence of the Independent Non-Executive Directors.

(v) To review the Directors' training programmes and assess the training needs for the Directors.

The Nomination Committee met twice during the financial year ended 31 December 2013 and the meetings were attended by all the Committee members. The activities of the Nomination Committee during the financial year were as follows:-

(i) Reviewed the results of the Board evaluations and assessment of Independent Directors

A Board evaluation exercise was carried out to assess the effectiveness of individual Directors, the Board as a whole and the Board Committees. The evaluation exercise was conducted via questionnaires, which were distributed to all the Directors and cover areas which include, amongst others, the Board's mix, composition and structure, operations, roles and responsibilities and performance/contribution of the Board Committees. The evaluation also encompassed Director's Self & Peer Evaluation, assessing the individual Director's contributions and interaction, quality of input and understanding of roles and responsibilities as a Director.

The Nomination Committee reviewed the overall results of the evaluations conducted and subsequently tabled the same to the Board and highlighted those areas which required further and continuous improvement.

An exercise was also carried out to assess the independence of the Independent Directors. Based on the self-assessment of independence, the Independent Directors have declared that they fulfilled the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Securities. The Board is generally satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

Mr Kong Wah Sang has served on the Board as an Independent Non-Executive Director for a cumulative term of more than 9 years. Based on the self-assessment of independence, Mr Kong has declared that he satisfied and fulfilled all the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Securities. Mr Kong has demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. The Board, therefore, recommended for Mr Kong to continue to serve as an Independent Non-Executive Director, subject to the approval of shareholders at the AGM of the Company.

(ii) Reviewed and recommended the re-election/ re-appointment of Directors

The Nomination Committee reviewed and recommended to the Board, those retiring Directors who were eligible to stand for re-election in 2013, namely Mr Lee Seng Huang and Mr Kong Wah Sang, as well as the re-appointment of Dato' Lim Say Chong and Dato' Robert Chan Woot Khoon. The recommendation was based on the review and assessment of the performance of these Directors. The Board approved the Nomination Committee's recommendation to support the re-election/re-appointment of these Directors at the AGM of the Company.

(iii) Reviewed and recommended the change in the composition of Nomination and Remuneration Committees

The Nomination Committee reviewed and recommended for the Board's approval, the change in the composition of Nomination and Remuneration Committees, following the demise of Dato' Robert Chan Woot Khoon on 3 July 2013.

(c) Remuneration Committee

The Remuneration Committee currently consists of all Non-Executive Directors, a majority of whom are Independent Directors. The members of the Remuneration Committee are as follows:-

(i) Dato' Yusli Bin Mohamed Yusoff (Chairman)
(Independent Non-Executive Director)

(ii) Kong Wah Sang
(Independent Non-Executive Director)

(iii) Chung Tze Hien
(Non-Independent Non-Executive Director)

The main responsibilities of the Remuneration Committee are to review and recommend to the Board the following:-

(i) remuneration package of each Director; and
(ii) incentive schemes, profit sharing arrangements or the like for Management or other employees.

The Remuneration Committee met once during the financial year ended 31 December 2013 and the meeting was attended by all the Committee members.

1.10 Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures as well as compliance with the relevant guidelines, regulatory and statutory requirements, corporate governance and best practices.

All Directors have access to the advice and services of the Company Secretary.

2. DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of Executive Directors, the remuneration is structured to link rewards to corporate and individual performance based on key performance indicators. For Non-Executive Directors, the level of remuneration reflects their experience and level of responsibilities.

The Remuneration Committee recommends to the Board, the remuneration (including Directors' fees) for each Director of the Company. Each individual Director does not participate in the discussion and decision on his own remuneration. Directors' fees payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM. The Non-Executive Directors are also paid meeting allowance for attendance at each Board and Committee meeting.

Details of the aggregate remuneration of the Directors of the Company, categorised into appropriate components, for the financial year ended 31 December 2013 are as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	-	325
Salaries and other remuneration	592	-
Benefits-in-kind	39	-
Total:	631	325

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range of Remuneration	No. of Executive Directors	No. of Non-Executive Directors	Total
RM50,000 to RM100,000	-	6	6
RM250,000 to RM300,000	1	-	1
RM350,000 to RM400,000	1	-	1
RM1,100,000 to RM1,150,000	1	-	1
Total:	3	6	9

3. SHAREHOLDERS

3.1 Communication between the Company and Investors

The Board acknowledges the need for shareholders to be informed of all material business matters of the Company. Announcements to Bursa Securities are made on significant developments and matters of the Group. Financial results are released on a quarterly basis to provide shareholders with a regular overview of the Group's performance. The Corporate Communication Department of the Company also arranges press interviews and briefings, and releases press announcements to provide information on the Group's business activities, performance and major developments.

In addition to published annual report and quarterly results announced to Bursa Securities, the Company has a website at *www.mulpha.com.my* from which investors and shareholders can access for information about the Group. Any enquiries may be directed to this email address, *irmulpha@mulpha.com.my*.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

3.2 Shareholders' Meeting

General meetings represent the principal forum for dialogue and interaction with shareholders. Notices of general meetings with sufficient information of business to be dealt with thereat are published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. At the general meetings, shareholders have direct access to the Board and are encouraged to participate in the question and answer session.

At the outset of general meetings, the Chairman would inform the shareholders of their right to request for poll vote. Generally, resolutions will be carried out by show of hands, except for related party transactions wherein poll will be conducted, as required under the Main Market Listing Requirements of Bursa Securities. The Board will endeavour to put substantive resolutions to be voted by way of poll and make an announcement of the detailed results to Bursa Securities.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

In presenting the annual audited financial statements, annual report and announcement of quarterly results to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position, performance and prospects. The Board considers that in preparing the financial statements and announcements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable and prudent judgments and estimates.

4.2 Internal Control and Risk Management

The Board affirms its overall responsibility for the Group's system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The Statement on Risk Management and Internal Control as set out on pages 30 and 31 of the Annual Report, provides an overview of the state of internal controls and risk management within the Group.

4.3 Relationship with Auditors

Through the AC, the Board has established an appropriate relationship with the Company's auditors, both internal and external. The external auditors attended the AC's meetings when necessary. The external auditors are also invited to attend the Company's AGM and are available to answer any questions from shareholders on the audited financial statements.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved financial reporting standards and give a true and fair view of the financial position of the Company and the Group at the end of the financial year, as well as of the financial performance and cashflows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have:-

(i) ensured that the financial statements are in accordance with the provisions of the Companies Act, 1965, the applicable financial reporting standards and the Main Market Listing Requirements of Bursa Securities;
(ii) adopted the appropriate accounting policies and applied them consistently; and
(iii) made judgments and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the relevant statutory requirements.

This Statement on Corporate Governance was approved by the Board of Directors on 12 May 2014.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2013.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had on 17 May 2012, entered into a Call Option Agreement with Teladan Kuasa Sdn Bhd ("TKSB") to grant TKSB the right to require the Company to sell to TKSB up to 75,000,000 ordinary shares or 32.85% ("Call Option") in the Company's 61.93% owned listed subsidiary, Mulpha Land Berhad ("MLB"). The Call Option is exerciseable at any time during the period commencing from the date falling 3 months after the date of the Call Option Agreement and ending on the day immediately preceding the 3rd anniversary of the Call Option Agreement. As at 31 December 2013, the Call Option has not been exercised.

The Company did not issue any warrants or convertible securities during the financial year ended 31 December 2013.

3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2013.

4. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2013.

5. NON-AUDIT FEES

The non-audit fees paid/payable to the external auditors for services rendered to the Company and/or its subsidiaries for the financial year ended 31 December 2013 amounted to RM92,000.

6. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2013 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projection for the financial year.

7. PROFIT GUARANTEE

There was no profit guarantee received by the Company during the financial year ended 31 December 2013.

8. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests during the financial year ended 31 December 2013:-

(a) Sale and Purchase Agreement dated 29 July 2013 between MLB and Leisure Farm Equestrian Sdn Bhd ("LFE"), a wholly-owned subsidiary of Leisure Farm Corporation Sdn Bhd ("LFC"), which in turn is a wholly-owned subsidiary of the Company for the disposal by MLB, of a parcel of freehold land held under Geran 449268, Lot 137699, Mukim Pulai, Daerah Johor Bahru, Negeri Johor to LFE for a total consideration of RM14,915,000 ["Land 1 Disposal"].

(b) Sale and Purchase Agreement dated 29 July 2013 between Indahview Sdn Bhd, a wholly-owned subsidiary of MLB, and LFE for the disposal by Indahview Sdn Bhd, of a parcel of freehold land held under Geran 333611, Lot 49255, Mukim Pulai, Daerah Johor Bahru, Negeri Johor to LFE for a total consideration of RM4,750,000 ["Land 2 Disposal"].

(c) Share Sale Agreement dated 29 July 2013 between MLB and Mulpha Group Services Sdn Bhd ("MGS"), a wholly-owned subsidiary of the Company for the acquisition by MLB, of 3,196,588 ordinary shares of RM1.00 each in Mulpha Properties (M) Sdn Bhd ("MPM"), representing 100% of the issued and paid-up share capital of MPM from MGS, for a total consideration of RM47,072,424 or 23% of the gross sale value of the leasehold land held under PN 3697, Lot 53, Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Selangor, whichever is higher ["MPM Acquisition"].

(d) Subscription and Shareholders' Agreement dated 30 August 2013 between MLB, Mayfair Ventures Sdn Bhd ("MVSB"), a subsidiary of MLB and MJC Development Sdn Bhd ("MJC"), a wholly-owned subsidiary of Mudajaya Corporation Berhad ("MCB"), which in turn is a wholly-owned subsidiary of Mudajaya Group Berhad ("MGB") for the subscription of new ordinary shares of RM1.00 each and new redeemable preference shares of RM1.00 each in MVSB by MLB and MJC in the shareholding proportion of 51% and 49% respectively, as well as to govern the relationship between MLB and MJC as shareholders of MVSB ["Joint Venture"].

Relationship of Related Parties for items (a) to (d) above

(i) The Company, being a major shareholder of MLB and indirect major shareholder of MGB, is deemed interested in the Land 1 Disposal, Land 2 Disposal, MPM Acquisition and Joint Venture by virtue of the following:-

- LFE (a wholly-owned subsidiary of LFC, which in turn is a wholly-owned subsidiary of the Company) is a party to the Land 1 Disposal and Land 2 Disposal;
- MGS (a wholly-owned subsidiary of the Company) is a party to the MPM Acquisition; and
- MJC (a wholly-owned subsidiary of MCB, which in turn is a wholly-owned subsidiary of MGB) is a party to the Joint Venture. Mulpha Infrastructure Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, is a major shareholder of MGB.

(ii) Lee Eng Leong, the Non-Independent Non-Executive Chairman of MLB, is a Director of LFC. In MGB, he is also the Alternate Non-Independent Non-Executive Director to Lee Seng Huang, who is the indirect major shareholder of the Company and MGB. By virtue of him being a Director of both MLB and LFC, and a person connected with Lee Seng Huang, Lee Eng Leong is deemed interested in the Land 1 Disposal, Land 2 Disposal, MPM Acquisition and Joint Venture.

(iii) Henry Choo Hon Fai, the Independent Non-Executive Director of MLB, is also an Independent Non-Executive Director of MGB. By virtue of MJC (a wholly-owned subsidiary of MCB, which in turn is a wholly-owned subsidiary of MGB), being a party to the Joint Venture, Henry Choo Hon Fai is deemed interested in the Joint Venture.

9. STATEMENT BY THE AC IN RELATION TO ALLOCATION OF OPTIONS OR SHARES PURSUANT TO SHARE ISSUANCE SCHEME

The Company does not have any Share Issuance Scheme and as such, there was no allocation of options or shares during the financial year ended 31 December 2013.

10. SHARE BUY-BACK

The details on the share buy-back during the financial year ended 31 December 2013 are disclosed under Note 19(b) of the Notes to the Financial Statements.

AUDIT COMMITTEE REPORT

CONSTITUTION AND COMPOSITION

The AC was established pursuant to a resolution of the Board passed on 28 July 1994. The current members of the AC are as follows:-

1. **Chew Hoy Ping (Chairman)**
   (Independent Non-Executive Director)

2. **Kong Wah Sang**
   (Independent Non-Executive Director)

3. **Dato' Lim Say Chong**
   (Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the AC are as follows:-

1. Composition

The AC shall be appointed by the Board from amongst the Directors of the Company. The AC shall comprise not less than 3 members. All the members must be Non-Executive Directors, with a majority of them being Independent Directors. At least one member of the AC must be a member of the Malaysian Institute of Accountants or fulfil such other requirements as prescribed or approved by the Exchange. One of the members of the AC who is an Independent Director shall be appointed Chairman of the AC by the members of the AC.

2. Meetings and Minutes

The AC shall meet at least 4 times a year. The quorum shall be at least 2 members, the majority of whom shall be Independent Directors. The AC may request any member of the management and representatives of the external auditors to be present at meetings of the AC. Minutes of each AC meeting are to be prepared and distributed to each member of the AC and the Board. The Company Secretary or his Assistant shall be the Secretary of the AC.

3. Authority

The AC is authorised by the Board:-

(a) to investigate any activity of the Company and its subsidiaries within its terms of reference;

(b) to seek any information it requires from any employee for the purpose of discharging its functions and responsibilities and all employees are directed to cooperate with any request made by the AC;

(c) to obtain legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers it necessary to do so; and

(d) to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company and its subsidiaries, whenever deemed necessary.

4. Duties and Responsibilities

The duties and responsibilities of the AC shall be as follows and will cover the Company and its subsidiaries:-

(a) to consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal;

(b) to review with the external auditors their audit plan, scope and nature of audit;

(c) to review the quarterly and annual financial statements before submission to the Board;

(d) to review and assess the adequacy and effectiveness of the systems of internal control and accounting control procedures by reviewing the external auditors' management letters and management response;

(e) to hear from and discuss with the external auditors any problem and reservation arising from their interim and final audits or any other matter that the external auditors may wish to highlight;

(f) to review the internal audit programme, consider the findings of internal audit and the actions and steps taken by management in response to such findings and ensure coordination between the internal and external auditors;

(g) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

(h) to review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures relating to such transactions are adequate;

(i) to review the process for identifying, evaluating, monitoring and managing significant risks;

(j) to undertake such other responsibilities as may be delegated by the Board from time to time; and

(k) to report to the Board its activities and findings.

MEETINGS AND ATTENDANCE

During the financial year, the AC held 5 meetings and the record of attendance of the AC is as follows:-

Name of AC Members	Number of Meetings Attended
Chew Hoy Ping	5/5
Kong Wah Sang	5/5
Dato' Lim Say Chong	4/5

The Executive Director, Group Chief Financial Officer, Head of Finance and Internal Audit Manager were invited to attend the meetings. The external auditors were present at 3 of the total meetings held. The AC also met with the external auditors without the presence of the executive board member and management.

SUMMARY OF ACTIVITIES OF THE AC

During the financial year, the AC carried out its activities in line with its terms of reference, which are summarised as follows:-

(a) Reviewed the quarterly results and annual financial statements for recommendation to the Board for approval and release to Bursa Malaysia Securities Berhad.

(b) Reviewed and discussed the Management Accounts and cash flows of the Company and the Group with management.

(c) Reviewed and adopted the internal audit plan, which encompassed the scope of internal audit work.

(d) Reviewed the audit activities and findings of internal audit, as well as the actions and steps taken by management in response to such findings.

(e) Reviewed the enterprise risk management review plan, which encompassed the risk areas, deliverables, processes and action plan.

(f) Reviewed with the external auditors, their audit plan and scope of audit prior to the commencement of audit.

(g) Reviewed with the external auditors, the audit report, issues, reservations and management responses arising from their audit, as well as the audit fees.

(h) Reviewed with the external auditors, the extent of assistance rendered by management and issues arising from their audit, without the presence of the executive board member and management.

(i) Reviewed the related party transactions entered into by the Company and the Group.

(j) Reported to the Board on significant issues and concerns discussed during the AC Meetings together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board.

(k) Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report.

(l) Reviewed and approved the AC Report for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The internal audit function is performed in-house and undertaken by the Internal Audit and Risk Management Department ("IAD") of the Company, whose principal objective is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The attainment of such objectives involved the following activities being carried out by the IAD during the financial year:-

(a) Prepared the audit plan for approval of the AC.

(b) Reviewed and appraised the adequacy, effectiveness and reliability of internal control systems, policies and procedures.

(c) Monitored the adequacy, reliability, integrity, security and timeliness of financial and other management information systems.

(d) Determined the extent of compliance with relevant laws, codes, standards, regulations, policies, plans and procedures.

(e) Reviewed the efficiency and effectiveness of operations and identified risk exposure.

(f) Reviewed and verified the means used to safeguard assets.

(g) Tabled to the AC, the audit reports incorporating the audit findings, audit recommendations and management responses. Follow-up audit was conducted and the status of implementation on the agreed action plan was highlighted to the AC.

(h) Acted on suggestions made by the AC and management on concerns over operations or controls and significant issues pertinent to the Company and the Group.

(i) Performed independent evaluation on the risk management framework, including its adequacy and effectiveness.

(j) Prepared and tabled to the AC, the Statement on Risk Management and Internal Control for inclusion in the Annual Report.

The costs incurred for the internal audit function for the financial year ended 31 December 2013 amounted to RM414,755.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Bursa Malaysia's Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") provides guidance for compliance with these requirements. The Risk Management Committee, being the delegated committee of the Board, is responsible for the preparation of the Statement on Risk Management and Internal Control in accordance with the Guidelines. Set out below is the Statement on Risk Management and Internal Control which has been prepared in accordance with the Guidelines.

RESPONSIBILITY

The Board affirms its responsibility for maintaining a sound system of internal controls and for reviewing its adequacy and integrity. The system of internal controls, designed to safeguard shareholders' investments and the Group's assets, covers not only financial controls but also operational and compliance controls and risk management. Such system, however, is designed to manage rather than to eliminate risks that may hinder the achievement of the Group's business objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

RISK MANAGEMENT

Risk management is considered by the Board as an integral part of the business operations. The risk management function is undertaken by the IAD of the Company.

The Group has in place a risk management framework to identify, evaluate, monitor and manage risks that may affect the Group's businesses. Included in the framework is the Enterprise Risk Management policy and procedure which is based on Malaysian Standard ISO 31000:2010. The process is facilitated by the IAD.

The Group adopts a decentralised approach to risk management whereby individual Risk Management Units ("RMU") are established at the business unit level. The RMUs are led by the Heads of Department while the members are appointed employees. The RMUs are responsible for identifying and monitoring risks at their respective levels. The identified risks are prioritised according to the degree of consequence and likelihood of occurrence.

KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control system include the following:-

- Clearly defined delegation of responsibilities, organisation structure and appropriate authority limits have been established by the Board for the Board Committees and Management.

- Internal policies and procedures are in place, which are updated as and when necessary.

- Reporting systems are in place, which generate financial and other reports for the Board and Management. Monthly management meetings are held during which the reports are discussed and the necessary actions taken.

- Annual business plans and budgets are prepared by the individual companies and units within the Group. Actual performance is monitored against the budgets on a monthly basis, with major variances followed up and the necessary actions taken.

- The adequacy and effectiveness of the system of internal controls are continually assessed by the IAD based on a risk-based audit plan approved by the AC.

INTERNAL AUDIT

The IAD undertakes the review of the system of internal controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily. The activities carried out by the IAD during the financial year are set out in the AC Report.

During the financial year, the IAD carried out audits of selected business units in Malaysia and Australia.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MONITORING AND REVIEW OF THE SYSTEM OF INTERNAL CONTROL

During the financial year, a number of improvements to internal control were identified and implemented. No weaknesses were noted which have a material impact on the Group's financial performance or operations.

The monitoring, review and reporting procedures and systems in place give reasonable assurance that the controls are generally adequate within the context of the Group's business environment. Such procedures and systems, however, do not eliminate the possibility of human error, the deliberate circumvention of control procedures by employees and others and the occurrence of unforeseeable circumstances.

This Statement on Risk Management and Internal Control does not deal with the Group's associated companies as the Group does not have management control over their operations.

The Executive Director together with Group Chief Financial Officer have jointly provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

STATEMENT ON
CORPORATE RESPONSIBILITY

ENVIRONMENT

Mulpha makes a conscientious effort into putting a stamp of the green concept to all our developments. Green architectural designs such as energy saving light fittings, inverter air conditioning systems, energy efficient hybrid hot water systems, centralised rainwater harvesting systems and water saving toilet fixtures are incorporated to promote the eco-friendly nature of our developments. Our designs also maximize the usage of natural lighting to reduce dependency on artificial light sources.

A prime example is our Bayou Creek Canal Residence in Leisure Farm Resort ("LFR"). Every home in this development has been built with Mulpha's sustainability, energy, environment, design and security (SEEDS) philosophy. The homes in Bayou Creek have adopted green design elements such as an indoor courtyard that enhances ventilation and provides natural lighting to reduce the usage of artificial sources. Bayou Creek Canal Residence is the latest development in LFR.

LFR, the Group's flagship project in Gelang Patah, Johor, was involved in variety of environmental and energy conservation efforts throughout 2013. LFR's master plan was developed around the characteristics and the natural beauty of its surroundings. The undulating terrain consisting of rainforests, wetlands, streams, lakes, valleys and hills which remain the distinguishing feature of LFR, immaculately preserved for present and future generations. Construction materials and fixtures in LFR have been selected for their environmental friendliness and recyclable qualities. This includes recyclable bricks and stone chippings.

380 acres out of LFR's 1,765 acres consists of green spaces and structures are designed around these natural surroundings instead of over it. Our completed development project called Bayou Water Village, integrates heat dissipating roof systems to reduce dependency on artificial energy and low volatile organic compound (VOC) emulsion paint which is environmentally friendly. Specially designated areas such as Canal Park, Kayu Manis Orchard and Mangrove wetlands ensure that the flora and fauna growth are maintained.

WORKPLACE

Mulpha strives to become the employer of choice for our current staff and future recruits. The testament to this is the relocation of Mulpha's headquarters to Menara Mudajaya in April 2013. The primary objective of this relocation is to provide a more conducive working environment for the staff. We constantly involve our staff in creating a great place to work and a company they can be proud of. Specialised training sessions are also conducted throughout the year to enhance the skills and performance of our employees. Mulpha has also sent the employees for external training sessions that are relevant and in line with our business to improve the knowledge and proficiency of our employees. Talented and potential staff are developed and rewarded to enhance Mulpha's business through a fair and open process. Internal promotions are conducted to reward staff that have performed beyond what is asked of them and show tremendous improvement throughout the year. Mulpha actively promotes and supports activities that improve employees' relationships with each other via the Mulpha Recreation Club. The Club encourages staff participation in sporting activities, family day events and social gatherings. The Club also organises yearly company trips to foster relationships between the staff from different disciplines. These efforts improve the working environment of Mulpha.

COMMUNITY

Mulpha Recreation Club organised a Movie Day excursion for the children of Rumah Kanak-kanak Triniti on the 16 August 2013 at CineLeisure Mutiara Damansara. Apart from watching the animated movie, Planes, the children enjoyed a nice, tasty meal at KFC in the Curve and were also provided with transport to and from the children's shelter home. A number of Mulpha's staff joined in the event and mingled and bonded with the children. A few caretakers from the children's shelter home also travelled with the children as their chaperone and they remarked that they do not have any budget to organise such events for the children on their own accord and since these children do not get many opportunities to leave the children's shelter home, this trip that was organised by the Club was really special and truly made their day.

FINANCIAL **STATEMENTS**

Hayman Island

DIRECTORS'
REPORT

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principle activity of the Company is investment holding, whilst the principal activities of the subsidiaries and associates are as stated in Note 6 and Note 7 to the financial statements respectively. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(32,256)	42,905
Non-controlling interests	4,497	-
	(27,759)	42,905

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Lee Seng Huang
Law Chin Wat
Chung Tze Hien
Kong Wah Sang
Chew Hoy Ping
Dato' Lim Say Chong
Dato' Yusli bin Mohamed Yusoff
Loong Caesar
Dato' Robert Chan Woot Khoon (Passed away on 3 July 2013)

DIRECTORS' INTERESTS IN SHARES

The direct and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	<------------------Number of ordinary shares of RM0.50 each------------------>			
The Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Deemed interest				
Lee Seng Huang	819,787,549	-	-	819,787,549

By virtue of Lee Seng Huang's substantial interest in the shares of the Company, he is also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2013 has any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 37 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 63,264,200 of its issued ordinary shares from the open market at an average price of RM0.41 per share. The total consideration paid was RM25.79 million including transaction cost of RM0.10 million. The shares repurchased were retained as treasury shares.

As at 31 December 2013, the Company held a total of 222,049,800 treasury shares out of its 2,355,913,158 issued ordinary shares. Such treasury shares are held at a carrying amount of RM92.05 million and further relevant details are disclosed in Note 19 to the financial statements.

Subsequent to the financial year and up to the date of this report, the Company repurchased 100,000 of its issued and paid up ordinary shares from the open market at an average price of RM0.428 per share. The total consideration paid for repurchase, including transaction costs, was RM0.04 million.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (Continued)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report, other than certain items as disclosed in Note 27 and Note 28 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events are as disclosed in Note 38 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

LEE SENG HUANG

LAW CHIN WAT

25 April 2014

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		Group		Company	
	Note	2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	993,556	1,096,840	19	507
Prepaid land lease payments	4	733	1,094	-	-
Investment properties	5	18,449	29,746	-	-
Investments in subsidiaries	6	-	-	693,916	709,494
Investments in associates	7	1,072,071	1,058,219	4,112	6,063
Investments in joint ventures	8	157,557	175,830	-	-
Investment securities	9	74,951	38,006	1,043	880
Other investments	10	5,061	2,888	5,032	2,888
Goodwill	11	9,119	9,137	-	-
Inventories	12	428,084	506,657	-	-
Trade and other receivables	13	-	-	237,064	258,100
Other non-current assets	14	5,500	3,774	-	-
Deferred tax assets	15	23,915	-	-	-
Total non-current assets		2,788,996	2,922,191	941,186	977,932
Inventories	12	514,495	404,990	-	-
Trade and other receivables	13	236,143	224,546	572,391	489,553
Other current assets	16	34,479	21,521	1	1
Investment securities	9	5,304	9,414	-	-
Current tax assets		247	1,208	248	1,155
Cash and cash equivalents	17	659,553	468,324	35,210	67,717
		1,450,221	1,130,003	607,850	558,426
Assets classified as held for sale	18	18,865	-	-	-
Total current assets		1,469,086	1,130,003	607,850	558,426
Total assets		4,258,082	4,052,194	1,549,036	1,536,358

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013 (Continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Equity					
Share capital	19	1,177,957	1,177,957	1,177,957	1,177,957
Share premium		579,863	579,863	579,863	579,863
Treasury shares	19	(92,049)	(66,255)	(92,049)	(66,255)
Reserves	20	311,075	454,855	108,335	108,335
Retained earnings/ (Accumulated losses)		308,565	340,866	(229,715)	(272,620)
Total equity attributable to owners of the Company		2,285,411	2,487,286	1,544,391	1,527,280
Non-controlling interests		52,130	34,926	-	-
Total equity		2,337,541	2,522,212	1,544,391	1,527,280
Liabilities					
Deferred tax liabilities	15	-	31,824	-	-
Loans and borrowings	21	817,853	800,043	-	-
Trade and other payables	22	11,267	7,800	2,000	2,000
Provision for liabilities	23	3,015	3,389	-	-
Total non-current liabilities		832,135	843,056	2,000	2,000
Loans and borrowings	21	805,178	451,378	-	61
Trade and other payables	22	155,388	177,602	2,645	7,017
Other current liabilities	24	98,215	34,392	-	-
Current tax liabilities		10,747	8,681	-	-
Provision for liabilities	23	17,851	12,758	-	-
Derivative liabilities	25	1,027	2,115	-	-
Total current liabilities		1,088,406	686,926	2,645	7,078
Total liabilities		1,920,541	1,529,982	4,645	9,078
Total equity and liabilities		4,258,082	4,052,194	1,549,036	1,536,358

The notes on pages 50 to 135 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Continuing operations					
Revenue	26	783,692	540,286	47,574	5,747
Other income	27	118,422	128,089	7,110	102,736
Other expenses		(220,922)	(407,867)	(9,261)	(98,465)
Land and property development costs		(216,607)	(43,035)	-	-
Finished goods and services rendered		(99,413)	(90,115)	-	-
Employee benefits expenses		(211,105)	(225,193)	(581)	(1,264)
Depreciation and amortisation		(60,547)	(63,930)	(114)	(456)
Results from operating activities		93,520	(161,765)	44,728	8,298
Finance costs	29	(68,530)	(66,194)	(219)	(6)
Share of loss of associates		(77,506)	(281,815)	-	-
Share of profit of joint ventures		9,065	7,794	-	-
(Loss)/Profit before tax	28	(43,451)	(501,980)	44,509	8,292
Tax benefit/(expense)	30	15,692	(11,868)	(1,604)	216
(Loss)/Profit from continuing operations		(27,759)	(513,848)	42,905	8,508
Discontinued operation					
Profit net of tax from discontinued operations	31	-	39,993	-	-
(Loss)/Profit for the year		(27,759)	(473,855)	42,905	8,508

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Other comprehensive (expense)/income					
Foreign currency translation differences for foreign operations and share of other comprehensive income of associates		(177,200)	(74)	-	-
Fair value movement of available-for sale-financial assets		17,647	6,557	-	-
Share of other comprehensive income of associates		13,026	4,730	-	-
Reserves of discontinued operations and dissolution of subsidiaries reclassified to profit or loss		-	(7,583)	-	-
Other comprehensive (expense)/income for the year		(146,527)	3,630	-	-
Total comprehensive (expense)/income for the year		(174,286)	(470,225)	42,905	8,508

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(32,256)	(474,963)	42,905	8,508
Non-controlling interests		4,497	1,108	-	-
(Loss)/Profit for the year		(27,759)	(473,855)	42,905	8,508
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(178,871)	(471,333)	42,905	8,508
Non-controlling interests		4,585	1,108	-	-
Total comprehensive (expense)/income for the year		(174,286)	(470,225)	42,905	8,508
Loss per ordinary share (sen):					
Continuing operations	32	(1.49)	(22.59)		
Discontinued operation	32	-	1.75		
		(1.49)	(20.84)		

The notes on pages 50 to 135 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	<------	------	------	------	Attributable to owners of the Company	------	------	------	------>			
	<------	------	------	Non-distributable	------	------	------	------>	*Distributable*			
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Capital reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 January 2012	1,177,957	579,863	3,289	345,035	110,081	(9,086)	(19,352)	8,163	808,946	3,004,896	98,957	3,103,853
Total comprehensive income/(expense) for the year	-	-	-	3,363	-	7,850	-	(7,583)	(474,963)	(471,333)	1,108	(470,225)
Transactions with owners												
Purchase of treasury shares	-	-	-	-	-	-	(46,903)	-	-	(46,903)	-	(46,903)
Dividends	-	-	-	-	-	-	-	-	-	-	(303)	(303)
Transfer within reserve	-	-	(3,289)	-	-	-	-	(580)	3,869	-	-	-
Winding up of subsidiaries	-	-	-	(583)	(48)	-	-	-	(1,432)	(2,063)	-	(2,063)
Deconsolidation of a subsidiary	-	-	-	-	-	106	-	-	-	106	(47,115)	(47,009)
Disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	(17,721)	(17,721)
Total transactions with owners of the Company	-	-	(3,289)	(583)	(48)	106	(46,903)	(580)	2,437	(48,860)	(65,139)	(113,999)
Deferred tax	-	-	-	-	-	(1,863)	-	-	4,446	2,583	-	2,583
At 31 December 2012	1,177,957	579,863	-	347,815	110,033	(2,993)	(66,255)	-	340,866	2,487,286	34,926	2,522,212
	Note 19		**Note 20**	**Note 20**	**Note 20**	**Note 20**	**Note 19**					

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	<----Attributable to owners of the Company----											
	<----Non-distributable----							---->	Distributable			
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Capital reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 January 2013	1,177,957	579,863	-	347,815	110,033	(2,993)	(66,255)	-	340,866	2,487,286	34,926	2,522,212
Total comprehensive (expense)/income for the year	-	-	-	(165,399)	-	18,784	-	-	(32,256)	(178,871)	4,585	(174,286)
Transactions with owners												
Purchase of treasury shares	-	-	-	-	-	-	(25,794)	-	-	(25,794)	-	(25,794)
Dividends	-	-	-	-	-	-	-	-	-	-	(2,516)	(2,516)
Transfer within reserve	-	-	-	-	45	-	-	-	(45)	-	-	-
Deregistration of a subsidiary	-	-	-	(2,434)	-	(84)	-	-	-	(2,518)	-	(2,518)
Changes in ownership interests in subsidiaries	-	-	-	-	5,308	-	-	-	-	5,308	15,135	20,443
Total transactions with owners of the Company	-	-	-	(2,434)	5,353	(84)	(25,794)	-	(45)	(23,004)	12,619	(10,385)
At 31 December 2013	1,177,957	579,863	-	179,982	115,386	15,707	(92,049)	-	308,565	2,285,411	52,130	2,337,541
	Note 19		**Note 20**	**Note 20**	**Note 20**	**Note 20**	**Note 19**					

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	<----- Non-distributable				----->		
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Other reserve RM'000	Treasury shares RM'000	Accumulated losses RM'000	Total equity RM'000
Company							
At January 2012	1,177,957	579,863	108,228	107	(19,352)	(281,128)	1,565,675
Total comprehensive income for the year	-	-	-	-	-	8,508	8,508
Purchase of treasury shares	-	-	-	-	(46,903)	-	(46,903)
At 31 December 2012/ 1 January 2013	1,177,957	579,863	108,228	107	(66,255)	(272,620)	1,527,280
Total comprehensive income for the year	-	-	-	-	-	42,905	42,905
Purchase of treasury shares	-	-	-	-	(25,794)	-	(25,794)
At 31 December 2013	1,177,957	579,863	108,228	107	(92,049)	(229,715)	1,544,391
	Note 19		**Note 20**	**Note 20**	**Note 19**		

The notes on pages 50 to 135 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
(Loss)/Profit before tax					
- Continuing operations		(43,451)	(501,980)	44,509	8,292
- Discontinued operations	31	-	(1,228)	-	-
		(43,451)	(503,208)	44,509	8,292
Adjustments for:					
Amortisation of prepaid land lease payments		52	51	-	-
Bad debts recovered		(29)	(5,774)	(6)	-
Bad debts written off		8	21	-	-
Dividend income		(3,434)	(2,815)	(47,574)	(5,747)
Fair value adjustment of investment properties		(5,362)	-	-	-
Fair value gain on financial assets at fair value through profit or loss		(326)	(2,692)	-	-
Gain on disposal of assets held for sale		-	(6,074)	-	-
Gain on disposal of an investment property		(341)	-	-	-
Gain on disposal of investment securities		(3,245)	(188)	-	-
Gain on disposal of other investment		-	-	(138)	-
Gain on deregistration of a subsidiary		(2,518)	-	-	-
Gain on partial disposal of a subsidiary		-	-	(510)	-
Gain on waiver of amount due from subsidiaries		-	-	(827)	(61,481)
Impairment loss on financial assets					
- Investment securities		3,549	10,593	-	-
- Trade and other receivables		1,427	-	-	-
Impairment loss on investment in					
- Subsidiaries		-	-	-	3,463
- Associates		-	-	1,951	15,900
Inventories written down		-	68,248	-	-
Inventories written off		10,151	-	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash flows from operating activities (continued)					
Interest income (including discontinued operations)		(10,889)	(11,733)	(1,780)	(16,987)
Interest expense (including discontinued operations)		68,530	66,441	219	6
Loss on deconsolidation of subsidiaries		-	38,703	-	-
Loss on disposal of financial assets					
- Fair value through profit or loss		171	-	-	-
Loss on disposal of subsidiaries		-	-	-	58,431
Loss on winding up of subsidiaries		-	-	-	2,327
Net unrealised foreign exchange loss/(gain) (including discontinued operations)		(1,403)	1,961	(3,542)	14,732
Property, plant and equipment					
- Depreciation (including discontinued operations)		60,495	65,027	114	456
- Impairment loss		-	49,721	-	-
- Written off		2,060	1	-	3
- Loss/(Gain) on disposal		4,470	855	(139)	-
Provision for late ascertained damages		238	-	-	-
Provision for foreseeable loss on inventories		2,437	-	-	-
Provision for staff benefits		14,621	15,410	-	-
Reversal of impairment loss on					
- Trade and other receivables		(2,130)	(4,766)	-	-
- Amounts due from subsidiaries		-	-	-	(23,552)
Reversal of impairment loss on					
- Inventories		(362)	(682)	-	-
- Available-for-sale financial assets		(163)	(50)	(163)	(50)
Share of loss of associates		77,506	281,815	-	-
Share of profit of joint ventures		(9,065)	(7,794)	-	-
Operating profit/(loss) before changes in working capital		162,997	53,071	(7,886)	(4,207)

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before changes in working capital (continued)		162,997	53,071	(7,886)	(4,207)
Changes in working capital					
Inventories		(73,375)	(86,683)	-	-
Receivables		(19,027)	6,774	5,419	(107,662)
Other current assets		-	3,564	-	264
Other non-current assets		387	4,027	-	-
Financial assets at fair value through profit or loss		(868)	4,159	-	-
Payables		59,576	40,586	733	59
Other non-current liabilities		3,467	(55)	-	-
Intercompany balances		-	-	(24,487)	107,493
Net changes in working capital		(29,840)	(27,628)	(18,335)	154
Cash generated from/(used in) operations		133,157	25,443	(26,221)	(4,053)
Interest paid		(68,530)	(66,441)	(219)	(6)
Interest received		10,889	11,733	1,780	16,987
Income tax (paid)/refunded		(36,638)	(1,444)	199	(460)
Staff benefits paid		(14,741)	(15,628)	-	-
Net cash generated from/(used in) operating activities		24,137	(46,337)	(24,461)	12,468

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of investment securities		(24,661)	-	-	-
Purchase of other investments		(2,405)	-	(2,376)	-
Purchase of property, plant and equipment		(55,054)	(33,663)	(653)	(159)
Proceeds from disposal of assets classified as held for sale		-	69,946	-	-
Proceeds from disposal of					
- Property, plant and equipment		5,240	97,270	335	-
- Investment property		550	-	-	-
- Investment securities and other investment		6,181	-	370	-
Proceeds from changes in the ownership of interest in subsidiaries		20,443	-	7,845	-
Refurbishment of investment properties		(1,735)	(178)	-	-
Additional investments in associates		(178,444)	(174,362)	-	-
Net cash from disposal of subsidiaries		-	100,276	-	1,000
Capital repayment from joint ventures		4,770	-	-	-
Dividend received		3,434	2,815	12,288	1,237
Dividend received from associates and joint ventures		23,450	47,678	-	-
Net cash (used in)/generated from investing activities		(198,231)	109,782	17,809	2,078
Cash flows from financing activities					
Purchase of treasury shares		(25,794)	(46,903)	(25,794)	(46,903)
Payment of finance lease liabilities		(6,098)	(3,955)	-	-
Dividend paid to non-controlling interests		(2,516)	(303)	-	-
Placement of pledged deposits		(216,089)	(171,143)	-	-
Net drawdown of borrowings		425,837	151,261	-	-
Net cash generated from/(used in) financing activities		175,340	(71,043)	(25,794)	(46,903)

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents		1,246	(7,598)	(32,446)	(32,357)
Effect of exchange rate changes		(26,046)	(4,374)	-	-
Cash and cash equivalents at 1 January		159,741	171,713	67,656	100,013
Cash and cash equivalents at 31 December		134,941	159,741	35,210	67,656

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Deposits	17	590,803	403,310	34,347	67,640
Less: Pledged deposits	17	(523,054)	(306,965)	-	-
		67,749	96,345	34,347	67,640
Cash and bank balances	17	68,750	65,014	863	77
Bank overdraft	21	(1,558)	(1,618)	-	(61)
		134,941	159,741	35,210	67,656

Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM55,709,000 (2012: RM34,063,000) of which RM655,000 (2012: RM400,000) were acquired by means of hire purchase and finance lease arrangements with the balance paid in cash.

The notes on pages 50 to 135 are an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

Mulpha International Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office
PH2, Menara Mudajaya
No.12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2013 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries and associates are as stated in Note 6 and Note 7 respectively.

These financial statements were authorised for issue by the Board of Directors on 25 April 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014
- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- *Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions*
- *Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed
- *MFRS 9, Financial Instruments (2009)*
- *MFRS 9, Financial Instruments (2010)*
- *MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- *Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

1. Basis of preparation (Continued)

(a) Statement of compliance (Continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2 which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - valuation of investment properties
- Note 6 - valuation of investment in subsidiaries
- Note 7 - valuation of investment in associates
- Note 11 - measurement of recoverable amounts of cash generating units
- Note 15 - recognition of capital allowances and tax losses carried forward
- Note 23 - provision and contingencies

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

2. Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

2. Significant accounting policies (Continued)

c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(m)(i)).

2. Significant accounting policies (Continued)

c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Freehold buildings	20 - 40 years
• Leasehold buildings	over period of lease
• Plant, machinery, office equipment and furniture	3 - 20 years
• Motor vehicles	4 - 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (Continued)

(e) Investment in works of art and club memberships

Works of art and club memberships are measured at cost less any accumulated impairment losses. Works of art are deemed inexhaustible and are not depreciated.

(f) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

(ii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(h) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

2. Significant accounting policies (Continued)

(h) Investment property (Continued)

(i) Investment property carried at fair value (Continued)

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The Directors estimate the fair values of the Group's certain investment properties without involvement of independent valuers. Fair value is arrived at by reference to market evidence of transaction process for similar properties within the same/adjacent location.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/ from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(i) Inventories

(i) Properties held for development

Properties held for development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's operating cycle of 2 to 3 years. Such land is classified as non-current asset and is measured at cost less any accumulated impairment losses.

Properties held for development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(ii) Properties under development

Properties under development comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Cost of properties under development not recognised as an expense is recognised as an asset and is measured at the lower of cost and net realisable value.

(iii) Completed properties

Completed properties held for sale are measured at the lower of cost and net realisable value. The cost of completed properties includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion and borrowing costs.

2. Significant accounting policies (Continued)

(i) Inventories (Continued)

(iv) Others

Other inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their existing location and condition are accounted for as follows:

- Raw material: Purchase costs on a first-in-first-out/weighted average basis.
- Finished goods and work-in-progress: Costs of direct materials and labour, and a proportion of production overheads based on normal operating capacity. These costs are assigned on a first-in-first-out/weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

2. Significant accounting policies (Continued)

(m) Impairment (Continued)

(i) Financial assets (Continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax asset, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (Continued)

(n) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (Continued)

(q) Revenue and other income

(i) Revenue from property development

Revenue from property development is measured at the fair value of the consideration receivable and is recognised, in the profit or loss when significant risks and rewards of ownership have been transferred to the buyer based on the following key considerations:-

(i) the risks and rewards of the properties under development passes to the buyer on delivery in its entirety at a single time on vacant possession and not continuously as construction progresses;

(ii) the Group entities maintain control over the properties under development during the construction period, i.e. the Group entities retain the obligation to construct the property in accordance with terms of the Sale and Purchase Agreement and correspondingly, construction risks is retained with the Group entities;

(iii) the Sale and Purchase Agreement does not give the right to the buyer to take over the work-in-progress during construction; and

(iv) the buyers have limited ability to influence the design of the property.

(ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Shares trading

Gains from shares trading is recognised upon completion of the trading contracts.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (Continued)

(q) Revenue and other income (Continued)

(viii) Services

Revenue from services rendered is recognised in the period the services provided to the customers.

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

2. Significant accounting policies (Continued)

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker, which in this case is the Exco Committee which comprises Executive Chairman, Executive Directors and Group Chief Financial Officer, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

(x) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	*Plant and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2012	202,029	1,118,306	502,212	3,947	1,826,494
Additions	-	4,672	19,576	9,815	34,063
Disposals	-	-	(15,324)	-	(15,324)
Deconsolidation	(21,992)	(85,806)	(10,829)	-	(118,627)
Written off	-	-	(1,425)	-	(1,425)
Reclassifications	-	3,947	-	(3,947)	-
Effect of movements in exchange rates	(1,638)	(10,610)	(4,863)	(68)	(17,179)
Attributable to discontinued operations	-	(236)	(94)	-	(330)
At 31 December 2012/ 1 January 2013	178,399	1,030,273	489,253	9,747	1,707,672
Additions	-	6,589	8,019	41,101	55,709
Disposals	-	(22,478)	(62,320)	(2,344)	(87,142)
Written off	-	(4,460)	(1,296)	-	(5,756)
Reclassifications	(7,515)	11,534	4,551	(8,570)	-
Transfers to investment properties	-	-	-	(680)	(680)
Effect of movements in exchange rates	(13,902)	(76,382)	(37,019)	(2,021)	(129,324)
At 31 December 2013	156,982	945,076	401,188	37,233	1,540,479
Depreciation and impairment loss					
At 1 January 2012					
Accumulated depreciation	-	159,097	250,626	-	409,723
Accumulated impairment losses	814	118,955	6,629	-	126,398
	814	278,052	257,255	-	536,121
Charge for the year	-	24,257	39,622	-	63,879
Disposals	-	-	(11,369)	-	(11,369)
Deconsolidation	-	(12,108)	(7,631)	-	(19,739)
Written off	-	-	(1,424)	-	(1,424)
Impairment losses	-	49,721	-	-	49,721
Reclassifications	-	5,063	(5,063)	-	-
Effect of movements in exchange rates	(61)	(3,440)	(2,601)	-	(6,102)
Attributable to discontinued operations	-	(164)	(91)	-	(255)

3. Property, plant and equipment (Continued)

Group	Freehold land RM'000	Buildings RM'000	*Plant and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss (Continued)					
At 31 December 2012/ 1 January 2013					
Accumulated depreciation	-	172,705	262,069	-	434,774
Accumulated impairment losses	753	168,676	6,629	-	176,058
	753	341,381	268,698	-	610,832
Charge for the year	-	22,620	37,875	-	60,495
Disposals	-	(17,599)	(59,833)	-	(77,432)
Written off	-	(2,471)	(1,225)	-	(3,696)
Effect of movements in exchange rates	(44)	(23,739)	(19,493)	-	(43,276)
At 31 December 2013:					
Accumulated depreciation	-	166,566	219,950	-	386,516
Accumulated impairment losses	709	153,626	6,072	-	160,407
	709	320,192	226,022	-	546,923
Carrying amounts					
At 1 January 2012	201,215	840,254	244,957	3,947	1,290,373
At 31 December 2012/ 1 January 2013	177,646	688,892	220,555	9,747	1,096,840
At 31 December 2013	156,273	624,884	175,166	37,233	993,556

* Plant and equipment comprise plant, machinery, office equipment, motor vehicles, furniture and fittings.

3. Property, plant and equipment (Continued)

Company	*Plant and equipment RM'000
Cost	
At 1 January 2012	5,026
Additions	159
Transfers to subsidiaries	(3)
Written off	(1,390)
At 31 December 2012/1 January 2013	3,792
Additions	653
Disposal	(954)
Transfers to subsidiaries	(1,457)
Written off	(333)
At 31 December 2013	1,701
Depreciation	
At 1 January 2012	4,219
Charge for the year	456
Transfers to subsidiaries	(1)
Written off	(1,389)
At 31 December 2012/1 January 2013	3,285
Charge for the year	114
Disposal	(758)
Transfers to subsidiaries	(626)
Written off	(333)
At 31 December 2013	1,682
Carrying amounts	
At 1 January 2012	807
At 31 December 2012/1 January 2013	507
At 31 December 2013	19

* Plant and equipment comprise plant, machinery, office equipment, motor vehicles, furniture and fittings.

(i) Net carrying amounts of assets pledged as security for borrowings as disclosed in Note 21 are as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Land	132,546	146,367
Buildings	551,413	609,960
Plant, machinery, office equipment, furniture and motor vehicles	43,946	54,694
	727,905	811,021

3. Property, plant and equipment (Continued)

(ii) The following are assets held by the Group which earn rental income under operating leases. The details of future annual rentals receivable under the operating leases are included in Note 36.

Group	Land and buildings RM'000
At 31 December 2013	
Cost	122,264
Accumulated depreciation	(12,641)
Net carrying amount	109,623
At 31 December 2012	
Cost	133,113
Accumulated depreciation	(7,737)
Net carrying amount	125,376

(iii) The carrying amount of plant, machinery, office equipment, furniture and motor vehicles held under hire purchase and finance leases as at the reporting date was RM9,400,000 (2012: RM13,069,000).

(iv) In the previous year, the Group recorded an impairment loss on property, plant and equipment of RM49,721,000 in view of impairment of certain hotel assets in Australia.

(v) The Group's capital work-in-progress relates to refurbishment of hotels and a commercial building in Australia.

4. Prepaid land lease payments

	Group	
	2013 RM'000	2012 RM'000
Long term leasehold land		
At 1 January	1,094	1,148
Amortisation for the year	(52)	(51)
Reclassification to inventories	(344)	-
Exchange differences	35	(3)
At 31 December	733	1,094

In the previous year, leasehold land with an aggregate carrying amount of RM344,000 are pledged as security for borrowings as disclosed in Note 21.

5. Investment properties

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	29,746	21,216
Additions	-	8,352
Transfer from property, plant and equipment	680	-
Capital expenditure capitalised	1,735	178
Fair value adjustment for investment properties	5,362	-
Disposal	(209)	-
Reclassification to assets held for sale (Note 18)	(18,865)	-
At 31 December	18,449	29,746
Income derived from investment properties	1,125	866
Direct operating expenses arising from investment properties		
- Rental generating properties	841	848
- Non-rental generating properties	19	39

In the previous year, investment properties with a carrying amount of RM21,394,000 are pledged as a security for bank borrowings as disclosed in Note 21.

Additions in the previous year refer to a residential property transacted between two subsidiary companies.

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2013 Level 1 RM'000	2013 Level 2 RM'000	2013 Level 3 RM'000	2013 Total RM'000
Group				
Freehold land and buildings	-	17,093	1,356	18,449

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

5. Investment properties (Continued)

5.1 Fair value information (Continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The Group estimates the fair value of all investment properties based on the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.	Market price of property in vicinity compared.	The estimated fair value would increase/(decrease) if market prices of property were higher/(lower).

Valuation processes applied by the Group for Level 3 fair value

The Group estimates the fair value of all investment properties based on the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

Assessment of the fair values of the Group's investment properties is undertaken annually. The changes in Level 3 fair values are analysed by the management based on the assessment undertaken.

6. Investments in subsidiaries

	Company 2013 RM'000	Company 2012 RM'000
At cost		
Quoted shares in Malaysia	52,799	60,134
Unquoted shares in Malaysia	455,704	463,947
Foreign unquoted shares	242,271	247,827
	750,774	771,908
Less: Accumulated impairment losses	(56,858)	(62,414)
	693,916	709,494
Market value of quoted shares in Malaysia	63,627	25,767

Movement in the accumulated impairment losses are as follows:

	Company 2013 RM'000	Company 2012 RM'000
At 1 January	62,414	171,071
Charge for the year	-	3,463
Write off on subsidiaries under deregistration/ liquidation	(5,556)	(110,120)
Disposal during the year	-	(2,000)
At 31 December	56,858	62,414

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows:

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiaries of Mulpha International Bhd.				
AF Investments Limited [2]	Hong Kong	Investment holding	100	100
Leisure Farm Corporation Sdn. Bhd.	Malaysia	Property ownership and development	100	100
M Sky Services Sdn. Bhd. (formerly known as Menara Mulpha Sdn. Bhd.)	Malaysia	Operating lease and management of aircraft	100	100
Mulpha Land & Property Sdn. Bhd.	Malaysia	Project management and ownership, development and marketing of property	100	100
Mulpha Ventures Sdn. Bhd.	Malaysia	Licensed money lender and trading in securities	100	100
Mulpha Capital Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
Mulpha Far East Sdn. Bhd.	Malaysia	Investment holding	100	100
Mulpha Infrastructure Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
Mulpha Land Berhad (listed on Bursa Securities)	Malaysia	Investment holding, property development and property investment	62	71
Mulpha Group Services Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Mulpha SPV Limited	Malaysia (Labuan)	Issuance of medium term notes	100	100
Mulpha Australia Limited [1]	Australia	Investment holding	100	100
Rosetec Investments Limited [6]	British Virgin Islands	Investment holding	100	100
Asian Fame Development Limited [4]	Hong Kong	Investment holding	-	100

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows (Continued):

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiary of AF Investments Limited				
Indochine Park Tower [2]	Vietnam	Owner and operator of service apartments	70	70
Subsidiaries of Leisure Farm Corporation Sdn. Bhd.				
Leisure Farm Horticulture Services Sdn. Bhd.	Malaysia	Maintenance and upkeep of landscape services	100	100
Eco Green Services Sdn. Bhd. [5] (formerly known as Eco Green Management Services Sdn. Bhd.)	Malaysia	Maintenance services and facilities management services	-	100
Leisure Farm Equestrian Sdn. Bhd.	Malaysia	Investment holding	100	100
Leisure Farm Polo Club Berhad	Malaysia	Dormant	100	100
Subsidiaries of Mulpha Land Berhad				
Bukit Punchor Development Sdn. Bhd.	Malaysia	Property development	70	70
Dynamic Unity Sdn. Bhd.	Malaysia	Investment holding	100	100
Indahview Sdn. Bhd.	Malaysia	Investment holding	100	100
MLB Quarry Sdn. Bhd.	Malaysia	Operation of a quarry plant	60	60
Mulpha Argyle Property Sdn. Bhd.	Malaysia	Property development	51	51
Eco Green Services Sdn. Bhd. [5] (formerly known as Eco Green Management Services Sdn. Bhd.)	Malaysia	Maintenance services and facilities management services	100	-
Mulpha Properties (M) Sdn. Bhd. [5]	Malaysia	Property ownership and management	100	-
Mayfair Ventures Sdn Bhd. [3]	Malaysia	Property development and property investment	51	-
Bakat Stabil Sdn. Bhd. [3]	Malaysia	Property development and property investment	100	-
Subsidiary of Dynamic Unity Sdn. Bhd.				
Golden Cignet Sdn. Bhd.	Malaysia	Property development	100	100

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows (Continued):

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiaries of Mulpha Capital Holdings Sdn. Bhd.				
Mulpha Capital Markets Sdn. Bhd.	Malaysia	Provision of financial services	100	100
Mulpha Capital Asset Management Sdn. Bhd.	Malaysia	Dormant	70	70
Subsidiary of Mulpha Capital Markets Sdn. Bhd.				
Mulpha Credit Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiaries of Mulpha Group Services Sdn. Bhd.				
Mulpha Strategic Limited [6]	British Virgin Islands	Investment holding and funds management	100	100
Manta Equipment (Malaysia) Sdn. Bhd.	Malaysia	Dormant	70	70
Mulpha Properties (M) Sdn. Bhd. [5]	Malaysia	Property ownership and management	-	100
Subsidiaries of Mulpha Australia Limited				
Bimbadgen Estate Pty. Limited [1]	Australia	Winery and vineyard	100	100
Mulpha Aviation Australia Pty. Limited [1]	Australia	Dormant	100	100
Mulpha Australia (Holdings) Pty. Limited [1]	Australia	Investment holding	100	100
Mulpha Hotel (Melbourne) Pty. Limited [1]	Australia	Trustee	100	100
Caldisc Pty. Limited [1]	Australia	Administration	100	100
Enacon Parking Pty. Limited [1]	Australia	Car park operator	100	100
HD Diesels Pty. Limited [1]	Australia	Investment holding and hotelier	100	100
Mulpha Investments Pty. Limited [1]	Australia	Investment holding	100	100
Mulpha Sanctuary Cove Pty. Limited [1]	Australia	Investment holding	100	100
Mulpha Hotel Investments (Australia) Pty. Limited [1]	Australia	Investment holding	100	100

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6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows (Continued):

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiaries of Mulpha Australia Limited (continued)				
Mulpha Hotel Melbourne Trust [1]	Australia	Dormant	100	100
Mulpha (SPV1) Pty. Limited [1]	Australia	Dormant	100	100
Mulpha Hotel Management Pty. Limited [1]	Australia	Investment holding	100	100
HDFI Nominees Pty. Limited [1]	Australia	Dormant	100	100
Mulpha (Hotel Bonds) Group Pty. Limited [1]	Australia	Dormant	100	-
Subsidiaries of Mulpha Sanctuary Cove Pty. Limited				
Mulpha Sanctuary Cove (Developments) Pty. Limited [1]	Australia	Property ownership and development, and hotelier	100	100
Mulpha Sanctuary Cove International Boat Show Pty. Limited [1] (formerly known as Mulpha Sanctuary Cove (Management) Pty. Limited)	Australia	Property management	100	100
Sanctuary Cove (Real Estate) Pty. Limited [1]	Australia	Investment holding	100	100
Mulpha Sanctuary Cove Hotel Operations Pty. Limited [1] (formerly known as Sanctuary Cove No. 3 Holdings Pty. Limited)	Australia	Dormant	100	100
Mulpha Sanctuary Cove Marine Village Pty. Limited [1] (formerly known as Sanctuary Cove No. 4 Holdings Pty. Limited)	Australia	Dormant	100	100
Mulpha Sanctuary Cove Marina Pty. Limited [1] (formerly known as Sanctuary Cove No. 5 Holdings Pty. Limited)	Australia	Dormant	100	100
Mulpha Sanctuary Cove Hotel Investments Pty. Limited [1] (formerly known as Sanctuary Cove No. 6 Holdings Pty. Limited)	Australia	Dormant	100	100

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows (Continued):

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiary of Mulpha Sanctuary Cove (Developments) Pty. Limited				
Mulpha Sanctuary Cove (Alpinia) Pty. Limited [1]	Australia	Land ownership	100	100
Subsidiary of HD Diesels Pty. Limited				
Salzburg Apartments (Perisher Valley) Pty. Limited [1]	Australia	Investment holding	100	100
Subsidiaries of Mulpha Hotel Investments (Australia) Pty. Limited				
Mulpha Hotels Holdings Trust [1]	Australia	Investment holding	100	100
Mulpha Hotels Holdings Pty. Ltd. [1]	Australia	Trustee	100	100
Subsidiary of Mulpha Hotels Holdings Pty. Ltd.				
Mulpha Hotels Australia Pty. Ltd. [1]	Australia	Trustee	100	100
Subsidiaries of Mulpha Australia (Holdings) Pty. Limited				
Mulpha Hotel (Sydney) Pty. Limited [1]	Australia	Trustee	100	100
Mulpha Transport House Pty. Limited [1]	Australia	Property ownership	100	100
Mulpha Hotel Sydney Trust [1]	Australia	Trustee	100	100
Mulpha Hotel Operations Pty. Limited [1]	Australia	Hotelier	100	100

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows (Continued):

	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Subsidiary of Mulpha Hotels Holdings Trust				
Mulpha Hotels Australia Trust [1]	Australia	Investment holding	100	100
Subsidiaries of Mulpha Hotels Australia Trust				
Mulpha Hotel Pty. Limited [1]	Australia	Hotelier	100	100
Mulpha Hotel Trust [1]	Australia	Property ownership and development	100	100
Subsidiaries of Mulpha Hotel Trust				
Hotel Land Trust [1]	Australia	Land ownership	100	100
Mulpha Hotel Bonds (Holdings) Pty. Limited [1]	Australia	Investment holding	100	100
Bistrita Pty. Ltd. [1]	Australia	Trustee	100	100
Subsidiary of Mulpha Hotel Bonds (Holdings) Pty. Limited				
Mulpha Hotel Bonds Pty. Limited [1]	Australia	Bond holder	100	100
Subsidiaries of Mulpha Strategic Limited				
Jumbo Hill Group Limited [6]	British Virgin Islands	Investment holding	100	100
Flame Gold Group Limited [3] [6]	British Virgin Islands	Investment holding	100	-
View Link Global Limited [3] [6]	British Virgin Islands	Investment holding and consultancy services	100	-

6. Investments in subsidiaries (Continued)

[1] Subsidiaries audited by other member firms of KPMG International.
[2] Subsidiaries not audited by other member firms of KPMG International.
[3] Subsidiaries acquired during the financial year.
[4] Subsidiaries deregistered/in the process of winding up during the financial year.
[5] Mulpha Land Berhad acquired Mulpha Properties (M) Sdn. Bhd. and Eco Green Services Sdn. Bhd. (formerly known as Eco Green Management Services Sdn. Bhd.) from Mulpha Group Services Sdn. Bhd. and Leisure Farm Corporation Sdn. Bhd. respectively during the financial year.
[6] Not required to be audited pursuant to the relevant regulations of the country of incorporation.

(a) Impairment assessment

Management assessed the recoverable amounts of the investments in unquoted shares based on the net tangible assets value of these subsidiaries. The result of the assessment indicates that no impairment is required in financial year 2013 (2012: impairment losses of RM3,463,000).

In the previous year, the carrying amount of the investments in the quoted shares in Malaysia exceeds those of their market value. However, no impairment has been made as its recoverable amount exceeds its carrying amount. The recoverable amount of this investment which is in the property development segment is assessed at the cash-generating unit level and detailed in Note 11.

(b) Additional investments in subsidiaries

During the financial year, the Company made an additional investment of redeemable preference shares in certain existing subsidiaries amounting to RM36,500,000 (2012: RM339,641,000).

(c) Disposal of subsidiaries/Redemption of redeemable preference shares

During the financial year, the Company undertook the following transactions:

(i) Redemption of redeemable preferences shares of a subsidiary amounting to RM44,743,000.

(ii) Partial disposal of 8.6% equity in a quoted subsidiary with cost of investment of RM7,335,000. The effect of the partial disposal resulted in its shareholding reducing from 70.54% to 61.93% and a gain on disposal of RM510,000.

In the previous year, the Company disposed off its 100% equity in Bestari Sepang Sdn. Bhd. where the cost of investment of RM2 million was fully impaired in previous years. The effects of the disposal are disclosed in Note 31(ii).

(d) Deregistration/Winding up of subsidiaries

During the financial year, the Company also wrote off cost of investment amounting to RM5,556,000, in which cost of investment was fully impaired in the previous year, for a subsidiary that had been deregistered and dissolved. The effects of the deregistration resulted in a gain on deregistration of RM2,518,000 at the Group level.

In the previous year, the Company had also written off cost of investment amounting to RM112,447,000 for subsidiaries which are under members' winding up administration. This cost of investment of RM110,120,000 was impaired in the previous years.

(e) Loss on deconsolidation

In January 2010, Mulpha Australia Limited ("MAL"), a wholly owned subsidiary of the Company disposed off, via a convertible notes redemption, 67.7% of its holding in Sanctuary Cove Golf & Country Club Holdings Limited ("SCGH") and its subsidiary Sanctuary Cove Golf & Country Club Pty Limited ("SCGC"). There exists an establishment share, issued at AUD1 par, that is owned by Mulpha Sanctuary Cove Developments ("MSCD") (a wholly owned subsidiary of Mulpha Australia Limited and parent entity of SCGH) that entitled the Group to 76.0% of the voting rights using this share and hence no loss of control has occurred as at 31 December 2011. Therefore, the subsidiaries remained to be consolidated by the Group with 67.7% as non-controlling interest.

On 16 August 2012, the members of SCGH passed a special resolution to modify certain articles of the constitution resulting in MSCD's voting rights pertaining to the establishment share being diluted such that MAL no longer has control. As a result, the companies deconsolidated, resulting in a loss of deconsolidation of RM38.70 million.

6. Investments in subsidiaries (Continued)

Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Mulpha Land Berhad RM'000	2013 Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	38.07%		
Carrying amount of NCI	50,921	1,209	52,130
Profit allocated to NCI	3,940	557	4,497
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	58,473		
Current assets	311,809		
Non-current liabilities	(141,214)		
Current liabilities	(89,476)		
Net assets	139,592		
Year ended 31 December			
Revenue	47,143		
Profit for the year	8,880		
Total comprehensive income	8,880		
Cash flows from operating activities	(98,854)		
Cash flows from investing activities	20,475		
Cash flows from financing activities	94,407		
Net increase in cash and cash equivalents	16,028		
Dividends paid to NCI	2,516		

6. Investments in subsidiaries (Continued)

Non-controlling interest in subsidiaries (Continued)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (continued):

	Mulpha Land Berhad RM'000	2012 Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	29.46%		
Carrying amount of NCI	34,361	565	34,926
Profit allocated to NCI	1,088	20	1,108
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	92,006		
Current assets	136,660		
Non-current liabilities	(34,257)		
Current liabilities	(73,356)		
Net assets	121,053		
Year ended 31 December			
Revenue	42,968		
Profit for the year	3,124		
Total comprehensive income	3,124		
Cash flows from operating activities	(3,643)		
Cash flows from investing activities	54		
Cash flows from financing activities	5,791		
Net increase in cash and cash equivalents	2,202		
Dividends paid to NCI	303		

7. Investments in associates

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
At cost:				
Quoted shares in Malaysia	44,208	44,208	-	-
Unquoted shares in Malaysia	55	55	-	-
Foreign quoted shares	1,226,874	1,048,430	-	-
Foreign unquoted shares	23,163	23,163	21,963	21,963
Exchange difference	128,639	212,976	-	-
	1,422,939	1,328,832	21,963	21,963
Share of post-acquisition reserves	(338,338)	(258,083)	-	-
	1,084,601	1,070,749	21,963	21,963
Less: Accumulated impairment losses	(12,530)	(12,530)	(17,851)	(15,900)
	1,072,071	1,058,219	4,112	6,063
At market value:				
Quoted shares				
- In Malaysia	346,427	315,151	-	-
- Foreign	791,745	376,603	-	-
	1,138,172	691,754	-	-

Movement in the accumulated impairment losses account is as follows:

	Company 2013 RM'000	Company 2012 RM'000
At 1 January	15,900	15,900
Charge for the year	1,951	-
At 31 December	17,851	15,900

The carrying amounts of the investments in foreign quoted shares exceed those of their market value. However, no impairment is required as the recoverable amount of these investments exceeds their carrying amounts.

The recoverable amounts are determined based on the net tangible assets value of the associate. In the previous year, the recoverable amounts are determined based on value in use calculation which are calculated using the discounted net cash projections based on financial budgets approved by management. The discount rate and other assumptions used reflects management's estimate of the time value of money and risk profile of these investments.

7. Investments in associates (Continued)

Details of the associates are as follows (Continued):

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2013 %	2012 %
Held by Mulpha International Bhd.				
Rotol Singapore Ltd.[1] ("Rotol")	Singapore	Investment holding and project management services	38.00	38.00
Held through Mulpha Infrastructure Holdings Sdn. Bhd.				
Mudajaya Group Berhad[2] ("Mudajaya")	Malaysia	Building contractor and civil engineering	22.23	22.12
Held through Mulpha Australia Limited				
Real Estate Capital Partner Pty. Limited[2]	Australia	Investment	50.00	50.00
AVEO Group[2] (formerly known as FKP Property Group) ("AVEO")	Australia	Ownership and management of retirement villages and property development	2.74	2.74
Held through Rosetec Investments Limited				
AVEO[2]	Australia	Ownership and management of retirement villages and property development	23.48	20.17
Held through Jumbo Hill Limited				
AVEO[2]	Australia	Ownership and management of retirement villages and property development	-	3.31

(1) Associates audited by other member firms of KPMG International
(2) Associates not audited by other member firms of KPMG International

7. Investments in associates (Continued)

The following table summarises the information of the Group's associates and reconciles the information to the carrying amount of the Group's interest in the associates:

Group **2013**	**AVEO** **RM'000**	**Mudajaya** **RM'000**	**Other immaterial associates** **RM'000**	**Total** **RM'000**
Summarised financial information				
As at 31 December				
Non-current assets	8,427,852	858,383		
Current assets	1,498,988	806,190		
Non-current liabilities	(996,200)	(24,894)		
Current liabilities	(4,754,511)	(447,872)		
Net assets	4,176,129	1,191,807		
Year ended 31 December				
Profit/(Loss)	(423,504)	173,667		
Other comprehensive income/(expense)	56,549	5,098		
Total comprehensive income/(expense)	(366,955)	178,765		
Included in the total comprehensive income is:				
Revenue	886,482	1,535,786		
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	793,108	275,222	3,741	1,072,071
Group's share of results				
Year ended 31 December				
Group's share of profit/(loss)	(109,199)	33,568	(1,875)	(77,506)
Group's share of other comprehensive income/(expense)	14,526	1,177	(2,677)	13,026
Group's share of total comprehensive income/(expense)	(94,673)	34,745	(4,552)	(64,480)
Other information				
Dividends received	2,568	13,232		

7. Investments in associates (Continued)

The following table summarises the information of the Group's associates and reconciles the information to the carrying amount of the Group's interest in the associates (Continued):

Group **2012**	**AVEO** **RM'000**	**Mudajaya** **RM'000**	**Other immaterial associates** **RM'000**	**Total** **RM'000**
Summarised financial information				
As at 31 December				
Non-current assets	9,818,501	722,812		
Current assets	1,561,824	921,698		
Non-current liabilities	(2,229,801)	(621)		
Current liabilities	(4,940,353)	(540,056)		
Net assets	4,210,171	1,103,833		
Year ended 31 December				
Profit/(Loss)	(1,332,150)	273,553		
Other comprehensive income/(expense)	32,538	(25,477)		
Total comprehensive income/(expense)	(1,299,612)	248,076		
Included in the total comprehensive income is:				
Revenue	512,637	1,655,722		
Reconciliation of net assets to carrying amount				
As at 31 December				
Group's share of net assets	796,218	256,062	5,939	1,058,219
Group's share of results				
Year ended 31 December				
Group's share of profit/(loss)	(327,136)	52,222	(6,901)	(281,815)
Group's share of other comprehensive income/(expense)	9,369	(5,642)	1,003	4,730
Group's share of total comprehensive income/(expense)	(317,767)	46,580	(5,898)	(277,085)
Other information				
Dividends received	14,179	7,819		

7. Investments in associates (Continued)

(i) In October 2013, AVEO Group ("AVEO") (formerly known as FKP Property Group) underwent a rights issue exercise of five new AVEO securities for every nine existing AVEO securities held at AUD1.30 per security. Prior to the exercise, the Group held 84,326,641 AVEO securities equivalent to a 26.22% interest in AVEO. The Group then fully subscribed to its entitlement of the AVEO rights issue of 46,848,134 new AVEO securities in December 2013, resulting in additional investment cost in associates of RM178,444,000 and the Group holding a total of 131,174,775 AVEO securities, representing 26.22% (2012: 26.22%) interest in the enlarged AVEO total issued securities.

In August 2012, AVEO underwent a rights issue exercise of six new AVEO securities for every seven existing AVEO securities held at AUD0.20 per security. Prior to the exercise, the Group held 317,846,566 AVEO securities equivalent to a 26.22% interest in AVEO. The Group then fully subscribed to its entitlement of the AVEO rights issue of 272,439,914 new AVEO securities, resulting in additional investment cost in associates of RM187,525,000 and the Group holding a total of 590,286,480 AVEO securities in September 2012, representing 26.22% (2011: 25.98%) interest in the enlarged AVEO total issued securities. Thereafter in December 2012, the shares of AVEO has been consolidated for every seven shares into one share resulted the Group holding a total of 84,326,641, instead of 590,286,480 AVEO securities.

(ii) The quoted shares of a foreign associate with a carrying value of RM793,108,000 (2012: RM784,115,000) are pledged as security for other borrowings as disclosed in Note 21.

8. Investments in joint ventures

	Group	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	123,950	128,720
Add: Share of post-acquisition profit	19,224	17,149
Exchange differences	14,383	29,961
	157,557	175,830

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2013 %	2012 %
Held through Mulpha Investments Pty Limited				
@ Mulpha FKP Pty. Limited	Australia	Property development	50.01	50.01
Held through Mulpha Sanctuary Cove (Management) Pty Limited				
@ SC Realty Pty. Limited	Australia	Property development	50.00	50.00

@ Joint ventures not audited by other member firms of KPMG International

8. Investments in joint ventures (Continued)

The following tables summarise the financial information of joint venture and also reconcile the summarised financial information to the carrying amount of the Group's interests in joint ventures, which is accounted for using the equity method.

	Group	
	2013	2012
	RM'000	RM'000
Summarised financial information		
As at 31 December		
Non-current assets	355,342	434,261
Current assets	155,111	159,940
Non-current liabilities	(401)	(201,410)
Current liabilities	(182,513)	(28,972)
	327,539	363,819
Year ended 31 December		
Total comprehensive income	18,198	17,995
Included in the total comprehensive income:		
Revenue	222,236	187,117
Reconciliation of net assets to carrying amount		
As at 31 December		
Group's share of net assets	157,557	175,830
Group's share of results		
Year ended 31 December		
Group's share of total comprehensive income	9,065	7,794
Other information		
Cash dividends received by the Group	7,650	25,680

9. Investment securities

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current				
Available-for-sale financial assets				
Foreign quoted shares	71,537	193	-	-
Foreign quoted bonds	2,042	32,800	-	-
Unquoted shares				
- In Malaysia	1,000	837	1,000	837
- Foreign	372	4,176	43	43
	74,951	38,006	1,043	880
Current				
Financial assets at fair value through profit or loss				
Quoted shares				
- In Malaysia	545	536	-	-
- Foreign	2,960	2,559	-	-
Unquoted investment funds	1,799	6,319	-	-
	5,304	9,414	-	-
	80,255	47,420	1,043	880
Market value of quoted investments	77,084	36,088	-	-

The current investment securities with a carrying value of RM5,304,000 (2012: RM9,414,000) are pledged to financial institutions for credit facilities granted to subsidiaries as disclosed in Note 21.

10. Other investments

Group	Club memberships RM'000	Investments in works of art RM'000	Total RM'000
At 1 January 2012/31 December 2012/ 1 January 2013	1,160	1,728	2,888
Additions	31	2,374	2,405
Disposal	(232)	-	(232)
At 31 December 2013	959	4,102	5,061

Company	Club memberships RM'000	Investments in works of art RM'000	Total RM'000
At 1 January 2012/31 December 2012/ 1 January 2013	1,160	1,728	2,888
Additions	2	2,374	2,376
Disposal	(232)	-	(232)
At 31 December 2013	930	4,102	5,032

11. Goodwill

Group	Goodwill on consolidation RM'000	Purchased goodwill RM'000	Total RM'000
At 1 January 2012/31 December 2012			
1 January 2013	8,921	216	9,137
Exchange differences	-	(18)	(18)
At 31 December 2013	8,921	198	9,119

Purchased goodwill mainly arose from the acquisition of property management rights and real estate franchise in Australia.

Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to country of operation and business segment as follows:

	Malaysia RM'000	Australia RM'000	Total RM'000
At 31 December 2013			
Realty business	-	198	198
Investment business	2,512	-	2,512
Property development	6,409	-	6,409
	8,921	198	9,119
At 31 December 2012			
Realty business	-	216	216
Investment business	2,512	-	2,512
Property development	6,409	-	6,409
	8,921	216	9,137

Key assumptions used

Property development segment

The recoverable amount of the CGU is determined based on the value in use ("VIU") calculation. The VIU is calculated using the pre-tax cash flow projections based on financial budgets approved by management. VIU was determined by discounting the future cash flows generated from the development of properties of the CGU and was based on the following key assumptions:

i) Cash flows projected were based on the gross development value of projects planned and that there will be continual demand for quality residential properties; and

ii) The pre-tax discount rates of 8% are applied in discounting the cash flows and were based on the estimated cost of funds of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Based on the impairment test undertaken, no additional impairment loss is required to be recognised.

The above estimates are particularly sensitive in the following areas:

i) Fluctuations in future planned revenues and development costs arising from fluctuations in raw material costs and constructions costs; and

ii) Fluctuations in the discount rate used and general interest rates.

11. Goodwill (Continued)

Investment business segment

The recoverable amount of quoted securities held is determined based on observable market prices, less costs to sell.

Where there is no observable market price for unquoted securities, recoverable amount is determined based on the VIU calculation, using pre-tax cash flow projections over a 5 year period. Pre-tax discount rate of 8% is applied in discounting the cash flows and was based on the estimated cost of funds of the CGU.

These estimates are sensitive towards fluctuations in the discount rate and general interest rates.

Based on the impairment test undertaken, no additional impairment loss is required to be recognised.

12. Inventories

	Group	
	2013	**2012**
	RM'000	**RM'000**
Non-current assets		
Cost		
Properties held for development		
- Cost of acquisition for freehold land	253,027	320,435
- Capitalised development cost	101,958	89,871
	354,985	410,306
Net realisable value		
Properties held for development		
- Cost of acquisition for freehold land	5,605	19,705
- Capitalised development costs	67,494	76,646
	73,099	96,351
Total non-current assets	428,084	506,657
Current assets		
Cost		
Properties under development		
- Cost of acquisition for freehold land	256,528	136,648
- Capitalised development cost	189,821	189,191
	446,349	325,839
Completed properties	43,120	50,200
Finished goods	3,438	10,440
Work-in-progress	4,954	4,567
Raw materials	75	34
Other consumables	4,311	4,857
	55,898	70,098
Net realisable value		
Completed properties	8,813	5,619
Other consumables	3,435	3,434
	12,248	9,053
Total current assets	514,495	404,990
Total inventories	942,579	911,647

Included in properties under development of the Group is interest capitalised during the financial year amounting to RM526,000 (2012: RM2,955,000).

Certain properties held for development and properties under development amounting to RM250,031,000 (2012: RM259,156,000) are pledged to financial institutions as security for banking facilities granted as disclosed in Note 21.

13. Trade and other receivables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current				
Trade receivables				
Amount due from a subsidiary	-	-	237,064	258,100
	-	-	237,064	258,100
Current				
Trade receivables				
Third parties	86,152	105,110	-	-
Less: Allowance for impairment losses	(5,374)	(23,006)	-	-
	80,778	82,104	-	-
Other receivables				
Other receivables	147,849	146,275	103,326	108,451
Less: Allowance for impairment losses	(7,243)	(6,791)	-	-
	140,606	139,484	103,326	108,451
Deposits	14,759	1,547	70	357
Amounts due from contract customers	-	1,030	-	-
Amounts due from subsidiaries	-	-	468,995	380,745
Amounts due from associates	-	381	-	-
	236,143	224,546	572,391	489,553
Total trade and other receivables	236,143	224,546	809,455	747,653

(a) Other receivables

These receivables are non-interest bearing, unsecured and repayable on demand.

Movement in allowance accounts:

Group	Individually impaired 2013 RM'000	Individually impaired 2012 RM'000
At 1 January	6,791	6,791
Charge for the year	452	-
At 31 December	7,243	6,791

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and/or have defaulted on payments.

13. Trade and other receivables (Continued)

(b) Amounts due from contract customers

Group	2013 RM'000	2012 RM'000
Aggregate costs incurred to date	-	4,905
Add: Attributable profits	-	556
	-	5,461
Less: Progress billings	-	(4,431)
	-	1,030
Represented by:		
Amount due from contract customers	-	1,030

(c) Amounts due from subsidiaries

Company	2013 RM'000	2012 RM'000
Bearing interest	239,679	258,100
Non-interest bearing	466,380	380,745
	706,059	638,845

The non-interest bearing amounts due from subsidiaries are unsecured and repayable on demand.

Non-current amount due from a subsidiary relates to foreign unquoted cumulative redeemable preference shares ("CRPS") by Mulpha Australia Limited, a wholly owned subsidiary of the Company. The Company has no intention of holding them to maturity nor converting them to equity. The CRPS is subjected to interest of 9.50% (2012: 9.50%) per annum.

The current amounts due from subsidiaries are unsecured, non-interest bearing and receivable on demand except for an amount due from a subsidiary amounting to RM2,615,000 (2012: Nil) was subject to interest of 4% (2012: Nil) per annum.

14. Other non-current assets

	Group	
	2013 RM'000	2012 RM'000
Prepayments	5,500	3,774

15. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Inventories	23,323	-	-	-	23,323	-
Provision for liabilities and other payables	43,869	66,529	-	-	43,869	66,529
Unabsorbed capital allowances	10,911	40	-	-	10,911	40
Fair value adjustment	1,053	467	-	-	1,053	467
Tax losses	66,009	47,745	-	-	66,009	47,745
Accelerated capital allowances	-	-	(24,784)	(40,761)	(24,784)	(40,761)
Receivables and others	-	-	(96,466)	(105,844)	(96,466)	(105,844)
Tax assets/(liabilities)	145,165	114,781	(121,250)	(146,605)	23,915	(31,824)
Set off of tax	(121,250)	(114,781)	121,250	114,781	-	-
Net tax assets/ (liabilities)	23,915	-	-	(31,824)	23,915	(31,824)

15. Deferred tax assets/(liabilities) (Continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised tax losses	65,951	73,269	335	335
Unabsorbed capital allowances	8,122	10,737	3,646	3,646
Other deductible temporary differences	51,727	52,021	-	-
	125,800	136,027	3,981	3,981

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in subsidiaries against which the Group can utilise the benefits there from.

Pursuant to guidelines issued by the Malaysian tax authorities in 2008, the Ministry of Finance ("MOF") has exempted all companies from the provision of Section 44(5A) and Paragraph 75A of Schedule 3 except dormant companies. Therefore, all active subsidiaries are allowed to carry forward their unabsorbed capital allowances and business losses.

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	(31,824)	(73,035)
Recognised in profit or loss	55,536	(8,334)
Recognised in equity	-	2,583
Attributable to discontinued operation	-	31,457
Exchange adjustments	203	15,505
At 31 December	23,915	(31,824)

16. Other current assets

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Prepayments	34,479	14,717	1	1
Accrued billings	-	6,804	-	-
	34,479	21,521	1	1

17. Cash and cash equivalents

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash and bank balances	68,750	65,014	863	77
Deposits with licensed banks	590,803	403,310	34,347	67,640
	659,553	468,324	35,210	67,717

Deposits amounting to RM523,054,000 (2012: RM306,965,000) of the Group are pledged to licensed banks as security for banking facilities granted to certain subsidiaries and the Company as disclosed in Note 21.

Included in the cash and bank balances of the Group is an amount of RM7,927,000 (2012: RM4,590,000) maintained under the Housing Developers Accounts pursuant to the Housing Developers (HDA) Regulations 1991, which are restricted from use in other operations.

An amount of RM2,747,000 (2012: RM635,000) held in an interest reserve account by a subsidiary was pledged to the bank for borrowings by the Group as disclosed in Note 21.

The weighted average effective interest rates as at 31 December 2013 for the Group and the Company were 0.6% (2012: 0.8%) and 3.1% (2012: 3.0%) respectively.

The average maturities of fixed deposits for both the Group and the Company as at reporting date were 44 days (2012: 30 days) and 29 days (2012: 30 days) respectively.

18. Assets classified as held for sale

	Group 2013 RM'000
Investment properties	18,865

On 25 February 2014, Mulpha Land Berhad ("MLB"), 61.93% owned subsidiary of the Company, entered into a conditional sale and purchase agreement to dispose of a parcel of the freehold land together with a five-storey building comprising 12 condominium units for a cash consideration of RM34,300,000. The proposed disposal is subject to the approval of the shareholders of the Company.

The above assets held for sale with a carrying amount of RM18,865,000 are pledged as security for bank borrowings as disclosed in Note 21.

19. Share capital and treasury shares

Share capital

	Group and Company			
	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '000
Authorised:				
Ordinary shares of RM0.50 each	2,000,000	4,000,000	2,000,000	4,000,000

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	Share capital '000	Treasury shares '000	Share capital RM'000	Treasury shares RM'000
Issued and fully paid:				
At 1 January 2012	2,355,913	(44,389)	1,177,957	(19,352)
Purchase of treasury shares	-	(114,396)	-	(46,903)
At 31 December 2012/ 1 January 2013	2,355,913	(158,785)	1,177,957	(66,255)
Purchase of treasury shares	-	(63,264)	-	(25,794)
At 31 December 2013	2,355,913	(222,049)	1,177,957	(92,049)

19. Share capital and treasury shares (Continued)

(a) Share capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

Under the Company's current share buyback scheme approved by its shareholders, the Company proposed to purchase up to a maximum of 235,591,315 ordinary shares of RM0.50 each. The purpose of the scheme is to allow the Company to buy back its shares when the market does not fully reflect the value of its shares.

As at 31 December 2013, the details of the Company's share purchase was as follows:

	Number of shares Purchased	Total consideration RM'000	Average price* RM
2010 Purchased	11,055,700	5,442	0.490
2011 Purchased	33,333,500	13,910	0.417
2012 Purchased	114,396,400	46,903	0.410
2013 Purchased	63,264,200	25,794	0.408
	222,049,800	92,049	

* The average price includes transaction costs.

19. Share capital and treasury shares (continued)

(b) Treasury shares (continued)

During the financial year, the Company purchased 63,264,200 shares from the open market as follows:

Month	Number of shares purchased	Total consideration RM'000	Highest price RM	Lowest price RM	Average price* RM
January	6,612,600	2,567	0.390	0.375	0.388
February	4,383,600	1,650	0.380	0.370	0.376
March	4,256,100	1,629	0.400	0.365	0.383
April	20,666,800	8,151	0.395	0.380	0.394
May	1,300,000	501	0.385	0.384	0.386
June	567,000	228	0.400	0.340	0.402
July	10,782,300	4,617	0.435	0.410	0.428
August	11,447,000	5,098	0.475	0.395	0.445
September	3,248,800	1,353	0.425	0.405	0.417
	63,264,200	25,794			

* The average price includes transaction costs.

The purchases of shares were funded by internal funds. The shares purchased have been retained as treasury shares.

Of the total 2,355,913,158 (2012: 2,355,913,158) issued and fully paid ordinary shares as at 31 December 2013, 222,049,800 (2012: 158,785,600) are held as treasury shares.

Subsequent to the financial year and up to the date of this report, the Company repurchased 100,000 of its issued and paid up ordinary shares from the open market at an average price of RM0.428 per share. The total consideration paid for repurchase including transaction costs was RM0.04 million. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

20. Reserves

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable				
Exchange reserve	179,982	347,815	-	-
Capital reserve	115,386	110,033	108,228	108,228
Other reserve	15,707	(2,993)	107	107
	311,075	454,855	108,335	108,335

The movements in reserves are shown in the statements of changes in equity.

The nature and purpose of each category of reserve are as follows:

(a) Revaluation reserve

In the previous years, this reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of land.

(b) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries as well as from the translation of foreign currency loans used to hedge the investments in foreign subsidiaries.

(c) Capital reserve

This reserve includes:

(i) reserve arising from the cancellation of treasury shares representing the nominal value of the shares repurchased and cancelled;

(ii) reserve arising from the capitalisation of bonus issue of a certain subsidiary; and

(iii) partial disposal of equity in quoted subsidiary as disclosed in Note 6(c)(ii).

(d) Other reserve

Other reserve comprises mainly share of post acquisition reserve of associates and available-for-sale reserve.

21. Loans and borrowings

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-current				
Finance lease liabilities				
- secured	4,868	6,662	-	-
Bonds - secured	299,605	286,236	-	-
Term loans				
- secured	513,380	507,145	-	-
	817,853	800,043	-	-
Current				
Finance lease liabilities				
- secured	1,924	6,407	-	-
Bank overdraft				
- secured	1,558	1,557	-	-
- unsecured	-	61	-	61
Bonds - secured	204,964	3,011	-	-
Bills payables - secured	8,790	17,545	-	-
Revolving credit				
- secured	197,415	181,389	-	-
Term loans				
- secured	385,102	241,408	-	-
- unsecured	5,425	-	-	-
	805,178	451,378	-	61
Total borrowings	1,623,031	1,251,421	-	61

(a) Obligations under finance lease:

These obligations are secured by the leased assets as disclosed in Note 3. The finance lease and hire purchase payables were subjected to interest ranging from 7.20% to 7.40% (2012: 7.20% to 8.30%) per annum during the financial year.

(b) The bank overdrafts, bill payables, revolving credit and term loans are secured by the following:

(i) Corporate guarantees by the Company and certain of its subsidiaries;

(ii) Pledge of land, buildings and plant and equipment of certain subsidiaries, as disclosed in Note 3 and Note 4;

(iii) Pledge of an investment property as disclosed in Note 5;

(iv) Pledge over quoted shares of a foreign associate as disclosed in Note 7(ii);

(v) Pledge over current investment securities as disclosed in Note 9;

(vi) Pledge of inventories of certain subsidiaries as disclosed in Note 12;

(vii) Deposits of the Company and certain subsidiaries and an interest reserve account of a subsidiary, as disclosed in Note 17;

(viii) Pledge of assets held for sale as disclosed in Note 18;

(ix) Floating charge over assets of certain subsidiaries; and

(x) Term loans includes a loan of RM81.27 million obtained by a subsidiary whereby the 49% joint venture partners have agreed to indemnify and reimburse the subsidiary for their share of any losses incurred by the subsidiary in relation to the loss.

21. Loans and borrowings (Continued)

(c) Bonds

(i) During the year, a subsidiary in Labuan issued medium term notes with interest rate of 8.5% per annum and repayable in November 2016. This subsidiary had previously in 2012 issued zero-coupon bonds at a discount with 8.71% yield to maturity and repayable in September 2014. The existing bonds are secured by corporate guarantee by the Company.

(ii) A subsidiary in Australia issued bonds that have an effective interest rate of 7.12% (2012: 8.15%) per annum and is payable quarterly in arrears. These bonds are secured against the freehold property of a subsidiary as disclosed in Note 3(i).

(d) Finance lease liabilities

Finance lease liabilities are payables as follows:

Group	Future minimum lease payments 2013 RM'000	Interest 2013 RM'000	Present value of minimum lease payments 2013 RM'000	Future minimum lease payments 2012 RM'000	Interest 2012 RM'000	Present value of minimum lease payments 2012 RM'000
Less than one year	2,384	460	1,924	7,085	678	6,407
Between one and five years	5,169	301	4,868	7,461	799	6,662
	7,553	761	6,792	14,546	1,477	13,069

22. Trade and other payables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current				
Trade payables				
- Third parties	45,927	44,952	-	-
Other payables	99,360	122,965	1,366	633
Amounts due to related parties				
- Non-controlling interests of a subsidiary	2,057	1,972	-	-
- A company related to person connected to a director	8,044	7,713	-	-
- Subsidiaries	-	-	1,279	6,384
	155,388	177,602	2,645	7,017
Non-current				
Other payables	9,267	5,800	-	-
Deferred revenue	2,000	2,000	2,000	2,000
	11,267	7,800	2,000	2,000
Total trade and other payables	166,655	185,402	4,645	9,017

22. Trade and other payables (Continued)

(a) **Trade payables**

These are generally non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days.

(b) **Amounts due to related parties**

(i) Amounts due to non-controlling interests and a company related to a person connected to a director of a subsidiary bears interest at 6.5% (2012: 6.5%) per annum, is unsecured and repayable on demand.

(ii) Amounts due to subsidiaries are non-interest bearing, unsecured and repayable on demand.

(c) **Other payables**

These amounts are non-interest bearing and are normally settled on commercial terms except for the non-current portion where the amount due are not expected to be repaid within twelve months.

(d) **Deferred revenue**

This amount relates to the call option agreement entered into between the Company with Teladan Kuasa Sdn. Bhd..

23. Provision for liabilities

		Group	
	Note	2013 RM'000	2012 RM'000
Provision for staff benefits	(a)	14,210	16,147
Others		6,656	-
		20,866	16,147
Analysed as:			
Current		17,851	12,758
Non-current		3,015	3,389
		20,866	16,147

(a) Provision for staff benefits

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	16,147	16,494
Provision for the year	14,621	15,410
Payments during the year	(14,741)	(15,628)
Exchange adjustments	(1,817)	(129)
At 31 December	14,210	16,147

Provision for staff benefits accrues to employees in a subsidiary in Australia who are entitled to a three-month paid leave after having served ten years of continuous employment.

24. Other current liabilities

	Group 2013 RM'000	Group 2012 RM'000
Deferred revenue - advance billings on property sales	98,215	34,392

25. Derivative liabilities

	Group 2013 RM'000	Group 2012 RM'000
Derivatives held for market trading at fair value		
- Forward exchange contracts	-	(21)
- Currency options contracts	1,027	2,136
	1,027	2,115

Forward exchange and currency option contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than functional currencies of Group entities. All the forward exchange and currency options have maturities less than one year after the end of the reporting period. Where necessary, the forward exchange contracts and currency options contracts are rolled over at maturity.

26. Revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Dividend income	-	-	47,574	5,747
Sales of goods	577	1,169	-	-
Performance of services	406,442	431,647	-	-
Sale of properties	373,046	104,015	-	-
Rental of properties	1,170	1,261	-	-
Shares trading	-	83	-	-
Construction contracts	1,591	2,111	-	-
Interest income from money lending activities	866	-	-	-
	783,692	540,286	47,574	5,747

27. Other income

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	29	5,774	6	-
Dividend income				
- Foreign unquoted shares	2,282	2,062	-	-
- Foreign quoted shares	1,152	752	-	-
- Quoted shares in Malaysia	-	1	-	-
Fair value adjustment for investment properties	5,362	-	-	-
Fair value gain on financial assets at fair value through profit or loss	326	2,692	-	-
Gain on deregistration of a subsidiary	2,518	-	-	-
Gain on derivatives	7,903	2,587	-	-
Gain on disposal of an investment property	341	-	-	-
Gain on disposal of assets held for sale	-	6,074	-	-
Gain on disposal of investment securities	3,245	188	-	-
Gain on disposal of other investment	-	-	138	-
Gain on disposal of property, plant and equipment	-	58	139	-
Gain on foreign exchange				
- Realised	43,274	5,971	-	-
- Unrealised	1,499	-	3,542	-
Gain on partial disposal of a subsidiary	-	-	510	-
Gain on waiver of amount due from subsidiaries	-	-	827	61,481
Gain on winding up of subsidiaries	-	667	-	-
Insurance recoveries	1,952	47,927	-	-
Interest income				
- Deposits with licensed banks	5,483	5,578	1,768	3,435
- Subsidiaries	-	-	12	13,552
- Others	4,540	6,153	-	-
Management fees received	289	-	-	627
Rental income from land and buildings	28,697	33,921	-	-
Reversal of impairment loss on				
- Trade and other receivables	2,130	4,766	-	-
- Amounts due from subsidiaries	-	-	-	23,552
Reversal of impairment loss on				
- Inventories	362	682	-	-
- Available-for-sale financial assets	163	50	163	50
Shared services income	3,368	-	-	-
Miscellaneous income	3,507	2,186	5	39
	118,422	128,089	7,110	102,736

28. (Loss)/Profit before tax

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
(Loss)/Profit before tax is arrived at after charging:				
Auditors' remuneration				
- Audit fees				
KPMG in Malaysia	381	381	115	115
Overseas affiliates of KPMG in Malaysia	1,131	1,145	-	-
Other auditors	18	17	-	-
- Non-audit fees				
KPMG in Malaysia	67	-	10	-
Overseas affiliates of KPMG in Malaysia	25	96	-	-
Other auditors	-	127	-	42
Amortisation of prepaid land lease payments	52	51	-	-
Bad debts written off				
- Trade and other receivables	8	21	-	-
Impairment loss on financial assets				
- Investment securities	3,549	10,593	-	-
- Trade and other receivables	1,427	-	-	-
Impairment loss on investment in				
- Subsidiaries	-	-	-	3,463
- Associates	-	-	1,951	15,900
Inventories written down	-	68,248	-	-
Inventories written off	10,151	-	-	-
Loss on deconsolidation of subsidiaries	-	38,703	-	-
Loss on disposal of financial assets				
- Fair value through profit or loss	171	-	-	-
Loss on disposal of property, plant and equipment	4,470	913	-	-
Loss on disposal of subsidiaries	-	-	-	58,431
Loss on foreign exchange				
- Realised	109	36	6	-
- Unrealised	96	1,699	-	14,732
Loss on winding of subsidiaries	-	-	-	2,327
Management fee paid	-	-	1,684	1,102
Minimum operating lease payments				
- Land and buildings	5,053	4,019	41	107
- Plant and equipment	5,724	3,233	-	-
Provision for late ascertained charges	238	-	-	-
Provision for foreseeable loss	2,437	-	-	-
Property, plant and equipment				
- Depreciation	60,495	63,879	114	456
- Impairment loss	-	49,721	-	-
- Written off	2,060	1	-	1
Provision for staff benefits	14,621	15,410	-	-
Write off right issue expenses of a subsidiary	-	450	-	-

28. (Loss)/Profit before tax (Continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
(Loss)/Profit before tax is arrived at after charging: (continued)				
Employee benefit expense (including key management personnel) :				
- Pension costs - defined contribution plans	12,526	16,288	61	-
- Short-term accumulating compensated absences	13,579	14,413	-	-
- Social security costs	173	218	-	183
- Termination benefits	-	15	-	4
- Wages, salaries and others	184,827	194,259	520	1,077

29. Finance costs

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest expense on				
- overdrafts	98	176	9	6
- revolving loans and term loans	40,701	51,352	-	-
- bonds	25,136	16,476	-	-
- others	3,121	1,145	210	-
	69,056	69,149	219	6
Less: Interest expense capitalised in properties under development (Note 12)	(526)	(2,955)	-	-
Total finance costs	68,530	66,194	219	6

30. Tax (benefit)/expense

Recognised in profit or loss

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax (benefit)/expense on continuing operations	(15,692)	11,868	1,604	(216)
Income tax expense on discontinued operations (excluding gain on sale) (Note 31)	-	8	-	-
Total income tax (benefit)/ expense	(15,692)	11,876	1,604	(216)
Current tax expense				
Malaysian - current year	37,810	4,250	833	400
- prior year	1,735	(708)	771	(616)
Overseas - current	299	-	-	-
	39,844	3,542	1,604	(216)
Deferred tax expense				
- Origination and reversal of temporary differences	(55,408)	(9,849)	-	-
- Under provision in prior year	(128)	18,183	-	-
	(55,536)	8,334	-	-
Total income tax (benefit)/ expense	(15,692)	11,876	1,604	(216)

30. Tax (benefit)/expense (Continued)

Reconciliation of tax expense

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before tax from continuing operations	(43,451)	(501,980)	44,509	8,292
Profit before tax from discontinued operations	-	40,001	-	-
(Loss)/Profit before tax	(43,451)	(461,979)	44,509	8,292
Income tax calculated using Malaysian tax rate of 25%	(10,863)	(115,495)	11,127	2,073
Different tax rates in other countries	(6,449)	(19,359)	-	-
Non-deductible expenses	5,767	74,661	2,427	24,424
Income not subject to taxation	(20,307)	(36,110)	(12,721)	(26,097)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(2,557)	(3,404)	-	-
Deferred tax assets not recognised during the year	-	25,603	-	-
(Over)/Under provision of deferred tax in prior years	(128)	18,183	-	-
Under/(Over) provision of income tax in prior years	1,735	(708)	771	(616)
Shares of results of associates and joint ventures	17,110	68,505	-	-
Income tax (benefit)/expense recognised in profit or loss	(15,692)	11,876	1,604	(216)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The corporate tax rates applicable to subsidiaries located in Australia, Hong Kong and Singapore are 30% (2012: 30%), 16.5% (2012: 16.5%) and 17% (2012:17%) respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Income tax savings arose from:	Group	
	2013	**2012**
	RM'000	**RM'000**
Utilisation of brought forward tax losses	1,903	1,694
Utilisation of brought forward capital allowances	654	1,710

31. Discontinued operations

Discontinued operations in the previous year

(i) Jumbo Hill Group Limited ("JHGL"), a wholly-owned subsidiary of Mulpha International Bhd. had on 14 February 2012 entered into a sale and purchase agreement with Eagle Legend International Holdings Limited to dispose of 150,000,000 shares of HK$0.01 each held by JHGL, representing 75% of the entire issued share capital of Manta Holdings Company Limited ("Manta") and its subsidiaries for a cash consideration of HKD285 million (approximately RM111.154 million). Manta is a public company incorporated in the Cayman Islands on 11 March 2010. Its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 July 2010. Manta is an investment holding company. The principal activities of Manta's subsidiaries are rental and trading of tower cranes, trading of construction equipment and provision of maintenance service for tower cranes in Hong Kong, Macau, Singapore and Vietnam.

(ii) The Company had on 7 September 2012 entered into a sale and purchase agreement with Mula Holdings Sdn. Bhd. ("Purchaser") to dispose of 2,000,000 ordinary shares of RM1 each of Bestari Sepang Sdn. Bhd. ("BSSB"), a wholly- owned subsidiary of the Company for a cash consideration RM1.0 million.

BSSB is an investment holding company. Its wholly-owned subsidiary, Spanstead Sdn. Bhd., holds a 65% equity interest in Seri Ehsan (Sepang) Sdn. Bhd., which in turn is the registered owner of land located within Mukim of Tanjung 12, District of Kuala Langat, Selangor Darul Ehsan, covering an area of 939.04 acres.

This disposal was completed on 7 September 2012 and the loss on the disposal amounted to RM21.08 million at Group level and RM58.43 million at Company level.

As part of this transaction, the Company has also simultaneously entered into a settlement agreement with the Purchaser whereby the Purchaser shall pay a settlement sum of RM104.0 million on or before 15 December 2012 as full and final settlement of advances that the Company had previously made to BSSB and its subsidiaries, failing which additional payments will apply until the final settlement date of 15 December 2013. The additional payments amount has not been recognised in the financial statements as at 31 December 2013 and the settlement sum has not been paid as at the date of this report. Management of the Company continues to negotiate with the Purchaser on the final settlement date.

Statement of comprehensive income disclosures

The results of both discontinued operations of items (i) and (ii) are as follows:

	Group 1.1.2012 to disposal date RM'000
Revenue	4,974
Other income	90
Changes in inventories of finished goods and work-in-progress	(121)
Property work-in-progress expensed	(312)
Finished goods purchased and raw materials used	(1,785)
Employee benefits expense	(871)
Depreciation	(1,148)
Other expenses	(1,808)
Operating loss	(981)
Finance costs	(247)
Loss before tax	(1,228)
Income tax expense	(8)
Gain on disposal of discontinued operations	41,229
Profit net of tax from discontinued operations	39,993

31. Discontinued operations (Continued)

Discontinued operations in the previous year (Continued)

The following items have been included in arriving at loss before tax from discontinued operations:

	Group 2012 RM'000
Auditors' remuneration	4
Employee benefits expense	871
Depreciation of property, plant and equipment	1,148
Interest income	(2)
Minimum operating lease payments	
- Land and buildings	57
Net loss/(gain) on foreign exchange	
- Realised	7
- Unrealised	262

The cash flows attributable to the discontinued operations are as follows:

	Group 2012 RM'000
Operating cash flows	17,832
Investing cash flows	100,276
Financing cash flows	(17,727)
Total cash flows	100,381
Earnings per share (sen per share)	
Basic, discontinued operations	1.75
Diluted, discontinued operations	1.75

31. Discontinued operations (Continued)

Discontinued operations in the previous year (Continued)

Effect of disposal on the financial position of the Group are as follows:

	2012 RM'000
Property, plant and equipment	117,610
Long term receivables	43
Available for sale financial assets	234
Inventories	171,846
Trade and other receivables	21,406
Cash and bank balances	8,446
Short term deposits	1,562
Trade and other payables	(29,558)
Loans and borrowings	(59,384)
Deferred taxation	(33,977)
Net assets disposed	198,228
Minority interest	(17,721)
Realisation of reserve	(9,014)
Gain on disposal	41,229
Consideration received from disposal	212,722
Less: Cash and bank balances	(8,446)
Less: Outstanding in other receivables	(104,000)
Net cash from disposal of subsidiaries	100,276

32. Loss per ordinary share

Basic loss per ordinary share

Basic loss per ordinary share amounts are calculated by dividing profit from continuing operations, net of tax, attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Loss attributable to ordinary shareholders (RM'000)

	Group 2013	Group 2012
Loss net of tax from continuing operations attributable to owners	(32,256)	(514,956)
Profit net of tax from discontinued operations attributable to owners	-	39,993
	(32,256)	(474,963)

32. Loss per ordinary share (Continued)

Basic loss per ordinary share (Continued)

Weighted average number of ordinary shares ('000)

	Group	
	2013	**2012**
Issued ordinary shares at 1 January	2,355,913	2,355,913
Effect of share buy back	(195,632)	(76,413)
Weighted average number of ordinary shares at 31 December	2,160,281	2,279,500

Basic loss per ordinary share (sen)

	Group	
	2013	**2012**
From continuing operations	(1.49)	(22.59)
From discontinuing operations	-	1.75
	(1.49)	(20.84)

Diluted loss per ordinary share

Diluted loss per share amounts are calculated by dividing (loss)/profit from continuing operations, net of tax, attributable to ordinary shareholders (after adjusting for interest expense on convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no potential dilution effects on ordinary shares of the Company for the current financial year. Accordingly, the diluted loss per ordinary share for the current and previous years are equal to the basic loss per ordinary share.

Since the end of the current financial year, the Company has purchased 100,000 shares from open market. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements other than the repurchase of treasury shares as mentioned above.

33. Operating segments

Business segments

For management purposes, the Group is organised into three main business segments in the Asia Pacific region as follows:

Property	property development and investments
Hospitality	hotels and service apartments ownership and operation
General trading	trading and rental of construction equipments. This segment has been classified as a discontinued operations in the previous financial year.

Other operations of the Group mainly comprise investments in securities and licensed money lending. None of the other operations are of sufficient size to be reported separately.

Performance is measured based on segment revenue and profit before tax as included in the internal management reports that are reviewed by the Exco Committee (the Group's chief operating decision maker).

The operating results of its business units were monitored separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses and finance costs.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

33. Operating segments (Continued)

Business segments (Continued)

The following tables provide analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Property (includes Disposal group)		Hospitality		Investment and others		General trading (discontinued)		Adjustments and eliminations		Note	Per consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue													
External customers	376,814	107,850	405,879	431,115	999	1,482	-	4,814	-	(4,975)	(i)	783,692	540,286
Inter-segment	421	11,748	-	-	6,800	2,480	-	-	(7,221)	(14,228)	(ii)	-	-
Total revenue	377,235	119,598	405,879	431,115	7,799	3,962	-	4,814	(7,221)	(19,203)		783,692	540,286
Results													
Impairment of property, plant and equipment	-	-	-	49,721	-	-	-	-	-	-		-	49,721
Write down of inventories	-	68,248	-	-	-	-	-	-	-	-		-	68,248
Inventories written off	10,151	-	-	-	-	-	-	-	-	-		10,151	-
Reversal of impairment loss on inventories	(362)	(682)	-	-	-	-	-	-	-	-		(362)	(682)
Share of results of associates and joint ventures	-	-	-	-	(2,308)	(52,905)	-	-	(66,133)	(221,116)	(iii)	(68,441)	(274,021)
Depreciation and amortisation	11,803	13,373	44,711	46,083	4,033	4,474	-	1,169	-	(1,169)	(i)	60,547	63,930
Segment (loss)/profit	95,861	(78,626)	(31,144)	(58,465)	56,845	(11,965)	-	(87)	(165,013)	(352,837)	(iii)	(43,451)	(501,980)
Assets and liabilities													
Investments in associate and joint ventures	-	-	-	-	1,229,628	1,234,049	-	-	-	-		1,229,628	1,234,049
Additions to non-current assets*	21,369	5,802	30,032	24,491	6,043	12,300	-	-	-	-		57,444	42,593
Segment assets	1,211,304	1,125,934	1,467,231	1,759,559	3,547,838	2,697,325	-	-	(1,968,291)	(1,530,624)	(iv)	4,258,082	4,052,194
Segment liabilities	916,885	837,352	1,403,134	1,529,997	1,568,813	693,257	-	-	(1,968,291)	(1,530,624)	(iv)	1,920,541	1,529,982

* Addition to non-current assets consist of additions to property, plant and equipment and investment properties.

33. Operating segments (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(i) Results from discontinued operations are eliminated on consolidation and presented under a separate line in the profit or loss.

(ii) Inter-segment revenues and dividend incomes are eliminated on consolidation.

(iii) The following items are added to/(deducted from) segment (loss)/profit to arrive at "(Loss)/Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2013 RM'000	2012 RM'000
Share of results of associates and joint ventures	(66,133)	(221,116)
Unallocated corporate expenses and finance costs	(98,880)	(91,720)
Segment results of discontinued operation	-	(40,001)
	(165,013)	(352,837)

(iv) Inter-segment balances are eliminated on consolidation.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of the business segments. The Group operates in three main geographical areas in the Asia Pacific region.

Continuing operations:

Australia - mainly property development and investments and hotels.
Malaysia - property development and investments and investments in securities.
Vietnam - service apartments ownership and operation.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Australia	551,915	475,797	1,166,764	1,337,287
Malaysia	224,477	57,243	268,427	291,372
Vietnam	7,300	7,246	14,750	14,815
	783,692	540,286	1,449,941	1,643,474

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Property, plant and equipment	993,556	1,096,840
Investment properties	18,449	29,746
Prepaid land lease payments	733	1,094
Goodwill	9,119	9,137
Inventories	428,084	506,657
	1,449,941	1,643,474

34. Financial instruments

34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");

(b) Fair value through profit or loss ("FVTPL") - Designated upon initial recognition ("DUIR");

(c) Available-for-sale financial assets ("AFS"); and

(d) Other financial liabilities measured at amortised cost ("FL").

2013	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	AFS RM'000
Financial assets				
Group				
Investment securities	80,255	-	5,304	74,951
Trade and other receivables	236,143	236,143	-	-
Cash and cash equivalents	659,553	659,553	-	-
	975,951	895,696	5,304	74,951
Company				
Investment securities	1,043	-	-	1,043
Trade and other receivables	809,455	809,455	-	-
Cash and cash equivalents	35,210	35,210	-	-
	845,708	844,665	-	1,043
Financial liabilities				
Group				
Loans and borrowings	(1,623,031)	(1,623,031)	-	-
Trade and other payables	(166,655)	(166,655)	-	-
Derivative financial liabilities	(1,027)	-	(1,027)	-
	(1,790,713)	(1,789,686)	(1,027)	-
Company				
Trade and other payables	(4,645)	(4,645)	-	-

34. Financial instruments (Continued)

34.1 Categories of financial instruments (Continued)

2012	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	AFS RM'000
Financial assets				
Group				
Investment securities	47,420	-	9,414	38,006
Trade and other receivables	224,546	224,546	-	-
Cash and cash equivalents	468,324	468,324	-	-
	740,290	692,870	9,414	38,006
Company				
Investment securities	880	-	-	880
Trade and other receivables	747,653	747,653	-	-
Cash and cash equivalents	67,717	67,717	-	-
	816,250	815,370	-	880
Financial liabilities				
Group				
Loans and borrowings	(1,251,421)	(1,251,421)	-	-
Trade and other payables	(185,402)	(185,402)	-	-
Derivative financial liabilities	(2,115)	-	(2,115)	-
	(1,438,938)	(1,436,823)	(2,115)	-
Company				
Loans and borrowings	(61)	(61)	-	-
Trade and other payables	(7,017)	(7,017)	-	-
	(7,078)	(7,078)	-	-

34.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	326	2,692	-	-
- Derivatives	7,903	2,587	-	-
Available-for-sale financial assets				
- Recognised in other comprehensive income	17,647	6,557	-	-
- Recognised in profit or loss, net	(3,549)	(10,405)	-	-
Loans and receivables				
- Receivables, net	703	4,766	-	-
- Cash and cash equivalents	5,483	5,578	1,768	3,435
Financial liabilities measured at amortised cost	(68,530)	(66,194)	(219)	(6)
	(40,017)	(54,419)	1,549	3,429

34. Financial instruments (Continued)

34.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

34.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The Group's normal credit terms range from 14 to 60 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

34. Financial instruments (Continued)

34.4 Credit risk (Continued)

Receivables (Continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2013			
Not past due	42,952	-	42,952
Past due 1 - 30 days	13,687	-	13,687
Past due 31 - 60 days	7,823	-	7,823
Past due more than 60 days	21,690	(5,374)	16,316
	86,152	(5,374)	80,778
2012			
Not past due	46,072	-	46,072
Past due 1 - 30 days	6,857	-	6,857
Past due 31 - 60 days	6,890	-	6,890
Past due more than 60 days	45,291	(23,006)	22,285
	105,110	(23,006)	82,104

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	23,006	29,064
Impairment loss recognised	975	-
Impairment loss reversed	(2,130)	(4,766)
Impairment loss written off	(15,374)	(1,115)
Exchange adjustment	(1,103)	(177)
At 31 December	5,374	23,006

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

34. Financial instruments (Continued)

34.4 Credit risk (Continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with reputable financial institutions. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties for investments and other financial assets.

The investments and other financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral (contingencies)

The maximum exposure to credit risk amounts to RM417,672,000 (2012: RM201,433,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

Guarantees and letters of credit given to third parties and share of guarantees and letters of credit given to third-parties entered into by a joint venture held by the Group amounted to RM61,332,000 (2012: RM98,126,000) and RM7,280,000 (2012: RM10,049,000) respectively.

As at the end of the reporting period, there was no indication that any subsidiary nor the joint venture held by the Group would default on repayment.

34. Financial instruments (Continued)

34.4 Credit risk (Continued)

Exposure to credit risk, credit quality and collateral (contingencies)

As at reporting date, no values are ascribed on corporate guarantees provided by the Group and the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and bank facilities are fully collateralised by charges over the property, plant and equipment of the subsidiaries and where the Directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in Note 13. The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Non-current loans to subsidiaries are not overdue.

34.5 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

34. Financial instruments (Continued)

34.5 Liquidity risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2013						
Non-derivative financial liabilities						
Bank overdraft - secured	1,558	8.35 - 8.60	1,558	1,558	-	-
Bonds - secured	504,569	7.12 - 8.71	529,424	204,964	228,542	95,918
Bills payable	8,790	5.55	8,790	8,790	-	-
Trade and other payables	164,655	-	164,655	155,388	-	9,267
Revolving credit	197,415	3.30 - 5.15	197,415	197,415	-	-
Term loans	903,907	0.76 - 8.10	922,334	390,527	145,512	386,295
Finance lease liabilities	6,792	7.20 – 7.40	7,553	2,384	5,169	-
	1,787,686		1,831,729	961,026	379,223	491,480

Group	Carrying amount RM'000	Contractual interest %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2012						
Non-derivative financial liabilities						
Bank overdraft - secured	1,557	7.95 - 8.60	1,557	1,557	-	-
- unsecured	61	8.60	61	61	-	-
Bonds - secured	289,247	8.15 - 8.71	313,533	3,011	207,993	102,529
Bills payable	17,545	7.39	17,545	17,545	-	-
Trade and other payables	183,402	-	183,402	177,602	-	5,800
Revolving credit	181,389	3.90 - 4.72	181,389	181,389	-	-
Term loans	748,553	3.63 - 8.10	773,216	241,408	531,808	-
Finance lease liabilities	13,069	7.20 - 8.30	14,546	7,085	7,461	-
	1,434,823		1,485,249	629,658	747,262	108,329
Company						
Non-derivative financial liabilities						
Bank overdraft - unsecured	61	8.60	61	61	-	-

34. Financial instruments (Continued)

34.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

34.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Australian Dollar (AUD), Hong Kong Dollar (HKD), Great Britain Pound (GBP), Japanese Yen (JPY) and U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated			
	HKD	**JPY**	**AUD**	**USD**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013				
Bank loans	-	(199,164)	(229,778)	(3,291)
Short term deposits	49,513	-	-	473,690
	49,513	(199,164)	(229,778)	470,399

	Denominated			
	HKD	**GBP**	**AUD**	**USD**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2012				
Bank loans	-	-	(266,868)	-
Short term deposits	107,318	787	-	201,383
	107,318	787	(266,868)	201,383

34. Financial instruments (Continued)

34.6 Market risk (Continued)

34.6.1 Currency risk (Continued)

Company	Denominated HKD RM'000	AUD RM'000	USD RM'000	GBP RM'000
2013				
Amounts due from subsidiaries	296,474	265,009	84,425	9,770
2012				
Amounts due from subsidiaries	270,642	261,972	78,060	-

Currency risk sensitivity analysis

A 5% (2012: 5%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Profit or Loss 2013 RM'000	2012 RM'000
Group		
HKD	(1,857)	(4,024)
JPY	7,469	-
AUD	8,617	10,008
USD	(17,640)	(7,552)
Company		
HKD	(11,118)	(10,149)
AUD	(9,938)	(9,824)
USD	(3,166)	(2,927)
GBP	(366)	-

A 5% weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

34. Financial instruments (Continued)

34.6 Market risk (Continued)

34.6.2 Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial liabilities	(562,287)	(302,316)	-	(61)
Floating rate instruments				
Financial liabilities	(1,060,743)	(949,105)	-	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

34. Financial instruments (Continued)

34.6 Market risk (Continued)

34.6.2 Interest rate risk (Continued)

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Profit or Loss	
	50bp increase RM'000	**50bp decrease RM'000**
Group		
2013		
Floating rate instruments	(3,978)	3,978
2012		
Floating rate instruments	(3,618)	3,618

34.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

Equity price risk sensitivity analysis

A 10% (2012: 10%) increase in equity and debt securities market prices at the end of the reporting period would have increased equity by RM7,358,000 (2012: RM3,299,000) for investment classified as available-for-sale and post-tax profit or loss by RM263,000 (2012: RM233,000) for investments classified as fair value through profit or loss. A 10% (2012: 10%) weakening in equity and debt securities market prices would have had equal but opposite effect on equity and profit or loss respectively.

34.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

34. Financial instruments (Continued)

34.7 Fair value information (Continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets										
Quoted shares	75,042	-	-	75,042	-	-	-	-	75,042	75,042
Quoted bonds	2,042	-	-	2,042	-	-	-	-	2,042	2,042
	77,084	-	-	77,084	-	-	-	-	77,084	77,084
Financial liabilities										
Currency option contracts	-	(1,027)	-	(1,027)	-	-	-	-	(1,027)	(1,027)
Loans and borrowings	-	-	-	-	-	-	(1,482,395)	(1,482,395)	(1,482,395)	(1,623,031)
	-	(1,027)	-	(1,027)	-	-	(1,482,395)	(1,482,395)	(1,483,422)	(1,624,058)

34. Financial instruments (Continued)

34.7 Fair value information (Continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value*	Total fair value	Carrying amount
Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**		
2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets							
Quoted shares	3,288	-	-	3,288	-	3,288	3,288
Quoted bonds	32,800	-	-	32,800	-	32,800	32,800
Forward exchange contracts	-	21	-	21	-	21	21
	36,088	21	-	36,109	-	36,109	36,109
Financial liabilities							
Currency option contracts	-	(2,136)	-	(2,136)	-	(2,136)	(2,136)
Loans and borrowings	-	-	-	-	(1,132,621)	(1,132,621)	(1,251,421)
	-	(2,136)	-	(2,136)	(1,132,621)	(1,134,757)	(1,253,557)

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

34. Financial instruments (Continued)

34.7 Fair value information (Continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts and currency option contracts is based on their quoted price by certain licensed banks.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2012: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Loans and borrowings	Discounted cash flows	Interest rate (2013: 0.76% -8.60%)	The estimated fair value would increase (decrease) if the interest rate were higher (lower).

Valuation processes applied by the Group for Level 3 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest of loans and borrowings is determined by reference to similar borrowing arrangements.

35. Capital management

The Group's financial risk management objective seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares or returning capital to shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio up to 50%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less capital reserve.

Group	2013 RM'000	2012 RM'000
Loans and borrowings (Note 21)	1,623,031	1,251,421
Trade and other payables (Note 22)	166,655	185,402
Less: Cash and cash equivalents (Note 17)	(659,553)	(468,324)
Net debt	1,130,133	968,499
Equity attributable to the owners of the Company	2,285,411	2,487,286
Less: Capital reserves	(115,386)	(110,033)
Total capital	2,170,025	2,377,253
Capital and net debt	3,300,158	3,345,752
Gearing ratio	34%	29%

There was no change in the Group's approach to capital management during the financial year.

36. Commitments

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Capital expenditure				
Contracted but not provided for	85,555	3,897	-	-
Approved but not contracted for	33,988	-	-	-
	119,543	3,897	-	-
Non-cancellable operating lease commitments				
- Group as lessee				
Future minimum rentals payable:				
- Not later than 1 year	6,236	5,721	-	-
- Later than 1 year but not later than 5 years	78,291	16,878	-	-
- Later than 5 years	118,660	95,598	-	-
	203,187*	118,197	-	-
Non-cancellable operating lease commitments				
- Group as lessor				
Future minimum rentals receivable:				
- Not later than 1 year	15,578	12,953	-	-
- Later than 1 year but not later than 5 years	44,454	52,101	-	-
- Later than 5 years	22,873	41,929	-	-
	82,905	106,983	-	-

* Included an amount of RM90.05 million which is severally and jointly guaranteed by the Company and one of its subsidiaries.

37. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates, joint ventures and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 13 and Note 22.

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
A. Subsidiaries of the Company				
Management fee income	-	-	-	627
Interest income	-	-	198	13,553
Dividend income	-	-	47,574	5,547
Rental expense	-	-	62	107
Management fee expense	-	-	1,684	1,102
B. Associates				
Rental income	1,774	2,634	-	-
Dividend income	15,542	35,253	-	-
Share service income	3,368	-	-	-
Director fees	310	-	-	-
Rental expense	630	-	-	-
Purchase of investment securities	27,353	-	-	-
Disposal of investment securities	29,167	-	-	-

37. Related parties (Continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
C. Joint ventures				
Dividend income	7,650	25,680	-	-
D. Other related parties				
Non-controlling interests of a subsidiary				
- Interest expense	100	100	-	-
A company related to a person connected to a director:				
- Interest expense	390	390	-	-
A firm related to a director:				
- Legal fees	75	225	-	225
- Purchase of other investments	2,340	-	2,340	-
E. Key management personnel				
Directors				
- Remuneration	1,617	1,941	531	637
- Fees	325	328	325	325
- Defined contribution plans	86	204	61	78
- Estimated money value of benefits-in-kind	80	107	39	36
	2,108	2,580	956	1,076
Other key management personnel				
- Remuneration	22,618	24,505	-	264
- Defined contribution plans	745	844	-	22
	23,363	25,349	-	286

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

38. Significant events

(i) Purchase of leasehold land in Tropicana and joint venture development

On 5 June 2013, Mayfair Ventures Sdn. Bhd. ("MVSB"), a wholly-owned subsidiary of Mulpha Land Berhad ("MLB"), which is in turn a subsidiary of the Company, acquired two (2) adjacent parcels of leasehold land held under PN 30649, Lot 212 and PN 30650, Lot 213 respectively, both within Mukim Bandar Damansara, Daerah Petaling, Negeri Selangor, from Tropicana Golf & Country Resort Berhad, a wholly-owned subsidiary of Tropicana Corporation Berhad (formerly known as Dijaya Corporation Berhad), for a total cash consideration of RM116,123,925.

The above acquisition will increase the property development land bank of MLB Group, which would be in line with the Group's strategy to focus on identifying and developing properties in strategic locations.

The acquisition was approved by MLB's shareholders at an extraordinary general meeting held on 3 October 2013 and was completed on 11 November 2013.

On 23 December 2013, MLB completed a joint venture with MJC Development Sdn. Bhd. ("MJC"), whereby MLB and MJC hold 51% and 49% of the enlarged issued and paid-up capital of MVSB respectively. MJC is an indirect wholly-owned subsidiary of Mudajaya Group Berhad, which is in turn, an associated company of the Company.

(ii) Bonus issued by Mulpha Land Berhad

MLB has undertaken a bonus issue of 136,981,500 new ordinary shares of RM0.10 each in MLB ("Bonus Shares") on the basis of three (3) Bonus Shares for every two (2) existing shares of MLB held ("Bonus Issue"). The Bonus Issue was approved by the shareholders of MLB on 6 December 2013 and was completed on 24 December 2013.

(iii) Additional investment cost in associates

Details of the additonal investment cost in associates are disclosed in Note 7 to the financial statements.

39. Subsequent events

(a) Acquisition of a subsidiary

Mulpha Investments Pty Limited ("MIPL"), an indirect wholly-owned foreign subsidiary of the Company has on 12 February 2014 entered into a conditional share sale agreement ("SSA") with AVEO Group Limited, Mulpha Australia Limited ("MAL"), Mulpha FKP Pty Limited ("MFKP") and Norwest Real Estate Pty Ltd to acquire the remaining 49.99% of the total issued and paid-up share capital of MFKP, from AVEO Group Limited for a total purchase consideration of A$55,952,344 (equivalent to approximately RM167.88 million) ("Proposed Acquisition"). MIPL currently holds 50.01% of the total issued and paid-up share capital of MFKP, which is a joint venture of MIPL. Upon completion of the Proposed Acquisition, MFKP will be a wholly-owned subsidiary of MIPL. The Proposed Acquisition is subject to approval of the relevant authorities in Australia and is expected to be completed in the third quarter of 2014.

(b) Investment in an associate

View Link Global Limited, a wholly-owned subsidiary of Mulpha Strategic Limited which is wholly-owned by Mulpha Group Services Sdn. Bhd. and is in turn a wholly-owned subsidiary of the Company, had on 20 February 2014 subscribed for 33 shares of US$1.00 each, representing 33% of the share capital of New Pegasus Holdings Limited, a company incorporated in the British Virgin Islands for a total consideration of GBP$21.34 million (equivalent to approximately RM115.87 million). The principle activity of New Pegasus Holdings Limited is investment holding which owns a property in London through its wholly-owned subsidiary.

40. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/ (accumulated losses)				
- realised	778,273	769,832	(233,257)	(257,888)
- unrealised	27,455	(36,215)	3,542	(14,732)
Total share of retained earnings/ (accumulated losses) from associates				
- realised	208,906	188,548	-	-
- unrealised	-	22	-	-
- Breakdown unavailable*	(595,762)	(482,118)	-	-
Total share of retained earnings from joint ventures				
- realised	31,336	32,000	-	-
- unrealised	3,441	1,006	-	-
	453,649	473,075	(229,715)	(272,620)
Less: Consolidation adjustments	(145,084)	(132,209)	-	-
Total retained earnings/ (accumulated losses) as per consolidated accounts	308,565	340,866	(229,715)	(272,620)

There is no separate disclosure shown between the realised and unrealised profit/losses components for the Group's associates, AVEO Group and Rotol Singapore Ltd., as such classification is not governed by the reporting requirements in their respective local jurisdictions.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY **DIRECTORS**

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 37 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 on page 135 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

LEE SENG HUANG | **LAW CHIN WAT**

25 April 2014

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Eng Leong,** the officer primarily responsible for the financial management of Mulpha International Bhd., do solemnly and sincerely declare that the financial statements set out on pages 37 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the above named at Petaling Jaya
in the State of Selangor on 25 April 2014.

LEE ENG LEONG

Before me:

PESURUHJAYA SUMPAH
No. R 226
Nama: [illegible] BT SULAIMAN
MALAYSIA

No. 42C (3rd floor)
Jalan SS 22/21, Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of
Mulpha International Bhd.
(Company No. 19764-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Mulpha International Bhd., which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 134.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of
Mulpha International Bhd.
(Company No. 19764-T)
(Incorporated in Malaysia)

Report on the Financial Statements (Continued)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 40 on page 135 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

CHEW BENG HONG
Approval Number: 2920/02/16(J)
Chartered Accountant

Petaling Jaya, Selangor

25 April 2014

MATERIAL PROPERTIES OF THE GROUP
AS AT 31 DECEMBER 2013

	Location	Year of Acquisition/ Completion	Tenure	Year Lease Expiring	Age of Building	Land Area/ Built up Area	Description	Net Book Value RM'000
1.	117, Macquire Street Sydney New South Wales, Australia	2004	Freehold	_	27 years	3,909.00 sq. metres	5 star hotel (509 rooms)	542,695
2.	Lot 679, 7, 8, 1141 and 1514 Mukim Pulai and Tanjung Kupang Daerah Johor Bahru	1991	Freehold	_	_	376.73 hectares	Land being used for a resort and recreation/ commercial development	368,957
3.	Sanctuary Cove Gold Coast, Brisbane Queensland Australia	2002	Freehold	_	_	83.34 hectares	Integrated resort with hotel, clubs, marina and residential developments	347,883
4.	99-113, Macquire Street Sydney New South Wales, Australia	2004	Freehold	_	74 years	1,600.00 sq. metres	Commercial property	123,148
5.	PN 30649 & PN 30650 Lot 212 & 213 Mukim Bandar Damansara Daerah Petaling, Selangor	2013	77 years	2090	_	6.41 acres	Land to be used for mixed commercial development	121,902
6.	Hayman Island Great Barrier Reef Queensland Australia	2004	Leasehold	Perpetuity	24 years	291.48 hectares	5 star island resort (244 rooms)	118,197
7.	Geran 23566, 23567 & 12881 Lot No. 350, 351 & 9992 Bandar dan Daerah Kuala Lumpur	2007	Freehold	_	_	2.53 acres	Land to be used for residential development	45,624
8.	Lot 84-89, 696, 908 and 2991 Mukim Pulai Johor Bahru, Johor	2011	Freehold	_	_	41.79 hectares	Land to be used for mixed residential development	38,205
9.	Unit 1, 2, 5 & 7 Enklaf Bangsar Jalan Medang Tanduk Bukit Bandaraya, Bangsar 59100 Kuala Lumpur	2012	Freehold	_	2 years	3,115.50 sq. metres	3-storey bungalow	35,914
10.	Lot 1524 HS(D) 3059/95 Padang Meha Kulim, Kedah	1996	Freehold	_	_	136.75 acres	Land being used for residential and commercial development	31,744

Note: The list of properties above shows the particulars of the top 10 properties in terms of highest net book value as at the end of the financial year.

ANALYSIS OF SHAREHOLDINGS
AS AT 22 APRIL 2014

Authorised Share Capital	: RM2,000,000,000 divided into 4,000,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Share Capital	: RM1,177,956,579 divided into 2,355,913,158 ordinary shares of RM0.50 each
Class of Shares	: Ordinary shares of RM0.50 each
Voting Rights	: 1) One vote per shareholder on a show of hands 2) One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	715	2.48	22,757	0.00
100 - 1,000	4,664	16.20	4,365,034	0.20
1,001 - 10,000	15,364	53.38	74,495,155	3.50
10,001 - 100,000	6,999	24.32	228,785,850	10.72
100,001 - 106,688,166 (Less than 5% of issued shares)	1,038	3.61	1,018,440,513	47.73
106,688,167 (5%) and above	3	0.01	807,654,049	37.85
	28,783	100.00	2,133,763,358 *	100.00 *

* Excludes 222,149,800 treasury shares retained by the Company as per the Record of Depositors.

THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% *
1.	Nautical Investments Limited	503,380,000	23.59
2.	Magic Unicorn Limited	183,899,949	8.62
3.	AIBB Nominees (Asing) Sdn Bhd - Sun Hung Kai Investment Services Limited for Honest Opportunity Limited	120,374,100	5.64
4.	Cartaban Nominees (Asing) Sdn Bhd - Sun Hung Kai Investment Services Ltd for Top Champ Assets Limited	91,935,000	4.31
5.	Klang Enterprise Sendirian Berhad	64,906,600	3.04
6.	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Vista Power Sdn Bhd	64,638,333	3.03
7.	Yong Pit Chin	48,153,000	2.26
8.	HLIB Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	34,120,531	1.60
9.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	33,432,800	1.57
10.	Jimmy Thomas @ James Abraham Thomas	27,817,200	1.30
11.	Vista Power Sdn Bhd	25,363,700	1.19
12.	First Positive Sdn Bhd	24,762,300	1.16
13.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank NA, Singapore (Julius Baer)	19,554,400	0.92
14.	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	19,211,551	0.90
15.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	17,584,977	0.82

THIRTY LARGEST SHAREHOLDERS (Continued)

No.	Name of Shareholders	No. of Shares	% *
16.	Nautical Investments Limited	17,448,000	0.82
17.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	12,681,100	0.59
18.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	12,525,100	0.59
19.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	11,700,000	0.55
20.	Citigroup Nominees (Asing) Sdn Bhd - UBS AG for CGO Fund	11,497,000	0.54
21.	Citigroup Nominees (Asing) Sdn Bhd - CGML IPB for ASM Co-Investment Opportunity Trust II LP	10,116,800	0.47
22.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	8,452,132	0.40
23.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse (SG BR-TST-Asing)	8,122,400	0.38
24.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Siew Wah	7,860,000	0.37
25.	Citigroup Nominees (Asing) Sdn Bhd - Goldman Sachs International	5,519,100	0.26
26.	Tan Kok Teong	5,439,000	0.25
27.	Cimsec Nominees (Asing) Sdn Bhd - Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	4,891,846	0.23
28.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loh Kuan Fong	4,062,500	0.19
29.	Maybank Nominees (Asing) Sdn Bhd - Alpha Securities Pte Ltd	4,000,000	0.19
30.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	3,990,132	0.19

* Excludes 222,149,800 treasury shares retained by the Company as per the Record of Depositors.

ANALYSIS OF SHAREHOLDINGS AS AT 22 APRIL 2014

SUBSTANTIAL SHAREHOLDERS

	<------------------Direct----------------->		<-----------------Indirect----------------->	
Name of Shareholders	**No. of Shares**	**% ***	**No. of Shares**	**% ***
Nautical Investments Limited	520,828,000	24.41	-	-
Magic Unicorn Limited	183,899,949	8.62	-	-
Mountbatten Corporation	-	-	520,828,000 [a]	24.41
Mount Glory Investments Limited	-	-	704,727,949 [b]	33.03
Yong Pit Chin	48,153,000	2.26	771,634,549 [c]	36.16
Lee Seng Huang	-	-	819,787,549 [d]	38.42
Honest Opportunity Limited	120,374,100	5.64	-	-
Mackenzie Cundill Investment Management Ltd	156,544,100	7.34	-	-

DIRECTOR'S SHAREHOLDING IN MULPHA INTERNATIONAL BHD

	<------------------Direct----------------->		<-----------------Indirect----------------->	
Name of Director	**No. of Shares**	**% ***	**No. of Shares**	**% ***
Lee Seng Huang	-	-	819,787,549 [d]	38.42

By virtue of Lee Seng Huang's substantial interest in the shares of Mulpha International Bhd, he is also deemed interested in the shares of all the subsidiaries to the extent that Mulpha International Bhd has an interest.

NOTES:

[a] Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of its shareholding in Nautical Investments Limited.
[b] Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of its shareholdings in Mountbatten Corporation and Magic Unicorn Limited.
[c] Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of her shareholdings in Mount Glory Investments Limited and Klang Enterprise Sdn Bhd.
[d] Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his family relationship with Yong Pit Chin and his shareholding in Klang Enterprise Sdn Bhd.
* Excludes 222,149,800 treasury shares retained by the Company as per the Record of Depositors.

NOTICE OF 40TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting of Mulpha International Bhd will be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 June 2014 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note A)*

2. To re-elect the following Directors who retire by rotation pursuant to Article 101 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Law Chin Wat *(Ordinary Resolution 1)*
   (b) Chung Tze Hien *(Ordinary Resolution 2)*

3. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Lim Say Chong who is over the age of 70 years, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." *(Ordinary Resolution 3)*

4. To approve the increase in Directors' fees from RM75,000 to RM90,000 per annum for the Chairman of the Audit Committee and from RM50,000 to RM60,000 per annum for the Non-Executive Directors, and further to approve the payment of Directors' fees totalling RM415,000 for the financial year ended 31 December 2013. *(Ordinary Resolution 4)*

5. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:-

6. **ORDINARY RESOLUTION:**
   Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

   "THAT subject always to the Companies Act, 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Articles of Association and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." *(Ordinary Resolution 6)*

7. **ORDINARY RESOLUTION:**
Proposed Renewal of Authority to Allot and Issue Shares pursuant to the Company's Dividend Reinvestment Plan

"THAT pursuant to the Dividend Reinvestment Plan as approved by the shareholders at the Extraordinary General Meeting held on 27 June 2011, the Directors be and are hereby authorised to allot and issue new ordinary shares of RM0.50 each in the Company from time to time as may be required under the Company's Dividend Reinvestment Plan until the conclusion of the next Annual General Meeting of the Company, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company.

THAT the Directors and the Secretary be and are hereby authorised to do all such acts and enter into all such transactions, agreements, arrangements and documents as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan, with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or at the discretion of the Directors in the best interest of the Company." *(Ordinary Resolution 7)*

8. **ORDINARY RESOLUTION:**
Proposed Renewal of Authority for the Purchase by the Company of its Own Shares

"THAT subject to compliance with the Companies Act, 1965, the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant rules and regulations that may be in force from time to time, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:-

(a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time; and

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the Company's share premium account.

THAT such authority shall commence upon the passing of this ordinary resolution and shall remain in force until:-

(i) the conclusion of the next Annual General Meeting of the Company at which time such authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to give full effect to the aforesaid with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company." *(Ordinary Resolution 8)*

9. **ORDINARY RESOLUTION:**
Continuing in Office as Independent Non-Executive Director

"THAT approval be and is hereby given to Kong Wah Sang, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012." *(Ordinary Resolution 9)*

10. **SPECIAL RESOLUTION:**
Proposed Amendment to Article 124 of the Company's Articles of Association on Directors' Circular Resolutions

"THAT the Company's Articles of Association be hereby amended by deleting the existing Article 124 in its entirety and substituting the following new Article 124:-

Existing Article 124

A resolution in writing signed or approved by letter or telegram by all the Directors who may at the time be present in Malaysia and the Republic of Singapore being not less than are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted, provided that where a Director is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. All such resolutions shall be described as "Directors' Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minute Book and submitted for confirmation at a meeting of the Board next following the receipt thereof by him. A Directors' Resolution shall be inoperative if it shall purport to authorise or to do any act which a meeting of the Board has decided shall not be authorised or done, until confirmed by meeting of the Board.

New Article 124

A resolution in writing signed and approved by all Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened, held and constituted, and an alternate director may sign such resolution on behalf of his appointor. All such resolutions shall be described as "Directors' Circular Resolutions" and may be forwarded to the Secretary by telefax, electronic mail or other forms of electronic communication. All such resolutions may consist of several documents in like form, each signed by one (1) or more Directors, or their alternates." *(Special Resolution 1)*

By Order of the Board

LEE ENG LEONG (MIA 7313)
LEE SUAN CHOO (MAICSA 7017562)
Company Secretaries

Petaling Jaya

2 June 2014

NOTES:

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend and vote instead of the member at the meeting.
2. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.
3. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PH2, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Securities Berhad to issue a Record of Depositors as at **18 June 2014** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.

EXPLANATORY NOTE A:

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this item on the agenda is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Ordinary Resolution 6 - Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   The proposed Ordinary Resolution 6 is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company, such as investment(s), acquisition of asset(s) or working capital. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The Company did not issue any shares pursuant to the mandate granted last year. Nevertheless, a renewal of the mandate is sought to avoid any delay and cost involved in convening a general meeting to approve such issue of shares.

2. **Ordinary Resolution 7 - Proposed Renewal of Authority to Allot and Issue Shares pursuant to the Company's Dividend Reinvestment Plan**

   The proposed Ordinary Resolution 7 will give authority to the Directors to allot and issue new ordinary shares in the Company from time to time as may be required under the Company's Dividend Reinvestment Plan until the conclusion of the next Annual General Meeting of the Company. A renewal of this authority will be sought at the subsequent Annual General Meeting.

3. **Ordinary Resolution 8 - Proposed Renewal of Authority for the Purchase by the Company of its Own Shares**

   The details on the proposed renewal of authority for the purchase by the Company of its own shares are set out in the Share Buy-back Statement dated 2 June 2014.

4. Ordinary Resolution 9 - Continuing in Office as Independent Non-Executive Director

The proposed Ordinary Resolution 9 is to seek the shareholders' approval to retain Kong Wah Sang who has served on the Board for a cumulative term of more than 9 years, as an Independent Non-Executive Director of the Company. The Board has via the Nomination Committee, assessed the independence of Kong Wah Sang and recommended him to continue to serve as an Independent Non-Executive Director based on the following justifications:-

(a) Mr Kong fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, he would be able to function as a check and balance to the Board.

(b) Mr Kong performed his duties diligently and in the best interest of the Company and brings an element of objectivity and independent judgment to the Board without being subject to influence of the management.

(c) Based on the Director's Peer Evaluation undertaken by the Board, Mr Kong has performed satisfactorily in fulfilling his duties and responsibilities, including among others, contribution to Board deliberations, regular and timely attendance of Board meetings and understanding of the roles and responsibilities of an Independent Director.

5. Special Resolution 1 - Proposed Amendment to Article 124 of the Company's Articles of Association on Directors' Circular Resolutions

The proposed Special Resolution 1, if passed, will allow Directors' Circular Resolutions to be circulated to all the Directors concurrently and signed in several documents in like form, each signed by one or more Directors, or their alternates. Such duly signed Directors' Circular Resolutions may be forwarded to the Secretary by telefax or electronic mail. This will enable urgent matters or proposals to be approved by the Directors in a speedier manner.

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MULPHA INTERNATIONAL BHD (19764-T)
Incorporated in Malaysia

PROXY FORM

No. of Shares held	
CDS Account No.	

I/We ______________________ NRIC No./Company No. ______________ Tel No. ____________
of ____
being a member of the Company, hereby appoint ______________________________
NRIC No. ______________ of ______________________________
and/or ______________________________ NRIC No. ______________
of ____
or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the 40th Annual General Meeting of the Company to be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 26 June 2014** at **2.30 p.m.** and at any adjournment thereof.

Please indicate with 'X' in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
Resolution 1	Re-election of Law Chin Wat		
Resolution 2	Re-election of Chung Tze Hien		
Resolution 3	Re-appointment of Dato' Lim Say Chong		
Resolution 4	Approval of the increase in Directors' fees and the payment thereof		
Resolution 5	Re-appointment of KPMG as Auditors		
Resolution 6	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 7	Proposed renewal of authority to allot and issue shares pursuant to the Company's Dividend Reinvestment Plan		
Resolution 8	Proposed renewal of authority for the purchase by the Company of its own shares		
Resolution 9	Continuing in office as Independent Non-Executive Director – Kong Wah Sang		
SPECIAL RESOLUTION			
Resolution 1	Proposed amendment to Article 124 of the Company's Articles of Association on Directors' Circular Resolutions		

Dated this______day of ___________ 2014

For appointment of 2 proxies, the percentage of shareholdings to be represented by the proxies:-		
	No. of Shares	**Percentage**
1st Proxy		%
2nd Proxy		%
Total:		100 %

____
Signature of Member

Common
Seal
*(for Corporate
Members)*

NOTES:

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend and vote instead of the member at the meeting.
2. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.
3. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PH2, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Securities Berhad to issue a Record of Depositors as at **18 June 2014** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
STAMP
HERE

The Company Secretary
MULPHA INTERNATIONAL BHD (19764-T)
PH2, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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CORPORATE DIRECTORY

1. **Mulpha International Bhd**
   PH1, Menara Mudajaya
   No.12A, Jalan PJU 7/3
   Mutiara Damansara
   47810 Petaling Jaya
   Selangor Darul Ehsan, Malaysia

   T (+603) 7718 6288
   www.mulpha.com.my

2. **Mulpha Land Berhad**
   PH1, Menara Mudajaya
   No.12A, Jalan PJU 7/3
   Mutiara Damansara
   47810 Petaling Jaya
   Selangor Darul Ehsan, Malaysia

   T (+603) 7718 6288
   www.mulphaland.com.my

3. **Leisure Farm Resort**
   D'rimbunan Sales and Information Center
   No.8, Jalan Peranginan, Leisure Farm
   81560, Gelang Patah, Johor
   Malaysia

   T (+607) 556 3003
   www.leisurefarm.com.my

4. **Mulpha Australia Limited**
   L5, 99 Macquarie Street Sydney
   New South Wales 2000
   Australia

   T (+612) 9239 5500
   www.mulpha.com.au

5. **Mulpha Sanctuary Cove Pty Ltd.**
   PO Box 199
   Sanctuary Cove, Queensland 4212
   Australia

   T (+617) 5577 6500
   www.sanctuarycove.com

6. **Norwest Business Park**
   L5, 99 Macquarie Street
   Sydney, New South Wales 2000

   T(+612) 9270 6100
   www.norwestbusinesspark.com.au

7. **One&Only Hayman Island**
   Great Barrier Reef
   Queensland 4801
   Australia

   T (+617) 4940 1838
   www.oneandonlyhaymanisland.com.au

8. **InterContinental Sydney**
   117, Macquarie Street
   Sydney, New South Wales 2000
   Australia

   T (+612) 9253 9000
   www.sydney.intercontinental.com

9. **InterContinental Sanctuary Cove Resort**
   Manor Circle, Sanctuary Cove
   Queensland 4212
   Australia

   T (+617) 5530 1234
   www.intercontinentalsanctuarycove.com

10. **Bimbadgen**
    790 McDonalds Road
    Pokolbin New South Wales 2320
    Australia

    T (+612) 4998 4600
    www.bimbadgen.com.au

11. **99 Macquarie Street**
    99, Macquarie Street
    Sydney 2000
    Australia

    T (+612) 9239 5500
    www.99macquariestreet.com.au

12. **The Hotel School Sydney**
    60 Phillip St
    Sydney
    New South Wales 2000
    Australia

    T (+602) 8249 3200
    www.hotelschool.scu.edu.au

13. **Marritz Hotel**
    12 Porcupine Road
    Perisher Valley
    New South Wales 2624
    Australia

    T (+612) 6457 5220
    www.marritzalpine.com.au

14. **Salzburg Apartment**
    24 Porcupine Road
    Perisher Valley
    New South Wales 2624
    Australia

    T (+612) 6457 5220
    www.salzburg.com.au

15. **Indochine Park Tower**
    1 Le Quy Don
    District 3, Ho Chi Minh City
    Socialist Republic of Vietnam

    T (+848) 3930 0200
    www.indochinetower.com

MULPHA INTERNATIONAL BHD (19764-T)

PH1, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara,
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