MULPHA

ANNUAL REPORT 2016

Contents

Heritage Meets Modernity

Fusing contemporary chic with classic luxury, the 5-star London Marriott Hotel Grosvenor Square is London's best address. This fashionable Mayfair hotel's strategic location is just seconds from Park Lane and Oxford Street.

The London Marriott Hotel Grosvenor Square offers an experience no other hotel can match. Suites with private gardens and outdoor fireplaces complemented with Room Service from one of the world's most highly-decorated Michelin-star chefs - Gordon Ramsay, West End shows and the boutiques of Bond Street right at your doorstep.

www.marriottgrosvenorsquare.com

LONDON, UNITED KINGDOM

LONDON MARRIOTT HOTEL GROSVENOR SQUARE

Corporate Profile

The InterContinental Sydney, an iconic landmark in Sydney.

MULPHA INTERNATIONAL BHD

Mulpha International Bhd ("Mulpha") invests in the infrastructure, hospitality and real estate sectors. The Group is committed to long-term value creation with its focus on high-end property development and investment, retirement, healthcare, infrastructure and civil construction. It invests in some of the fastest-growing and most vibrant economies in the region, including Malaysia, Indonesia, India, Australia and the United Kingdom.

In Malaysia, Mulpha is the developer of the award winning 1,765-acre Leisure Farm in Iskandar Malaysia.

Mulpha is Malaysia's largest real estate investor and developer in Australia. Assets in Australia include the world renowned, resort-styled Sanctuary Cove, the Norwest Business Park Sydney, the InterContinental Sydney Hotel, as well as the ultra-luxury private island One&Only Hayman Great Barrier Reef. Mulpha also holds a strategic stake in the Aveo Group, Australia's largest owner, operator and manager of retirement communities which is listed on the Australian Stock Exchange.

In the United Kingdom, Mulpha has a strategic investment in the London Marriott Hotel Grosvenor Square, a landmark hotel in the heart of London's Mayfair district.

Listed on the Main Market of Bursa Malaysia Securities Berhad, Mulpha's total assets are in excess of RM5.73 billion, with shareholders' funds in excess of RM2.97 billion.

www.mulpha.com.my

Corporate Information

BOARD OF DIRECTORS

Non-Independent Executive Chairman
Lee Seng Huang

Non-Independent Executive Director
Law Chin Wat

Senior Independent Non-Executive Director
Kong Wah Sang

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

Non-Independent Non-Executive Director
Chung Tze Hien

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

RISK MANAGEMENT COMMITTEE

Law Chin Wat (Chairman)
Lee Eng Leong
Winson Chow
David Choa Der Huey

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) 7849 0777
Fax No : (603) 7841 8151/52

AUDITORS

KPMG PLT
Chartered Accountants

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Citibank, N.A.
Credit Suisse AG
OCBC Banking Group
Westpac Banking Corporation

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 2016

The multiple award winning One&Only Hayman Island Resort.

INTERCONTINENTAL SANCTUARY COVE RESORT

- 2 Hats in Australian Gourmet Traveller 'Wine List Of The Year' Award

INTERCONTINENTAL SYDNEY

- World Travel Awards, Australasia's Leading Business Hotel (third consecutive year)
- World Travel Awards, Australasia's Leading Executive Club Lounge (second consecutive year)
- World Luxury Restaurant Awards, Best Luxury Hotel Restaurant (117 dining)
- HM Awards, Best Business Hotel, InterContinental Sydney
- HM Awards, Rising Star, Jessica Leek, InterContinental Sydney (High Commended)
- HM Awards, Communications Associate of the Year, Nicole Crowley, InterContinental Sydney
- Green Hotelier Awards, Green Hotelier Asia Pacific 2016
- TAA NSW Awards for Excellence, Meetings & Events Employee of the Year, Nicole Cheramie
- TAA NSW Awards for Excellence, InterContinental Sydney, Best Environmental Practices Metropolitan Hotels
- TAA NSW Awards for Excellence, Hall of Fame, Workplace Health & Safety Hotel of the Year (third consecutive year)
- Gault & Millau, Two Hats, InterContinental Sydney (117 dining)
- Luxury Travel Magazine, Australian Hotel of the Year (finalist)

ONE&ONLY HAYMAN ISLAND

- **Condé Nast Traveller (US) Readers' Choice Awards**
  – ranked #19 amongst the 'Top Resorts in Australia and The South Pacific'
- **World Travel Awards (Asia & Australasia)**
  – recognised as 'Australia's Leading Resort'
- **World Spa Awards (Global)**
  – recognised as 'Australia's Best Resort Spa'
- **World Spa Awards (Global)**
  – recognised as 'Oceania's Best Resort Spa'
- **Condé Nast Traveller:** Reader's Travel Awards (UK)
  – ranked #18 amongst the Best Overseas Hotel Spas
- **Condé Nast Traveller:** Reader's Travel Awards (UK)
  – ranked #2 amongst the Best Overseas Holiday Hotels in Australasia & the South Pacific
- **Brides Best Honeymoon Awards**
  – One&Only Hayman Island ranked #2 amongst the 'Top Resorts in Asia, Australia & New Zealand'
- **Condé Nast Traveller China:** Readers' Choice Awards
  – One&Only Hayman Island recognised amongst the 'Best Hotels in Australia'
- **Luxury Travel Gold List Awards, Australia**
  – One&Only Hayman Island: Best Australian Family Property

Financial Calendar

ANNOUNCEMENT OF QUARTERLY RESULTS

27 **MAY 2016**

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2016

29 **AUG 2016**

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2016

29 **NOV 2016**

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2016

28 **FEB 2017**

Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2016

ANNUAL REPORT & ANNUAL GENERAL MEETING

28 **APR 2017**

Notice of 43rd Annual General Meeting and issuance of Annual Report 2016

8 **JUN 2017**

43rd Annual General Meeting

Group's 5-Year Financial Highlights

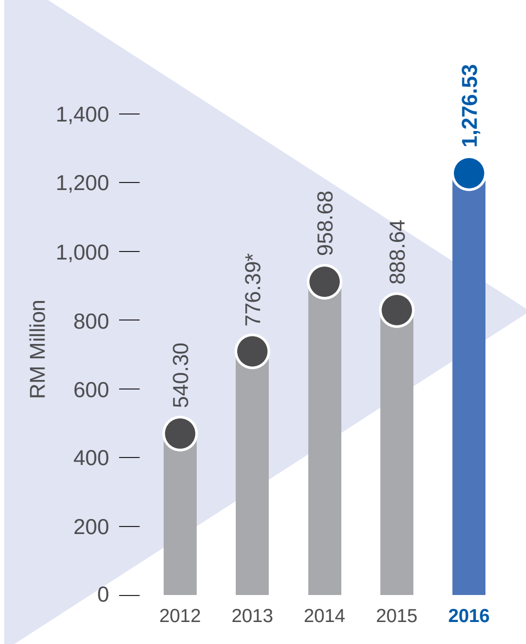
	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-Current Assets	**4,388,552**	3,600,923	3,205,704	2,788,996	2,922,191
Current Assets	**1,344,616**	1,531,580	1,490,370	1,469,086	1,130,003
Total Assets	**5,733,168**	5,132,503	4,696,074	4,258,082	4,052,194
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	**1,598,096**	1,177,957	1,177,957	1,177,957	1,177,957
Reserves	**1,379,520**	1,391,033	1,181,256	1,107,454	1,309,329
Equity attributable to Owners of the Company	**2,977,616**	2,568,990	2,359,213	2,285,411	2,487,286
Non-Controlling Interests	**–**	–	44,346	52,130	34,926
Total Equity	**2,977,616**	2,568,990	2,403,559	2,337,541	2,522,212
Liabilities					
Non-Current Liabilities	**2,258,521**	947,997	810,318	832,135	843,056
Current Liabilities	**497,031**	1,615,516	1,482,197	1,088,406	686,926
Total Liabilities	**2,755,552**	2,563,513	2,292,515	1,920,541	1,529,982
Total Equity and Liabilities	**5,733,168**	5,132,503	4,696,074	4,258,082	4,052,194
GROUP RESULTS					
Profit/(Loss) before Tax	**7,903**	160,713	141,463	(43,451)	(461,987)
Tax	**8,897**	2,569	(16,904)	15,692	(11,868)
Profit/(Loss) after Tax	**16,800**	163,282	124,559	(27,759)	(473,855)
Non-Controlling Interests	**–**	1,841	(411)	(4,497)	(1,108)
Net Profit/(Loss) attributable to Owners of the Company	**16,800**	165,123	124,148	(32,256)	(474,963)
SELECTED RATIOS					
Earnings/(Loss) Per Share (Sen)	**0.63**	7.71*	5.82	(1.49)	(20.84)
Net Assets Per Share (RM)	**0.93**	1.20	1.11	1.07	1.13
SHARE PERFORMANCE					
Year high (RM)**	**0.31**	0.42	0.55	0.50	0.50
Year low (RM)**	**0.20**	0.25	0.34	0.37	0.38
Year close (RM)**	**0.23**	0.26	0.37	0.41	0.39
Trading volume ('000)**	**635,020**	510,280	788,480	1,090,000	700,500
Market capitalisation as at 31 December (RM'000)**	**718,846**	554,750	789,474	874,884	856,880

* Comparatives have been restated to reflect the rights issue implemented in year 2016.

** Source: Bloomberg

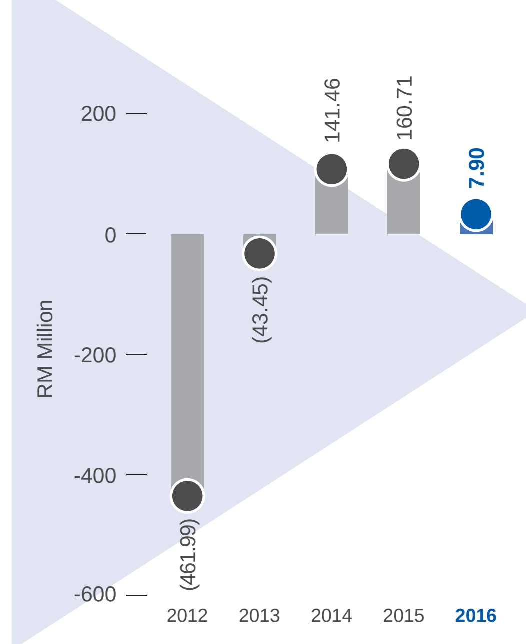
Group's 5-Year Financial Highlights (cont'd)

REVENUE

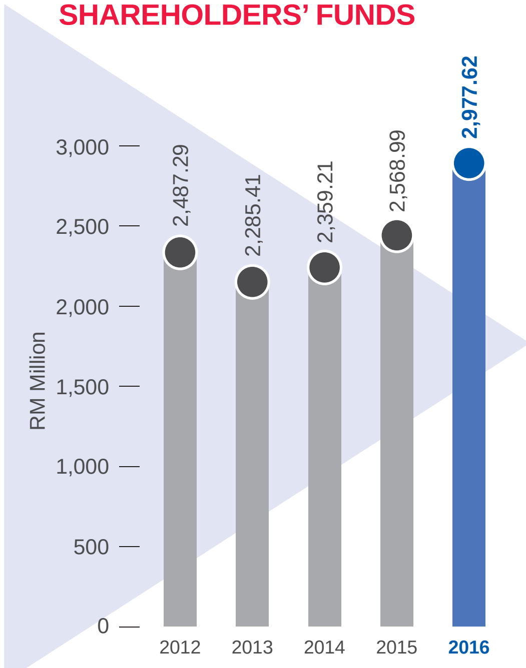


* Restated due to discontinued operations.

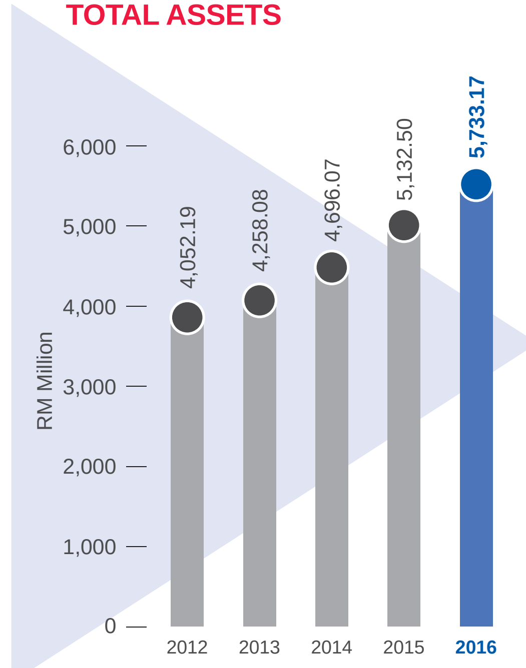
PROFIT/(LOSS) BEFORE TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS



Oceanic Luxury Getaway

One&Only Hayman Island, in the heart of the Great Barrier Reef, presents astonishing natural beauty, restorative peace, indulgence and adventure. Australia's most iconic private island resort which re-opened after a major refurbishment in July 2014, is located off the coast of Queensland, nestled at the northernmost point of the Whitsunday archipelago. Within this private island resort, stylish elegance reflects the harmony of nature with beautifully appointed accommodation set against the backdrop of the Coral Sea. Discover endless opportunities to delight the senses in a place where the beauty of nature inspires each day.

Relish in spectacular dining experiences, surrender to a signature Ocean Massage, explore private beaches and immerse yourself in captivating underwater adventures. One&Only Hayman Island is a unique destination of discovery set in one of the seven wonders of the natural world – Australia's Great Barrier Reef.

www.oneandonlyhaymanisland.com.au

WHITSUNDAY ISLANDS, AUSTRALIA

One&Only

HAYMAN ISLAND

Profile of Board of Directors

1 2 3 4

1

LEE SENG HUANG

Non-Independent Executive Chairman

Malaysian

2

LAW CHIN WAT

Non-Independent Executive Director

Malaysian

3

KONG WAH SANG

Independent Non-Executive Director

Malaysian

4

CHEW HOY PING

Independent Non-Executive Director

Malaysian

Profile of Board of Directors (cont'd)

5 6 7 8

5 DATO' LIM SAY CHONG

Independent Non-Executive Director

Malaysian

6 DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Director

Malaysian

7 LOONG CAESAR

Independent Non-Executive Director

Malaysian

8 CHUNG TZE HIEN

Non-Independent Non-Executive Director

Malaysian

Profile of Board of Directors (cont'd)

LEE SENG HUANG

Non-Independent Executive Chairman
Male, Malaysian

Mr Lee, aged 42, was educated at the University of Sydney in Australia and has wide ranging financial services and real estate investment experience in the Asian region. He is currently the Non-Executive Chairman of Aveo Group, a leading retirement group listed on the Australian Securities Exchange.

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

Mr Lee has no directorships in other listed issuers or public companies in Malaysia.

LAW CHIN WAT

Non-Independent Executive Director
Male, Malaysian

Mr Law, aged 65, 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. 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 listed issuers or public companies in Malaysia.

KONG WAH SANG

Independent Non-Executive Director
Male, Malaysian

Mr Kong, aged 58, graduated with a Bachelor of Economics Degree from Monash University in Melbourne, Australia and was a member of CPA Australia. He serves as the Adviser to an internationally networked business consulting firm and has wide ranging experience in management consulting, accounting, finance and information technology.

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 listed issuers or public companies.

CHEW HOY PING

Independent Non-Executive Director
Male, Malaysian

Mr Chew, aged 59, is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

Mr Chew had a professional career primarily with PricewaterhouseCoopers ("PwC") where he worked for almost 30 years from 1976 until 2005, and as a partner of the firm from 1990. During his time with PwC, he covered a wide range of professional service areas including audit and accounting, business advisory, corporate finance and recovery. He held numerous leadership roles in PwC including Asia Pacific Chairman of Financial Advisory Services, Risk Management Leader, Deputy Chairman of Governance Board and a member of the Country Management Team. Mr Chew was seconded to PwC Houston in the United States (1982-1984) for overseas experience and later to Bank Negara Malaysia (1986-1988) to assist in the country's deposit taking cooperatives crisis at that time. Upon retiring from PwC, he became the Chief Financial Officer for Southern Bank Berhad (now CIMB) from 2005 till mid 2006.

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. He is also a Director and member of the Audit Committee of Mulpha Australia Limited, a wholly-owned subsidiary of the Company.

Mr Chew has no directorships in other listed issuers apart from Carlsberg Brewery Malaysia Berhad and Mudajaya Group Berhad, where he is an Independent Non-Executive Director and also the Chairman of their respective Audit Committees. He is also a Trustee on the Board of J.C. Jacobsen Foundation. He has no directorships in public companies in Malaysia.

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, who is 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.

DATO' LIM SAY CHONG

Independent Non-Executive Director
Male, Malaysian

Dato' Lim, aged 76, 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 listed issuers apart from serving as the Chairman of Carlsberg Brewery Malaysia Berhad. He has no directorships in public companies.

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Director
Male, Malaysian

Dato' Yusli, aged 58, 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's directorships in other listed issuers are Mudajaya Group Berhad, YTL Power International Berhad, AirAsia X Berhad and Westports Holdings Berhad. His directorships in public companies are Australasia Resources and Minerals Berhad, Malaysian Institute of Corporate Governance and Infinity Trustee Berhad.

LOONG CAESAR

Independent Non-Executive Director
Male, Malaysian

Mr Loong, aged 57, was trained at Raffles Institution, Singapore, the London School of Economics and Political Science (LSE) and Gonville 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, Shen & Eow, a medium sized law firm that handles corporate, commercial, banking, finance and property work, amongst others. 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 Board member of National Bank of Abu Dhabi Malaysia Berhad, where he chairs its Board Risk Management Committee and Nomination Committee. He is also a Director and Exco member of the Malaysia-Australia Business Council (MABC), and former Director and Exco member of the EU-Malaysia Chamber of Commerce and Industry.

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

Mr Loong's directorships in public companies are Malaysia-Australia Business Council and National Bank of Abu Dhabi Malaysia Berhad. He has no directorships in other listed issuers.

CHUNG TZE HIEN

Non-Independent Non-Executive Director
Male, Malaysian

Mr Chung, aged 66, 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 listed issuers or public companies.

3. Conviction for Offences

None of the Directors has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the Directors by the relevant regulatory bodies during the financial year.

4. Attendance of Board Meetings

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2016 is disclosed in the Statement on Corporate Governance.

Profile of Key Senior Management

GREGORY DAVID SHAW

Chief Executive Officer
Male, Australian

Mr Shaw, aged 57, graduated with a Bachelor of Commerce from University of Queensland, Australia and is an Australian Chartered Accountant.

Mr Shaw was previously the Chief Executive Officer of 3 public listed companies in Australia namely Koala Corporation Australia from 1990 to 1998, Port Douglas Reef Resorts from 1998 to 2002 and Ardent Leisure Group from 2002 to 2015. He was appointed as Chief Executive Office of Mulpha Australia Limited, a wholly-owned subsidiary of the Company in 2015.

Mr Shaw was appointed as Chief Executive Officer of the Company on 2 December 2016.

Mr Shaw has no directorships in any listed issuers or public companies in Malaysia.

LEE ENG LEONG

Group Chief Financial Officer
Male, Malaysian

Mr Lee, aged 49, is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Mr Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from 4 January 2010 to 2 October 2012. Prior to joining Alliance Bank Malaysia Berhad, he was the Chief Financial Officer of a major global company where he oversaw their finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and multi-national companies in Asia.

Mr Lee was appointed as Group Chief Financial Officer of the Company on 3 October 2012.

Mr Lee's directorships in listed issuers in Malaysia are Mudajaya Group Berhad and Thriven Global Berhad. His directorships in public companies in Malaysia are Mudajaya Corporation Berhad and Leisure Farm Polo Club Berhad.

WINSON CHOW

Chief Operating Officer
Male, Australian

Mr Chow, aged 54, graduated with a Bachelor of Engineering with honours in Civil and Environmental Engineering from University of Newcastle Upon Tyne, Tyne and Wear, United Kingdom. He is a Chartered Engineer (Australia and United Kingdom), as well as a Registered Professional Engineer (Hong Kong). He is also a member of the Hong Kong Institution of Engineers, the Institution of Water and Environmental Management, United Kingdom and the Institution of Engineers, Australia.

Mr Chow started out working as a Director in the investment and development arm of China Resources (Holdings) Co. Ltd, responsible for commercial property development in excess of USD500 million. He was then made the Managing Director of China Resources Property Co. Ltd. with a portfolio covering property development and management, a building construction contractor, serviced apartments, exhibitions and advertising space and a building materials trading firm, generating total annual revenue in the region of USD260 million. He was appointed as Chief Operating Officer of Mulpha Australia Limited, a wholly-owned subsidiary of the Company in 2011.

Mr Chow was appointed as Chief Operating Officer of the Company on 1 July 2016.

Mr Chow has no directorships in any listed issuers or public companies in Malaysia.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**

   None of the key senior management has any family relationship with any director and/or major shareholder of the Company.

2. **Conflict of Interest**

   None of the key senior management has any conflict of interest with the Company.

3. **Conviction for Offences**

   None of the key senior management has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the key senior management by the relevant regulatory bodies during the financial year.

4. **Shareholdings in the Company or its Related Corporations**

   None of the key senior management has any shareholding in the Company or its related corporations during the financial year.

Haven at the Lakes, the latest residential development launched by Mulpha Norwest at the end of 2016

The Bayou Creek bungalows in Leisure Farm take eco-living concepts to new heights.

Premier Lifestyle Resort

As the first development of its kind, Sanctuary Cove is Australia's leading integrated residential community offering a unique lifestyle, magnificent facilities and 24-hour active land and water security.

Nestled within the 474-hectare residential enclave lies established lifestyle options that are complemented by 2 championship golf courses, 4 harbours, 15 restaurants and harbourside cafes, fashion boutiques and specialties overlooking the tranquil 330 berth marina, the most extensive Recreation Club within a residential resort, the casual elegance of the eminent Country Club and the 5-star InterContinental Sanctuary Cove Resort.

www.sanctuarycove.com

GOLD COAST, AUSTRALIA

SANCTUARY COVE

Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Mulpha is committed to long-term value creation with its focus on high-end property development and investment, hospitality, retirement and healthcare. It invests in some of the fastest-growing and most vibrant economies in the region, including Malaysia, Australia and the United Kingdom.

In Malaysia, Mulpha is the developer of the award winning 1,765-acre Leisure Farm in Iskandar Malaysia. It is also one of Malaysia's largest real estate investors and developers in Australia. Assets in Australia include the resort-styled Sanctuary Cove on the Gold Coast in Queensland, Norwest Business Park in Sydney, the InterContinental Sydney Hotel as well as the ultra-luxury private island One&Only Hayman Great Barrier Reef.

Mulpha also holds a strategic stake in its associated company, the Aveo Group, Australia's largest owner, operator and manager of retirement communities which is listed on the Australian Stock Exchange.

In the United Kingdom, Mulpha has a strategic investment in the London Marriott Hotel Grosvenor Square, located in the heart of London's Mayfair district.

REVIEW OF OPERATING ACTIVITIES

MALAYSIA

Leisure Farm

Leisure Farm is one of Iskandar Malaysia's most prestigious gated developments covering 1,765 acres of prime freehold land and has garnered multiple international awards since its establishment in 1991 including the FIABCI Prix D'Excellence Best Master Plan Development in 2006. Nestled within an idyllic setting of pristine parklands and canal waterways are 7 land precincts and 4 strata schemes with individual perimeter fencing and 24 hour guarded security.

Leisure Farm's focus in 2016 has been to continue to reach out to overseas markets, notably China and Indonesia in addition to its ongoing focus on Singapore. Roadshows were conducted in Indonesia, and a few locations in China in 2016, while further roadshows are being planned for Singapore and Jakarta this year. These roadshows have been successful in increasing Leisure Farm's sales, in particular to purchasers from China and we anticipate that the roadshows will generate further sales in 2017. Leisure Farm also opened a sales office in Singapore in November 2016 and expects it to further raise its profile amongst the expatriate and local community in Singapore.

As the Bale Club had become the main focal point of social, community and sporting activities in Leisure Farm in recent years, we initiated a RM5.00 million refurbishment of the Bale Club in 2016. Work commenced in November 2016 and is expected to be completed in the second half of 2017. The newly refurbished Bale Club will feature a brand new infinity pool, an extended playground, a new BBQ area, a renovated restaurant and bar area, a new Deli shop, upgrades to the entrance and multi-purpose hall as well as updated changing and rest rooms.

In line with its focus on sustainability and the environment, Leisure Farm replaced its ageing security vehicles with 4 new electric cars and 10 new electric motor bikes.

Management Discussion & Analysis (cont'd)

The newly refurbished Sales Gallery at Leisure Farm features contemporary design nestled amidst lush green landscapes.

With almost 40 nationalities living in Leisure Farm, a diverse range of community, sports and festive open house events were organized during the year to build up the community spirit and provide residents with an experience of the local cultures.

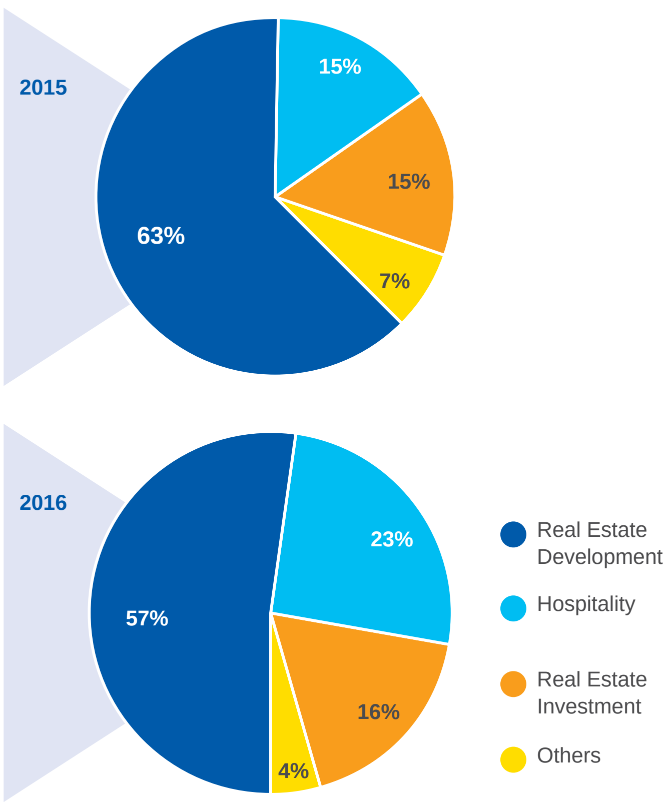
AUSTRALIA

In 2016, Mulpha Australia performed admirably, recording very strong growth in revenue and earnings compared to the previous year. The strong growth was delivered across all key operating divisions.

During the year, we focused on improving the performance of each of our hospitality and real estate investments to support our core real estate development activities at Norwest and Sanctuary Cove. This strategy will help to increase the future resilience of our earnings and reduce our exposure to the inherent volatility associated with real estate development.

While the majority of our earnings are still attributed to real estate development (57% in 2016 against 63% in 2015), the contribution of recurring earnings from the rest of our activities have increased over the same period, as shown in the charts on the right.

Source of earnings 2015 and 2016



Management Discussion & Analysis (cont'd)

Nestled at the foothills of the Blue Mountains, Mulgoa Rise offers a contemporary village lifestyle complemented by modern amenities.

REAL ESTATE

Mulpha Norwest

Mulpha Norwest is the award winning developer of a diverse property portfolio in Sydney including the multi award winning integrated commercial and residential estate, Norwest Business Park, Watermark at the Lakes Norwest, Bella Vista Waters, the adjacent Edgewater as well as Mulgoa Rise in the foothills of the Blue Mountains.

The Watermark Apartments at the Lakes were completed in September 2016, and resulted in 96 out of 99 apartments settling in the final quarter of 2016. This project delivered earnings that far exceeded the original feasibilities due to Management's strategy of small releases which enabled us to capitalize on a rising market whilst maintaining stringent cost controls.

We began construction of our next apartment project, Haven at the Lakes, at the end of 2016. 30% of the 80 apartments have now been sold in line with our sales strategy of smaller releases over time similar to that of Watermarks.

In the second half of 2016, our Mulgoa Rise development positively benefited from more consistent enquiries and sales and achieved strong price increases in each release. A total of 88 settlements were achieved in 2016 and the total locked-in sales at the end of the calendar year amounted to 45 contracts. More releases are planned for 2017 to cater to the strong demand.

The Bella Vista Waters estate also attracted substantial interest, and the 13 land lots which were released in October 2016 are now under contract, having achieved a record pricing of AUD1.5 million. Planned releases comprise 24 land lots to be released throughout 2017.

Norwest City is a 4.4 hectare parcel of freehold land located at Norwest Boulevard, Baulkham Hills, directly opposite the proposed Norwest Rail Station which is currently under construction. Pending the future mixed use re-development of the site, Norwest City continues to generate strong rental income growth from Norwest Marketown Shopping Centre with rental rates increased by more than 10% for renewals in 2016. In 2017, we expect rental income to grow further with the intensification of residential development in the area and the commencement of the new rail service within the next 24 months. Over the longer term, the site represents a significant re-development opportunity for the Group.

We actively pursued further development opportunities in the Norwest corridor of Sydney in 2016 leading to the acquisition of 2 new properties:

- 2 Maitland Place was acquired in November 2016 based on 54 apartments under existing planning controls. The Development Application for demolition of an existing building has been lodged and we have started concept design work to more than double the density of this project.

- 23a-29 Fairway Drive was acquired in September 2016 based on a 57 land lot subdivision and 15 townhouses. Planning and staging work is currently being undertaken on this project to enable increased pricing and density.

Sanctuary Cove

Sanctuary Cove is Australia's premier golfing and marina resort community situated on the Gold Coast of Australia. It provides a blend of resort style living and world-class facilities through its outstanding golf courses and a marina as well as shopping and entertainment. Sanctuary Cove's iconic masterplanned estate also offers a variety of home site options, from stunning waterfront land to panoramic hillside locations.

In 2016, Sanctuary Cove performed strongly with 96 settlements generating significantly higher revenue and earnings compared to the previous year with the majority of sales continuing to come from Chinese buyers. However, due to the more stringent conditions imposed on foreigners who wish to obtain local financing, especially for land only

Management Discussion & Analysis (cont'd)


The successful Sanctuary Cove International Boat Show is a highly anticipated event that has garnered global recognition.

purchases, interest slowed down in the final quarter of 2016. Nevertheless, we are confident that with its strong brand name and diverse offering comprising waterfront, golf fronting and dry land lots for sale, Sanctuary Cove will continue to attract buying interest.

In order to increase the appeal to local buyers and further diversify our portfolio, we are exploring the potential development of an apartment product in Sanctuary Cove. We are also focusing on increasing the number of key events such as the highly successful Sanctuary Cove International Boat Show and the Sanctuary Cove Festival, to drive more traffic and interest to Sanctuary Cove. At the end of 2016 we created a new wine event, which was well received and may become a yearly event.

In light of the strong sales performance in 2016, we also completed significant development works during the year to ensure that we had sufficient stock available for sale in 2017.

The Sanctuary Cove Marine Village is an investment property located in the heart of Sanctuary Cove providing residents and the public at large with a wide range of dining experiences and speciality shopping as well as an array of business services including banking, medical, pharmacy and beauty. On the back of a strong trading performance in 2016, we expect to achieve higher rentals for those tenancies that are under review in 2017 as well as an improvement in the overall tenant mix.

HOTELS & OFFICE BUILDING

One&Only Hayman Island

The One&Only Hayman Island, is Australia's most iconic private island resort, located off the coast of Queensland on the Great Barrier Reef. This exclusive and luxurious resort presents 160 beautifully appointed rooms, suites, penthouses and villas, all featuring private terraces or balconies.

Occupancy and average room rates increased in 2016 whilst a comprehensive cost reduction exercise lead to a substantial reduction of administrative and overhead costs, leading to a significantly improved performance in 2016 compared to the previous year.

Unfortunately, the hotel incurred significant damage on 28 March 2017 as a result of wind and water damage from Cyclone Debbie and initial assessments have determined that the damage across the resort is sufficiently extensive to require the closure of the resort for rectification works until approximately mid-2018. However, the hotel is covered under a property insurance policy subject to a deductible of up to AUD10 million as well as business interruption cover to protect the impact on trading results for a period of up to 24 months.

InterContinental Sydney Hotel & Transport House

Given the 5 star InterContinental Sydney Hotel's prime address in the Sydney CBD and its unrivalled location overlooking the Sydney Harbour and other famous landmarks such as the Sydney Opera House, the Harbour Bridge, the Royal Botanic Gardens and Circular Quay, the hotel is well placed to take advantage of the increasing business and leisure travel demand in Australia.

In 2016, the hotel continued to improve on its already strong performance during the previous year with significantly higher revenue and earnings generated on the back of a very high 92.3% occupancy rate. This strong performance is expected to continue into 2017 in view of the increasing travel demand and a cost optimisation exercise being undertaken.

Adjacent to the Hotel is Transport House, a heritage building that has been extensively refurbished into an office building with contemporary internal modern workspaces. After the refurbishment, it won the Heritage Preservation award in the Prestigious Urban Taskforce Australia Development Excellence Awards in 2010. Transport House continued to be fully leased throughout 2016 and is expected to provide us with rental upside in 2017 when a major tenant's lease is due for renewal.

Management Discussion & Analysis (cont'd)

The Rydges Esplanade Cairns Resort set amidst a beautiful tropical landscape is Mulpha's latest hospitality asset.

InterContinental Sanctuary Cove Resort

The 5 star InterContinental Sanctuary Cove Resort's 243 rooms and suites are set against a backdrop of picturesque fountains, lush gardens, a marina, golf course and a spectacular one acre beach lagoon pool within the Sanctuary Cove development on the Gold Coast.

The Resort showed a major improvement in its performance in 2016 as it benefited from the strength of inbound tourism to the Gold Coast and increased flights into Gold Coast International Airport. Its performance is expected to further improve in 2017 due to forecasted tourism growth.

Rydges Esplanade Cairns Resort

The acquisition of the 4 star Rydges Esplanade Cairns Resort was completed on 23rd December 2016 for AUD39.98 million and represented an opportunity to invest in Cairns' thriving hotel market. The resort comprises 242 rooms and a range of facilities, including a restaurant and bar, conference venues, swimming pool, gymnasium and 2 tennis courts. While the overall Cairns hotel market conditions improved substantially in 2016, we anticipate further growth in 2017, especially as approximately 20% of Cairns' four star rooms were taken out of the market with the closure of Rydges Tradewinds Cairns Hotel in February 2017 for major refurbishment and upgrading works.

AVEO GROUP

Mulpha holds a 22.60% strategic stake in Aveo Group, Australia's largest owner, operator and manager of retirement communities which is listed on the Australian Stock Exchange. Aveo Group operates 90 retirement communities across Australia where over 13,000 residents live. Its philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices. In addition to its retirement business, Aveo also manages and develops a diversified development portfolio that encompasses retirement, residential, industrial and mixed-use property assets.

Management Discussion & Analysis (cont'd)

Aveo continues to recycle the sales proceeds from its non-retirement assets into the development of new retirement communities, leading to its retirement assets now comprising over 84% of its total assets. Upon completion of its existing retirement development pipeline, Aveo is expected to increase the number of units and beds it operates from the current 11,000 units to over 17,000 units and beds.

UNITED KINGDOM

London Marriott Hotel Grosvenor Square

The London Marriott Hotel Grosvenor Square is located in Mayfair, near Park Lane, Hyde Park and Oxford Street and features the award winning fine dining Maze Restaurant operated by Gordon Ramsay.

The challenges faced by the Hotel in 2016 were substantial, and included competition from the re-opening of recently renovated competitor hotels, the spate of terrorist attacks which caused a softening of the hospitality industry in Europe and the Brexit announcement. As a result, total sales and earnings in 2016 fell slightly compared to the previous year, mainly due to lower Food & Beverage sales and a marginal reduction in rooms sold. Despite the challenges, the Hotel experienced a strong occupancy rate of 91% in the last quarter of 2016 that outperformed the average occupancy of its competitors and expects to build on this strong performance in 2017.

SIGNIFICANT EVENTS

Joint Venture between UEM Sunrise Berhad ("UEMS") and Mulpha

On 16 February 2016, Leisure Farm entered into a joint venture with UEM Land Berhad, a wholly-owned subsidiary of UEMS to work together as strategic partners in the joint development of 36 parcels of freehold land owned by Leisure Farm measuring a total of 91.22 acres located in Gerbang Nusajaya, Johor, and 2 parcels of freehold land owned by subsidiaries of UEMS measuring 98.24 acres and 41.89 acres respectively near Leisure Farm Resort in Johor.

At present, the partners are working on the respective master layout plans for all 38 parcels of land. Subject to market conditions and authorities approvals, the partners intend to launch the first phase of development in 2019.

Completion of Renounceable Two-Call Rights Issue by Mulpha ("Rights Issue")

On 14 June 2016, the Rights Issue was completed with the listing and quotation of 1,066,826,679 new shares of Mulpha International Berhad on the Main Market of Bursa Malaysia Securities Berhad, raising total gross proceeds of RM266.71 million for the repayment of borrowings, development expenditures and general working capital.

Mudajaya ceased to be an associate of the Mulpha Group

Mudajaya Group Berhad ("Mudajaya") is listed on Bursa Malaysia Securities Berhad and is focused on power, infrastructure and construction. On 28 September 2016, the Group disposed of a 2.5% stake in Mudajaya in the open market on Bursa Malaysia. As a result, the Group's interest in Mudajaya decreased from 22.34% to 19.84% and Mudajaya ceased to be an associate of the Group.

As the remaining interest in Mudajaya would thereafter be measured at fair value, the Group also recognized a loss on disposal of RM105.92 million.

Proposed Share Consolidation

On 21 March 2017, Mulpha announced a proposal to undertake a share consolidation involving the consolidation of every 10 existing ordinary shares of Mulpha into 1 ordinary share ("Proposed Share Consolidation"). The Proposed Share Consolidation was approved by Bursa Malaysia Securities Berhad on 4 April 2017 and is currently pending the approval of Mulpha's shareholders at an extraordinary general meeting to be convened.

The consolidation of Mulpha's shares would lead to a reduction in the number of Mulpha shares available in the public market and could potentially reduce the volatility of the trading market for Mulpha shares. The Proposed Share Consolidation is also part of Mulpha's plan to improve Mulpha's capital structure.

Subject to the approval of Mulpha's shareholders, the Proposal is expected to be completed in the third quarter of 2017.

Management Discussion & Analysis (cont'd)

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION OF THE GROUP

PROFIT OR LOSS ANALYSIS

Revenue by Business Segment	2016 RM'000	2015 RM'000	Favourable (Unfavourable) %
Property	**715,602**	407,105	76%
Hospitality	**536,512**	459,469	17%
Investment and Other Activities	**24,411**	22,065	11%
Total	**1,276,525**	888,639	44%

Profit Before Tax by Business Segment	2016 RM'000	2015 RM'000	Favourable (Unfavourable) %
Property	**137,625**	152,315	(10%)
Hospitality	**32,580**	(14,047)	332%
Investment and Other Activities	**(157,959)**	55,918	(382%)
Results from operating activities	**12,246**	194,186	(94%)
Finance Cost	**(103,081)**	(113,343)	9%
(Loss)/Earnings before interest and tax	**(90,835)**	80,843	(212%)
Share of results of associates/joint ventures	**98,738**	79,870	24%
Total	**7,903**	160,713	(95%)

Group Results

The Group reported revenue of RM1,276.53 million and profit before tax of RM7.90 million for the financial year ended 31 December 2016 ("FY2016") compared to revenue of RM888.64 million and profit before tax of RM160.71 million in the financial year ended 31 December 2015 ("FY2015").

The higher revenue in FY2016 was primarily due to the property division's revenue increasing by 76% to RM715.60 million and the hospitality division's revenue increasing by 17% to RM536.51 million respectively.

The lower profit before tax was due to weaker performances in FY2016 in the Group's investment and other activities division which fell by RM213.88 million as well as in the property division which dropped by RM14.69 million. These negative variances were only partially off set by the positive variance in the hospitality division of RM46.63 million and in the Group's share of associates/joint ventures profits which was higher by RM18.87 million due to a better performance by Aveo Group. A more detailed segmental analysis is provided below.

Excluding major one-off non-cash items consisting of the impairment loss of RM90.58 million on the Hayman development property and the loss on disposal of associate of RM105.92 million due to Mudajaya ceasing to be an associated company, the Group would have achieved a higher pre-tax profit of RM204.39 million in FY2016 compared to RM160.71 million in FY2015.

Management Discussion & Analysis (cont'd)

Property Segment

The property division recorded revenue of RM715.60 million and profit before tax of RM137.63 million for FY2016 as compared to revenue of RM407.11 million and profit before tax of RM152.31 million in FY2015. The significant revenue growth of 76% in FY2016 was attributable to strong sales in the Group's Australian property developments comprising of Mulpha Norwest located in Sydney and Sanctuary Cove located on the Gold Coast in Queensland. The pre-tax profit would have seen a proportionate increase from the strong sales mentioned above had it not been reduced substantially by an impairment loss of RM90.58 million on the Hayman development property based on the long-term reassessment of its development prospects.

Hospitality Segment

The hospitality division recorded higher revenue of RM536.51 million and turned around its earnings to a profit before tax of RM32.58 million for FY2016 compared to revenue of RM459.47 million and loss before tax of RM14.05 million in FY2015. The better performance in FY2016 was mainly due to improved occupancy and average room rates in the Group's hotels and resorts in Australia. Apart from the revenue growth, a better-managed cost base in particular in the One&Only Hayman Island Resort also contributed to the improved profit before tax in FY2016.

Investments and Other Activities Segment

The investment and other activities division reported a loss before tax of RM157.96 million for FY2016 compared to a profit before tax of RM55.92 million in the FY2015. The negative variance of RM213.88 million was partly when a loss on disposal of associate of RM105.92 million recorded when Mudajaya ceased to be an associated company and was reclassified from investment in associates to investment securities in FY2016. In addition, the FY2015 pre-tax profit was higher due to a foreign exchange gain of RM59.10 million arising from a favourable exchange rate movement in the Group's foreign cash and deposits as well as a gain of RM50.38 million relating to a partial disposal of our investment in Thriven Global Berhad, which is listed on Bursa Malaysia.

FINANCIAL POSITION ANALYSIS

Total Assets	2016 RM'000	2015 RM'000
Property, plant and equipment ("PPE")	**1,160,661**	1,087,824
Investments in associates	**1,243,438**	1,354,347
Inventories	**1,462,635**	1,370,947
Investment properties	**813,098**	416,938
Investment securities	**363,926**	3,672
Cash and cash equivalents	**365,017**	539,900
Others	**324,393**	358,875
Total	**5,733,168**	5,132,503

The Group's total assets increased by 12% to RM5.73 billion in FY2016, mainly attributable to an increase in PPE, inventories, investment properties and investment securities and offset by a drop in investment in associates.

The increase in PPE and investment properties were primarily due to the acquisitions of the Rydges Esplanade Cairns Resort for RM130.00 million and a property located at Lexington Drive in Norwest Business Park, Sydney amounting to RM67.21 million as well as revaluation reserves of RM94.65 million mainly due to a reclassification of Transport House, Sydney from PPE to investment properties. The reclassification of Transport House was due to further increase of the floor space being tenanted to external tenants.

Management Discussion & Analysis (cont'd)

The increase in investment securities was mainly attributed to the Group's subscription of USD60.00 million Medium Term Notes (equivalent to RM268.80 million) issued by Mudajaya. Furthermore, when Mudajaya ceased to be an associated company in FY2016, it was reclassified from investment in associates to investment securities.

The increase in inventories was mainly due to development expenditure incurred in building new property products for sale across our development projects in Australia and Leisure Farm in Malaysia, and expenditure on infrastructure works at Leisure Farm and Norwest which will enhance the attractiveness of the development projects over the mid to long term.

Total Liabilities	2016 RM'000	2015 RM'000
Loans and Borrowings	**2,414,138**	2,247,024
Others	**341,414**	316,489
Total	**2,755,552**	2,563,513

The Group's total liabilities increased by 7% to RM2.76 billion in FY2016, mainly attributable to an increase in loan and borrowings to fund the acquisition of the assets mentioned above. The debt-to-equity ratio has dropped to 0.81 times in FY2016 compared to 0.87 times in FY2015 mainly due to an increase in equity pursuant to a rights issue exercise completed in FY2016.

Total Equity	2016 RM'000	2015 RM'000
Share Capital	**1,598,096**	1,177,957
Share Premium	**217,861**	579,863
Treasury Shares	**(266)**	(92,137)
Reserves and Retained Earnings	**1,161,925**	903,307
Total	**2,977,616**	2,568,990

The Group's total equity increased by 16% to RM2.98 billion in FY2016 mainly due to the issuance of new ordinary shares pursuant to a two-call rights issue which raised RM266.71 million, foreign translation differences in respect of foreign operations of RM67.55 million and a revaluation reserve (net of deferred tax liability) of RM66.25 million due to the reclassification of Transport House from PPE to investment properties as mentioned above.

CASH FLOW ANALYSIS

	2016 RM'000	2015 RM'000	Favourable (Unfavourable) %
Operating profit before changes in working capital	***247,068***	*197,139*	*25%*
Net cash generated from/(used in) operating activities	**3,442**	(10,044)	134%
Net cash used in investment activities	**(560,813)**	(304,670)	(84%)
Net cash generated from financing activities	**710,315**	351,724	102%
Net increase in cash and cash equivalents	**152,944**	37,010	313%
Effect of exchange rate fluctuations on cash held	**47,939**	11,161	330%
Cash and cash equivalents* at 1 January	**154,623**	106,452	45%
Cash and Cash Equivalents* at 31 December	**355,506**	154,623	130%

**exclude bank overdraft and pledged bank balances and deposits*

Management Discussion & Analysis (cont'd)

Cash and cash equivalents increased substantially by 130% to RM355.51 million in FY2016. Net cash generated from operating activities increased by 134% to RM3.44 million due to a predominantly better performance from our hospitality and property segments in Australia offset by higher working capital costs for inventories mainly in relation to property development.

Net cash generated from financing activities also increased by 102% to RM710.32 million mainly due to the proceeds from the issuance of new ordinary shares pursuant to a two-call rights issue which raised RM266.71 million, release of pledged deposits of RM374.72 million and raising of additional debt of RM72.46 million for investments and general working capital.

The above improvements in cash and cash equivalents were partly offset by the net cash used in investing activities which increased by 84% to RM560.81 million. The investing activities included the purchase of an investment property located at Lexington Drive in Norwest Business Park, Sydney amounting to RM67.21 million, investment in the USD60.00 million Medium Term Notes (equivalent to RM268.80 million) issued by Mudajaya, net cash acquisition of the Rydges Esplanade Cairns Resort for RM129.90 million, and other purchases of property, plant and equipment including the refurbishment of hotels.

ANTICIPATED OR KNOWN RISKS

REAL ESTATE DEVELOPMENT

The performance of the real estate development industry is cyclical and may be significantly affected by changes in general and local economic conditions. The risks faced by the Group may include, amongst others, competition from other developers, changes in demographic trends, lower consumer confidence and demand for developed products, employment and income levels, shortage of strategically located and reasonably priced land bank, dependence on consultants and/or contractors to ensure the project is designed and built in a timely manner and in accordance to authorities requirements and standards, delay in issuance of licenses, permits and approvals, and changes in the legal and environmental framework governing the industry, which are all risks inherent in the property industry at large. If any of the above circumstances results in delays for a prolonged period, our Group may incur additional costs such as liquidated and ascertained damages payable to purchasers, costs to repair defects and higher material and labour costs, which may result in our financial performance being materially impacted.

In addition, the Malaysian Government has implemented measures to control and restrict speculative activities in the real estate industry through real property gains tax, removal of the Developer Interest Bearing Scheme, a maximum loan-to-value ratio of 70% for third home purchases and more stringent loan requirements.

Similarly in Australia, the Australian Prudential Regulation Authority ("APRA"), which is the banking regulator in Australia, had announced in early 2017, new measures to address the risks that continue to build within the mortgage lending market by imposing tighter residential mortgage lending standards and tighter scrutiny of borrowers. The cooling of credit growth and further constraint on credit lending for households could curb demand in some medium and high-density developments and pose challenges to developers as these products are popular with investors and foreign buyers.

There is no assurance that the Malaysian Government and/or APRA will not introduce further tightening measures which may further affect demand in the Malaysian and Australian real estates markets, respectively.

Mitigation

Being a reputable developer with established branding within each of the communities where our developments are located and having a good delivery track record has kept us well placed to minimize the risks mentioned above. In addition, we also carry out continuous reviewing of our operations and strategy, monitoring of the changing market demands, retention of key personnel, prudent cost control measures, focusing on property development in prime areas, placing emphasis on product quality as well as after-sales service, maintaining good relationships with our business partners, retaining a pool of qualified consultants and/or contractors and using a rigorous selection process which covers their experience, track record, qualifications and financial resources and constantly monitoring the project progress and timelines.

HOSPITALITY

The risks faced by our assets in the hospitality sector may include, amongst others, seasonality, international and domestic tourism demand, political stability, health scares, terrorism threats, impact on our reputation and compensation claims caused by incidents or injuries to guests and/or employees, the global economic environment and outlook, fluctuations in the AUD exchange rate against

Management Discussion & Analysis (cont'd)

other foreign currencies, adverse weather conditions and natural disasters such as the recent Cyclone Debbie that affected One&Only Hayman Island. Any changes in the aforementioned factors could have an adverse effect on our group's businesses, financial condition and results of operations.

Our hospitality business is competitive and the entry of new players and upgrading of products and services provided by existing industry players may erode our market position in the hospitality industry. Our success in this business is dependent on our ability to compete in areas such as room rates, quality of accommodation, name recognition, service quality and the convenience of the location of the hotels and resorts. In addition, quality of services, and attractiveness of pricing and marketing strategies affect the market position of a player in the hospitality industry.

Mitigation

Nevertheless, we believe that each of the hotels and resorts in Australia and the United Kingdom under our Group's portfolio have their own set of key competitive advantages in terms of location, branding and marketing strategies and we are well placed to optimize the operations and maximise the value of the hotels and resorts with our experienced management team working closely with the hotel or resort operator. We also seek to minimise these risks by ensuring that our hotels and resorts are sufficiently insured and adequately meet the required safety, security and health standards by conducting scheduled routine assessments.

REAL ESTATE INVESTMENT

While the Group's retail and commercial property businesses generally provide a stable, recurring income, they are subject to the operating risks inherent in these businesses. These risks include uneven lease expiries, late or defaulted lease payments, the renewal of leases at less favourable terms, non-renewals of leases, early termination of leases and the inability to secure a new tenant upon expiry or termination of a lease.

Mitigation

We seek to mitigate these risks by constantly reassessing our retail and office tenant mix to select tenants which meet our stringent criteria. We also consider tenant needs and preferences to determine potential demand when acquiring new investment properties or redesigning existing space.

FINANCING AND FOREIGN EXCHANGE RISK

Our Group's interest-bearing borrowings generally consists of borrowings in Ringgit Malaysia as well as in foreign currencies including the Australian Dollar and the US Dollar. Any adverse fluctuations in interest rates and/or exchange rates could materially affect our interest costs, principal repayment and foreign exchange losses and could have an adverse effect on our group's financial condition and prospects. Further, our Group's operations and investments are mainly in Malaysia, Australia and the United Kingdom. Any adverse fluctuations in foreign currencies and their translation into Ringgit Malaysia will have an impact on our Group's earnings in the financial statements which are denominated in Ringgit Malaysia.

Mitigation

To mitigate these risks, our Group actively monitors and reviews our borrowing costs and loan profiles and continuously searches for options to refinance our borrowings at lower costs. We also closely monitor the fluctuations in interest rates and foreign exchange rates.

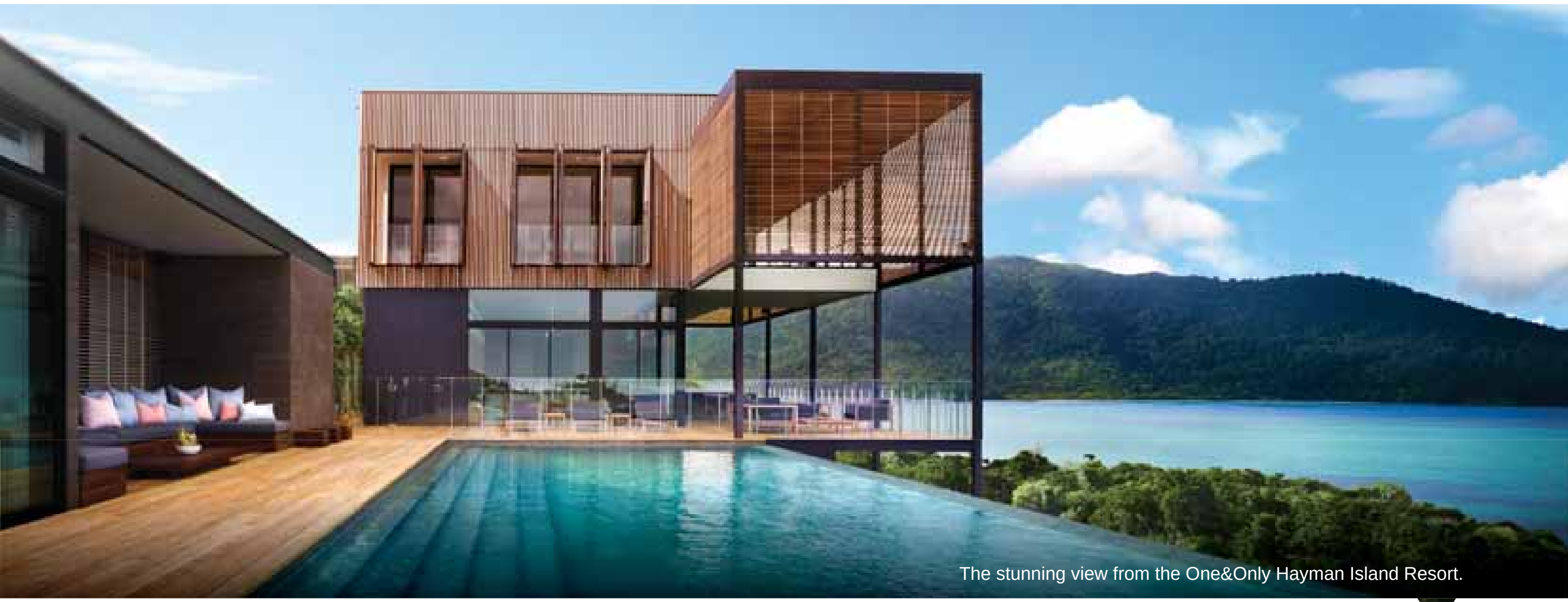
GENERAL PROSPECTS AND OUTLOOK OF THE GROUP

MALAYSIA

The challenging economic and financial environment in Malaysia, the impact of external uncertainties, particularly the continued weakness of the Ringgit against the US Dollar, the increasing cost of living in Malaysia which is hurting disposable incomes and the increasingly stringent loan requirements from local financial institutions are all expected to continue to keep real estate market demand subdued in 2017.

However, transit oriented developments continue to sustain interest amongst house buyers where the connectivity and easy access to public transport systems are expected to generate demand and price appreciation in property prices and rentals. Under the High Speed Rail project between Kuala Lumpur and Singapore, the proposed Iskandar Puteri train station is only a 5 minute drive from Leisure Farm. Although only targeted for completion in 2026, the project is expected to increasingly act as a catalyst to boost economic activity and demand in and around the vicinity of Iskandar Puteri including Leisure Farm as its completion draws nearer.

Management Discussion & Analysis (cont'd)



The stunning view from the One&Only Hayman Island Resort.

AUSTRALIA

Property demand in Australia is generally expected to remain strong in 2017, with New South Wales remaining in high demand.

The outlook for the housing market is positive with solid price growth expected in 2017. However, the projected over supply of apartments in certain inner city areas of Melbourne and Sydney as well as Brisbane and Perth, may lead to lower apartment prices. Nevertheless, the low interest rates and previous average price gains of 40%-60% over the past four years will soften the impact.

In relation to the hospitality sector, the year 2016 saw an 11% increase in international visitors' arrivals in Australia, with leisure travellers still leading this drive in international visitor growth. The decline of the Australian Dollar compared to US Dollar, Japanese Yen and other foreign currencies has supported foreign tourism and this trend is expected to continue in 2017, providing a favourable outlook for the Australian hotel market.

OUTLOOK OF THE GROUP

With a strong balance sheet and a strategically located and geographically diversified asset portfolio, the Group has once again been able to steer through and rise above the current global economic uncertainties. The solid performance of our Australian assets in 2016 has compensated for the difficult trading conditions experienced in the Malaysian property sector in the same period.

Whilst we continue to focus on further optimizing and enhancing the value of our existing portfolio of assets in 2017, our strong balance sheet has left us well placed to take advantage of any attractive investment opportunities that may arise. Our investment strategy is built around leveraging on our strengths and making investments where we believe we have a strategic advantage that enables us to value add through an active investment approach.

In particular, we will continue to focus our investments on the hospitality sector where Mulpha has specialized expertise to drive operational improvement and cost optimization and the real estate development sector where our expertise and experience enables us to enhance asset values through improved planning outcomes or through execution of development.

Furthermore, with our geographically diversified asset portfolio, we are also well positioned to leverage on our network in Australia, Asia, and Europe in sourcing and evaluating these investment opportunities.

LEE SENG HUANG
Executive Chairman

12 April 2017

Statement on Corporate Governance

THE BOARD OF DIRECTORS ("THE BOARD") OF MULPHA (OR "THE COMPANY") REMAINS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE DRIVEN BY THE ULTIMATE OBJECTIVE OF PROTECTING AND ENHANCING SHAREHOLDERS' VALUE AND THE FINANCIAL PERFORMANCE OF THE COMPANY AND ITS SUBSIDIARIES ("THE GROUP").

THE BOARD RECOGNISES THAT MAINTAINING GOOD CORPORATE GOVERNANCE PRACTICES IS CRITICAL TO BUSINESS INTEGRITY AND PERFORMANCE, AND KEY TO DELIVERING SHAREHOLDERS' VALUE. THE BOARD EVALUATES AND CONTINUES TO REINFORCE THE EXISTING CORPORATE GOVERNANCE PRACTICES IN ORDER TO REMAIN RELEVANT WITH THE DEVELOPMENTS IN MARKET PRACTICE AND REGULATIONS.

THIS STATEMENT OUTLINES HOW MULPHA HAS APPLIED THE PRINCIPLES AND RECOMMENDATIONS OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012") DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016, FOLLOWING THE RELEASE OF THIS FRAMEWORK BY THE SECURITIES COMMISSION IN LATE MARCH 2012. THE REASONS FOR NON-OBSERVANCE OF SPECIFIC RECOMMENDATIONS IN THE MCCG 2012 DURING THE FINANCIAL YEAR UNDER REVIEW ARE ALSO INCLUDED IN THIS STATEMENT.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

1.1 Clear Functions of the Board and Management

The Board's role is to control and provide stewardship of Mulpha's business and affairs on behalf of shareholders. By pursuing its objective of creating long-term shareholders' value, the Board takes into account the interests of all stakeholders in its decision-making.

The Board shall be involved in matters that may have a significant impact on the Group's business such as, but not limited to, issues within the objectives, strategies, operations and financials of the Group.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objectives to the Executive Chairman, Executive Director, Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), supported by a Management Committee. The Executive Chairman, Executive Director, CEO and COO remain accountable to the Board for the authorities that are delegated to them, and for the performance of the Group.

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.

1.2 Clear Roles and Responsibilities

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

The main functions and roles of the Board are as follows:-

- Setting and reviewing the objectives, goals and strategic plans for the Group with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies.
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Succession planning for senior management.
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems.
- Overseeing the development and implementation of a shareholders' communication policy for the Company.

Statement on Corporate Governance (cont'd)

The roles of the Non-Executive Directors include ensuring the strategies, plans and policies proposed by Management are deliberated and considered, taking into account the overall strategies and directions of the Group and the interest of stakeholders, as well as advising and monitoring corporate governance framework, policies and practices.

The Board has established Board Committees, namely the Audit Committee ("AC"), Nomination Committee, Remuneration Committee and Risk Management Committee to examine specific matters within their respective terms of reference as approved by the Board. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees and the tabling of minutes of the Board Committee meetings at Board meetings. The ultimate responsibility for decision-making, however, lies with the Board.

1.3 Formalised Ethical Standards through Code of Conduct

Corporate Code of Conduct

The Board has a formalised Corporate Code of Conduct ("the Code") which reflects Mulpha's vision and core values of integrity, respect, trust and openness. The Code provides clear direction on conduct of business, dealing with the community/stakeholders and general workplace behaviour. It also includes guidance on disclosure of conflict of interests, maintaining confidentiality and disclosure of information, compliance with the relevant laws and regulations, and the duty to report where there is a breach of the Code, amongst others.

The Directors and employees are expected to behave ethically and professionally at all times and protect the reputation and performance of the Group. The Code is communicated to all Directors and employees upon their appointment or employment.

The Code is reviewed periodically by the Board when the need arises to address the changing conditions of the business environment.

The Code is made available on Mulpha's website at *www.mulpha.com.my*.

Whistleblowing Policy

Mulpha has in place a Whistleblowing Policy to provide an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse, for investigation and Management's action.

The Head of Internal Audit and Risk Management Department shall be responsible for the administration and compliance with this policy and procedures. Reports can be made anonymously without fear of retaliation or repercussions and will be treated confidentially. There is a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken.

The Whistleblowing Policy is published on Mulpha's website at *www.mulpha.com.my*.

Conflict of Interest Policy

It is the policy of Mulpha that Directors and employees acting on the Group's behalf must be free from conflicts of interest that could adversely influence their judgement, objectivity, professionalism or conduct in line with the Company's interests. Mulpha's Conflict of Interest Policy requires all employees to promptly disclose any conflict of interest situation to Management. In addition, all Management personnel would be required to make an annual declaration on the "Conflict of Interest Disclosure Statement" set out in the Policy.

1.4 Strategies promoting Sustainability

The Board is mindful of the importance of building a sustainable business and therefore takes into consideration its environmental, social and governance impact when developing Mulpha's corporate strategies. Mulpha's sustainability agenda includes the following:-

- Uphold high corporate governance standards and ethics across the organisation.
- Streamlining all policies, processes and internal controls, and strengthening compliance with the relevant laws and regulations.
- Extend local and international standards on health, safety, security, environment, human rights and ethics to all business partners.

Statement on Corporate Governance (cont'd)

The Group's corporate responsibility activities for the financial year under review are disclosed in the Statement on Corporate Responsibility.

1.5 Access to Information and Advice

The Directors have full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

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 agenda papers at least a week prior to the Board and Committee meetings to enable the Directors to review and consider the items to be deliberated at the meetings. 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.

In May 2016, the Company has implemented a paperless environment for all the Board and Board Committee meetings, which enables the Directors to access agenda papers via iPad instead of distribution of hard copies. In addition to agenda papers, various documents such as the Company's constitution, terms of reference, policies, rules and guidelines are also uploaded onto the iPad for convenient reference. With this initiative, Directors are able to have access to these documents in a timely and more efficient manner.

At the Board and Committee meetings, the CEO, COO, Group Chief Financial Officer and members of the senior management who attend Board and Committee meetings by invitation, will report and update on areas within their responsibility to give the Directors thorough insights into the business and affairs of the Group. The Board is also provided with relevant information in between Board meetings, such as important financial and operational updates.

At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting during the meeting. Decisions of the Board are made unanimously or by consensus. The proceedings of and resolutions passed at each Board and Board Committee meeting are minuted by the Company Secretaries.

Access to Independent and Professional Advice

The Board or an individual Director may seek professional expert advice at the Company's expense with prior approval from the Board on any matters in relation to the discharge of their responsibilities, when considered necessary.

1.6 Qualified and Competent Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries who ensure the flow of information to the Board and its Committees. They are responsible for developing and maintaining the processes that enable the Board to fulfill its roles, ensuring compliance with the Company's constitution and the relevant guidelines, regulatory and statutory requirements, and advising the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements, and the implications on the Group and the Directors in relation to their duties and responsibilities. The Company Secretaries, whose appointment and removal are matters for the Board to decide, oversee the adherence to Board policies and procedures.

The Company Secretaries attend the Board and Board Committee meetings to ensure that meetings are properly convened, that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

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

Statement on Corporate Governance (cont'd)

1.7 Board Charter

The Board has a formalised 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. 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.

The Board Charter is made available on Mulpha's website at *www.mulpha.com.my*.

2. STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination Committee

The Nomination Committee comprises all Independent Non-Executive Directors. In observance with the MCCG 2012, the Nomination Committee is chaired by the Senior Independent Non-Executive Director. The members of the Nomination Committee are as follows:-

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

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

iii) Loong Caesar
(Independent Non-Executive Director)

The Nomination Committee has written terms of reference dealing with its authority and duties, which is made available on Mulpha's website at *www.mulpha.com.my*. The duties and responsibilities of the Nomination Committee are as follows:-

a) To recommend to the Board, candidates for directorships to be filled. The Committee shall also consider candidates for directorships proposed by the Chairman and/or Chief Executive Officer and within the boundaries of practicability, by other senior executives or any Director or shareholder.

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

c) 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.

d) To carry out the process annually for assessing:-

   i) the effectiveness of the Board as a whole and the Board Committees;

   ii) the contributions and performance of individual Directors; and

   iii) the independence of the Independent Non-Executive Directors.

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

f) To introduce such guidelines and/or procedures to function effectively and fulfill the Committee's objectives.

g) To undertake such other responsibilities as may be delegated by the Board from time to time.

Activities undertaken by Nomination Committee

The Nomination Committee meets as and when required, and at least once a year. The Nomination Committee met once during the financial year ended 31 December 2016 and the meeting was attended by all the Committee members.

The activities of the Nomination Committee during the financial year are summarised as follows:-

a) Reviewed the evaluation results of the Board and Board Committees, and independence assessment of the Independent Directors.

b) Reviewed the results of the Director's Self & Peer Evaluation and mix of skills, competencies and experience of Directors.

c) Reviewed the term of office, competency and performance of the AC and its members.

d) Reviewed and deliberated on the Group's organisation structure and management succession.

Statement on Corporate Governance (cont'd)

e) Reviewed and recommended the re-election and re-appointment of Directors, as well as the retention of Independent Directors who have served on the Board for a cumulative term of 9 years and above.

f) Reviewed the training programmes attended by the Directors and assessed the training needs of Directors.

In carrying out its duties and responsibilities, the Nomination Committee has full and unrestricted access to the relevant records of the Company. The Nomination Committee reports its proceedings and recommendations to the Board for its consideration and approval.

Details of the activities undertaken by the Nomination Committee are set out in sections 2.2, 3.1 and 4.2 below.

2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors

Appointments of New Directors to the Board

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are based on merit. In evaluating the suitability of individuals for Board membership, the Nomination Committee ensures that the Board comprises individuals with the necessary background, skills, knowledge, experience and personal characteristics to augment the present Board and meets its future needs.

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. 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 as follows:-

a) The Nomination Committee will assess and identify the skills required for the Board, taking into consideration the diversity factor, including but not limited to age, race, gender, experience and skills.

b) Selection of candidate. Candidate may be nominated by the Chairman, Director, senior management or shareholder of the Company.

c) Obtain the profile/curriculum vitae and relevant information from the candidate.

d) Interview the candidate by the Nomination Committee, if necessary.

e) Table the candidate's profile/curriculum vitae and relevant information to the Nomination Committee for deliberation and assessment, based on the following:-

    i) background, character, competency, integrity and time commitment (i.e. number of existing directorships and other positions that involve significant time commitments);

    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.

f) Recommendation to the Board for approval.

g) A formal invitation to join the Board to be extended by the Chairman after approval by the Board.

h) Complete documentation process i.e. candidate to execute relevant documents required under the Companies Act 2016, Listing Requirements of Bursa Securities and other applicable regulations.

i) Organise induction programme for the newly appointed Director.

Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition. The Board recognises that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained. The Board does not have a specific policy on gender diversity but the Nomination Committee is mindful of its responsibilities to conduct all Board

Statement on Corporate Governance (cont'd)

appointment processes in a manner that promotes gender diversity pursuant to the recommendation stated in the MCCG 2012. The Nomination Committee will endeavour to consider women candidates in the recruitment exercise, when the need arises.

There was no appointment of new Directors during the financial year. However, any new appointment of Directors will be guided by the above procedures and process.

Re-Election and Re-Appointment of Directors

The Company's Articles of Association provides that one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to one-third, shall retire from office 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. The re-election of each Director is voted as a separate resolution during the AGM.

Annual Assessment of Directors

The Board annually evaluates its performance and governance processes with the aim of improving individual Director's contributions, and effectiveness of the Board and its Committees.

During the financial year, a Board evaluation exercise was carried out to assess the effectiveness of the Board, its Committees and the contribution of each Director. 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 questionnaires are reviewed annually to continuously engage the Directors' perspectives on fresh and relevant areas.

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, as well as the assessment of mix of skills and experience. Performance of individual Directors were assessed against a range of criteria, as follows:-

a) Participate actively in Board deliberations and share information/insights.

b) Take strong constructive stands at Board or Committee meetings, where necessary.

c) Regular and timely attendance of Board/ Committee meetings.

d) Maintain good relationship with other members of the Board and Management.

e) Ensure that contribution is relevant; up-to-date with changes in laws/regulations and industry developments.

f) Provide practical advice in Board/Committee deliberations.

g) Apply analytical and conceptual skills to decision-making process.

h) Exercise independence of judgement when considering issues before the Board.

i) Communicate persuasively in a clear and non-confrontational manner.

j) Has a clear understanding of the roles and responsibilities of a Director.

k) Attend meetings well prepared.

l) Take initiative to request for more information, where necessary.

Statement on Corporate Governance (cont'd)

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.

The Nomination Committee also reviewed and recommended to the Board, those retiring Directors who were eligible to stand for re-election at the AGM in 2016, namely Mr Lee Seng Huang and Mr Kong Wah Sang, as well as the re-appointment of Dato' Lim Say Chong pursuant to Section 129(6) of the Companies Act 1965. 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 and re-appointment of these Directors at the AGM.

All assessments and evaluations carried out by the Nomination Committee are documented and maintained by the Company Secretary.

2.3 Remuneration Policies and Procedures

The objective of Mulpha's policy on Directors' remuneration is to attract and retain Directors of high calibre needed to run the Company successfully. The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Executive Directors.

For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned.

Remuneration Committee

The role of the Remuneration Committee is to assist the Board in overseeing the remuneration policy of the Group. The Remuneration Committee 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
(Senior 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:-

a) remuneration packages of each Director; and

b) incentive schemes, profit sharing arrangements or the like for Management or other employees.

The Remuneration Committee is authorised to commission independent advice for the purpose of discharging its duties and responsibilities.

The Remuneration Committee meets as and when required, and at least once a year. The Remuneration Committee met once during the financial year ended 31 December 2016 and the meeting was attended by all the Committee members.

The Remuneration Committee evaluated the Executive Chairman and Executive Director against the set performance criteria, and reviewed and recommended their compensation package for the Board's approval, with the Directors concerned abstaining from deliberation and voting on the same.

The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation from the Remuneration Committee. Each of the Non-Executive Directors abstained from deliberating and voting in respect to his individual 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 of each Board or Committee meeting.

Statement on Corporate Governance (cont'd)

Details of Directors' Remuneration

Details of the aggregate remuneration of the Directors of the Company, categorised into appropriate components, for the financial year ended 31 December 2016 are as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	–	390
Allowance	–	20
Salaries and other remuneration	1,862	–
Defined contribution plan	106	–
Benefits-in-kind	24	–
Total	1,992	410

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
RM400,000 to RM450,000	1	–	1
RM1,550,000 to RM1,600,000	1	–	1
Total	2	6	8

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board acknowledges the importance of Independent Directors who are tasked with ensuring that there is a proper check and balance on the Board as they are able to provide unbiased and independent views in Board deliberations and decision-making of the Board taking into account the interests of the Group and the minority shareholders.

Taking into cognisance of the importance of the interests of the shareholders and stakeholders, Mr Kong Wah Sang was the appointed Senior Independent Non-Executive Director, to whom any concern regarding the Company may be conveyed.

In its annual assessment, the Nomination Committee reviewed the independence of Independent Directors. Based on their self-assessment of independence, the Independent Directors namely Mr Kong Wah Sang, Mr Chew Hoy Ping, Dato' Lim Say Chong, Dato' Yusli Bin Mohamed Yusoff and Mr Loong Caesar have declared that they fulfilled the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other independence criteria applied by the Company which took into account that the individual Director is independent of Management and free from any business or other relationship which could interfere with the exercise of independent and objective judgement. Based on the assessment, the Board is of the opinion that the Independent Directors consistently provided independent and objective judgement in all Board and Board Committee deliberations and is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

The Company fulfills the requirement to have at least one-third of the Board comprising Independent Non-Executive Directors.

Statement on Corporate Governance (cont'd)

3.2 Tenure of Independent Directors

During the financial year, Mr Kong Wah Sang, Mr Chew Hoy Ping and Dato' Lim Say Chong have served on the Board as Independent Non-Executive Directors for a cumulative term of more than 9 years. Based on the self-assessment of independence, Mr Kong, Mr Chew and Dato' Lim have declared that they satisfied and fulfilled all the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Securities. Mr Kong, Mr Chew and Dato' Lim have demonstrated that they are independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company.

3.3 Shareholders' Approval to retain Independent Directors who have served for more than 9 years

Upon the assessment and recommendation by the Nomination Committee, the Board recommended for Mr Kong, Mr Chew and Dato' Lim to continue to serve as Independent Non-Executive Directors at the 42nd AGM of the Company which was held on 9 June 2016, based on the following justifications whereby these 3 Directors:-

a) fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Securities and thus, they would be able to function as a check and balance to the Board;

b) performed their duties diligently and in the best interest of the Company and bring an element of objectivity and independent judgement to the Board without being subject to influence of the Management;

c) based on the Director's Peer Evaluation undertaken by the Board, they have performed satisfactorily in fulfilling their 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; and

d) Mr Chew, who is Chairman of the AC, has vast experience in the accounting and audit industry, which enabled him to provide constructive advice, expertise and independent judgement.

Approval of the shareholders was obtained at the said 42nd AGM.

3.4 Separation of Positions of the Chairman and CEO

There is a clear division of responsibilities between the Executive Chairman and the CEO to ensure that there is a balance of power and authority such that no one individual has unfettered powers over decision-making. Mr Gregory David Shaw was appointed as the CEO of Mulpha on 2 December 2016.

The Executive Chairman is primarily responsible for the vision and strategic direction of the Group as well as leadership and governance of the Board, ensuring its effectiveness. He leads the Board effectively and encourages contribution from all members. He engages directly with the CEO to monitor performance and oversees the implementation of strategies.

The CEO is responsible for the day-to-day management of the Group's operations and businesses as well as implementation of the Board's policies and decisions.

3.5 Board Composition and Balance

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

Although the Executive Chairman, Mr Lee Seng Huang is not an Independent Director, a majority of the Board members consists of Independent Directors, who account for more than half of the members to ensure balance of power and authority on the Board.

The Board has an appropriate mix of relevant skills, knowledge and experience in the areas of business, accounting, finance, economics, legal, real estate investment and property development, which are relevant to the Group. A brief profile of each Director is set out under the Profile of Board of Directors of this Annual Report.

The Board is satisfied that the current composition of Directors provides the appropriate size and balance of expertise, skills and core competencies among the Directors, which are necessary to lead the Group effectively. The Independent Directors provide independent judgement, objectivity and check and balance on the Board.

Statement on Corporate Governance (cont'd)

4. FOSTER COMMITMENT

4.1 Time Commitment

During 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 Committee meetings and AGM, would be prepared and circulated to them at the end of every year.

A total of 4 Board meetings were held during the financial year ended 31 December 2016 and the record of attendance of the Directors is as follows:-

Name of Directors	No. of Meetings Attended	Percentage of Attendance (%)
Lee Seng Huang	3/4	75
Law Chin Wat	3/4	75
Kong Wah Sang	4/4	100
Chew Hoy Ping	4/4	100
Dato' Lim Say Chong	4/4	100
Dato' Yusli Bin Mohamed Yusoff	4/4	100
Loong Caesar	4/4	100
Chung Tze Hien	4/4	100

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 Securities.

In compliance with Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are focused on the affairs of the Group.

4.2 Directors' Training, Development and Induction

The Board acknowledges that continuous education is vital to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the skills and knowledge in discharging its responsibilities.

All the Directors, apart from attending the Mandatory Accredited Programme as required by Bursa Securities, have also attended other training programmes and seminars 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 are mindful that they should continue to update their skills and knowledge to sustain their active participation in Board deliberations and maximise their effectiveness during their tenure.

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.

Annually, the Board (through the Nomination Committee) reviewed the training programmes attended by the Directors and assessed the training needs of its members to assist them in the discharge of their duties as Directors. Details of the training programmes/seminars/conferences/workshops attended by the Directors during the financial year ended 31 December 2016 are as follows:-

Statement on Corporate Governance (cont'd)

Name of Directors	Title	Organiser	Date
Lee Seng Huang	Environmental, Social and Governance Reporting	The Hong Kong Institute of Directors	26 May 2016
Law Chin Wat	1) Corporate Governance Breakfast Series for Directors : Improving Board Risk Oversight Effectiveness	Bursa Malaysia Berhad	26 February 2016
	2) Fraud Risk Management – Whose responsibility is it?	Malaysian Institute of Corporate Governance	8 September 2016
	3) Governance, Risk & Compliance Alumni Forum 2016	Tricor Roots Consulting Sdn Bhd	19 October 2016
	4) Sustainability Reporting – How to go about the intricacies of reporting?	Malaysian Institute of Corporate Governance	7 December 2016
Kong Wah Sang	1) Audit Committee Conference 2016	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	29 March 2016
	2) Companies Act 2016 – Key Insights and Implication for Directors/Shareholders	Malaysian Institute of Accountants	20 December 2016
Chew Hoy Ping	1) Audit Committee Conference 2016	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	29 March 2016
	2) Audit Committee Institute Breakfast Roundtable 2016	KPMG	26 April 2016
	3) Audit Committee Workshop C : Related Party Transactions and Conflict of Interest Situations	Malaysian Institute of Accountants	15 June 2016
	4) Audit Committee Workshop D : Oversight of the Internal Audit Function	Malaysian Institute of Accountants	15 June 2016
	5) Audit Committee Workshop E : Understanding Complex Financial Reporting under MFRS/IFRS	Malaysian Institute of Accountants	13 July 2016
	6) Audit Committee Workshop F : The Statement on Risk Management & Internal Control	Malaysian Institute of Accountants	13 July 2016
	7) Expectations on PLCs and Directors in Disclosure & Compliance Requirements under the Listing Requirements	Bursatra Sdn Bhd	24 October 2016
Dato' Lim Say Chong	Expectations on PLCs and Directors in Disclosure & Compliance Requirements under the Listing Requirements	Bursatra Sdn Bhd	24 November 2016

Statement on Corporate Governance (cont'd)

Name of Directors	Title	Organiser	Date
Dato' Yusli Bin Mohamed Yusoff	1) Corporate Governance Breakfast Series : Future of Auditor Reporting – The Game Changer for Boardroom	Bursa Malaysia Berhad, Malaysian Institute of Accountants & Malaysian Institute of Certified Public Accountants	9 March 2016
	2) Ring the Bell for Gender Equality	Bursa Malaysia Berhad	11 March 2016
	3) Launch of the AGM Guide & Corporate Governance Breakfast Series : How to Leverage on AGMs for Better Engagement with Shareholders	Bursa Malaysia Berhad & Malaysian Institute of Chartered Secretaries and Administrators	21 November 2016
Loong Caesar	Role of the Chairman & Independent Directors	Malaysian Institute of Corporate Governance	28 September 2016
Chung Tze Hien	1) Corporate Governance Breakfast Series for Directors : Improving Board Risk Oversight Effectiveness	Bursa Malaysia Berhad	26 February 2016
	2) MIA International Accountants Conference 2016	Malaysian Institute of Accountants	15 & 16 November 2016
	3) Launch of the AGM Guide & Corporate Governance Breakfast Series : How to Leverage on AGMs for Better Engagement with Shareholders	Bursa Malaysia Berhad & Malaysian Institute of Chartered Secretaries and Administrators	21 November 2016
	4) Revised Auditor Reporting Standards – A Double Edged Sword	Malaysian Institute of Corporate Governance	8 December 2016

If new Directors are appointed to the Board, they will undergo an induction programme, which includes briefings on Mulpha's business and its governance process, meeting with senior management and visit to the business operations.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

Financial Reporting

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of announcements on quarterly results, annual financial statements and annual report reflects the Board's commitment to provide transparent and up-to-date disclosures to the public.

The Board is assisted by the AC in governing the Group's financial reporting processes and the quality of its financial reporting. The quarterly results and audited financial statements are reviewed by the AC and the external auditors (for audited financial statements) and approved by the Board before being released to Bursa Securities.

The AC Report as set out in this Annual Report, provides the details of the AC's activities in respect of financial reporting.

Statement on Corporate Governance (cont'd)

Directors' Responsibilities Statement in respect of the Financial Statements

The Directors are required by the Companies Act 1965 to prepare financial statements which are in accordance with applicable 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 cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have:-

a) 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;

b) adopted the appropriate accounting policies and applied them consistently; and

c) made judgements 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.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

5.2 Assessment of Suitability and Independence of External Auditors

The Company maintains a transparent relationship with its external auditors and seeks their professional advice to ensure that accounting standards are complied with. The AC discusses with the external auditors, the nature and scope of the audit and reporting obligations prior to the commencement of audit. The AC ensures that Management provides timely responses on all material queries raised by the external auditors.

During the financial year, the external auditors attended 3 of the total AC meetings held. The AC also met with the external auditors on 23 February 2016 and 24 November 2016 without the presence of the executive Board member and Management, to discuss the extent of assistance rendered by Management as well as issues and reservations arising from their audit.

The AC in reviewing the re-appointment of external auditors for tabling at the AGM, had considered their suitability, independence, objectivity and cost effectiveness based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities. The assessment was undertaken via questionnaires to be completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which are covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.

The evaluation results with recommendations made to further safeguard and improve the independence and quality of services rendered by the external auditors, are tabled at the AC meeting. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements.

The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the AGM of the Company. The Board approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the AGM of the Company.

The Company has in place policies governing the provision of non-audit services, which are designed to ensure that such services do not impair the external auditors' independence or objectivity. Generally, the amount of non-audit fees is not significant as compared to the amount of audit fees. Audit and non-audit fees of the external auditors will be reviewed by the AC before recommending to the Board for approval.

Statement on Corporate Governance (cont'd)

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board has the ultimate responsibility of approving the risk management framework and policy as well as overseeing the Group's risk management and internal control framework.

Mulpha has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. The Board through its Risk Management Committee, reviews the key risks identified on a regular basis to ensure proper management and mitigation of risks within its control.

The Statement on Risk Management and Internal Control as set out in this Annual Report, provides an overview of the state of internal controls and risk management within the Group.

6.2 Internal Audit Function

The Board has the ultimate responsibility for the Group's system of internal controls which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. A sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement, loss or fraud.

The Board has established procedures to review the key financial, operational and compliance controls. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Group has an established internal audit function performed in-house by the Internal Audit and Risk Management Department, which reports directly to the AC. Its 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 AC Report as set out in this Annual Report, provides the details of the activities of the internal audit function.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Board acknowledges the need for shareholders and other stakeholders 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 and other stakeholders with a regular overview of the Group's performance. All announcements made by the Company to Bursa Securities are available to shareholders and the market on the Investor Relations section of Mulpha's website.

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, as and when necessary.

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

7.2 Leverage on Information Technology for Effective Dissemination of Information

Company Website

The Company's website, *www.mulpha.com.my* provides detailed information on the Group's businesses and latest development. The website has a section dedicated to investor relations and corporate governance which contains announcements to Bursa Securities, quarterly financial results, annual reports and stock information, among others.

Mulpha will continue efforts to bring increased transparency to its financial reporting, and will continually add new interactive capabilities to its website.

Shareholders and Investors Queries

Whilst the Company aims to provide sufficient information to shareholders and investors about Mulpha and its activities, it also recognises that shareholders

Statement on Corporate Governance (cont'd)

and investors may have specific queries and require additional information.

To ensure that shareholders and investors can obtain all relevant information about the Group, they are encouraged to direct their queries to:

Investor Relations
Mulpha International Bhd
PH2, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel No : (603) 7718 6368 / (603) 7718 6266
Email : irmulpha@mulpha.com.my

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

General meetings represent the principal forum for dialogue and interaction with shareholders. The Board fully recognises the rights of shareholders and encourages them to exercise their rights at the AGM.

In 2016, the notice of AGM with sufficient information of business to be dealt with thereat, was sent to shareholders more than 21 days ahead of the meeting date together with the Annual Report. The notice of AGM is published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. In addition, the notice of AGM and Proxy Form which are contained in the Annual Report are posted on the websites of Mulpha and Bursa Securities.

Each item of special business included in the notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate better understanding and evaluation of issues involved.

8.2 Encourage Poll Voting

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.

All resolutions put forth for shareholders' approval at the 42nd AGM held on 9 June 2016 were voted by a show of hands. On 12 February 2016, an extraordinary general meeting of the Company was held and all the resolutions were approved by the shareholders by way of poll.

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the notice of any general meeting held on or after 1 July 2016 must be put to vote by poll.

8.3 Effective Communication and Proactive Engagements with Shareholders

At the general meetings, shareholders have direct access to the Board and are encouraged to participate in the question and answer session. The Chairman and Group Chief Financial Officer will respond to shareholders' questions during the AGM.

At the AGM in 2016, all the Directors save for 3 Directors who had conveyed their leave of absence, were present in person to engage directly with the shareholders. The external auditors also attended the AGM to answer questions from shareholders on the audited financial statements.

The outcome of the AGM was announced to Bursa Securities on the same day.

STATEMENT OF COMPLIANCE

The Board is of the view that apart from the noted departures, the Company has complied with the Principles and Recommendations of MCCG 2012.

This Statement on Corporate Governance was approved by the Board on 12 April 2017.

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

On 14 June 2016, the Company completed its rights issue exercise with the listing of 1,066,826,679 new ordinary shares of RM0.50 each on the Main Market of Bursa Malaysia Securities Berhad. The rights issue exercise has raised gross proceeds of RM266.71 million, which have been utilised as at 29 March 2017 in the following manner:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Deviation	
				Amount RM'000	%
Repayment of borrowing	200,000	200,000	–	N/A	–
Working capital	65,626	47,573	18,053	N/A	–
Estimated expenses	1,080	1,803	–	723	*66.9%

* Explanation : Disbursement expenses exceeded estimated cost which were borne by the Company's internally generated funds.

2. AUDIT AND NON-AUDIT FEES

The audit and 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 2016 are as follows:-

	Group RM'000	Company RM'000
Audit fees		
- KPMG in Malaysia	258	120
- Overseas affiliates of KPMG in Malaysia	1,081	–
- Other auditors	87	–
Subtotal	**1,426**	**120**
Non-audit fees		
- KPMG in Malaysia	13	13
- Overseas affiliates of KPMG in Malaysia	135	–
Subtotal	**148**	**13**
Total	**1,574**	**133**

3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

Other than those disclosed in the audited financial statements, 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 the interest of directors, chief executive who is not a director or major shareholders during the financial year ended 31 December 2016.

Audit Committee Report

CONSTITUTION AND COMPOSITION

The AC was established pursuant to a resolution of the Board passed on 28 July 1994. The AC comprises 3 members, all of whom are Independent Non-Executive Directors. The members are as follows:-

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

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

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

All members of the AC are financially literate and well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the AC. In particular, the AC Chairman, Mr Chew Hoy Ping is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, as required under Chapter 15, Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities. Mr Chew Hoy Ping being the AC Chairman, is also an Independent Non-Executive Director, as required under Chapter 15, Paragraph 15.10 of the Main Market Listing Requirements of Bursa Securities.

The profile of each member of the AC is set out in the Profile of Board of Directors section.

TERMS OF REFERENCE

The terms of reference of the AC, which outline the AC's composition, authority, duties and responsibilities, meetings and minutes, are published on Mulpha's website at *www.mulpha.com.my*.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2016, the AC held 5 meetings. The details of attendance of the AC members are as follows:-

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

The Executive Director, Group Chief Financial Officer, Head of Finance and Internal Audit Manager were invited to attend the meetings for the purpose of briefing the AC on the activities involving their areas of responsibilities.

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.

The AC Chairman would brief the Board on the proceedings of each AC meeting. Minutes of each AC meeting were also tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation.

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:-

1. **Financial Reporting**

   - Reviewed and discussed with Management, the financial and cash flows reports (including bank facilities and bank covenants) of the Company and the Group at the AC meetings held on 23 February 2016, 26 May 2016, 26 August 2016, 24 November 2016 and 24 February 2017. The financial and cash flows reports were also tabled to the Board for notation.

   - Reviewed the quarterly financial results for the 4th quarter of 2015 and the annual audited financial statements of 2015 for recommendation to the Board for approval and release to Bursa Securities and Securities Commission, at the AC meetings held on 23 February 2016 and 31 March 2016 respectively.

   - Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2016, and the annual audited financial statements of 2016 for recommendation to the Board for approval and release to Bursa Securities and Securities Commission, focusing particularly on:-

     i) changes in or adoption of accounting policies and practices changes;

     ii) compliance with accounting and financial reporting standards, legal and other regulatory requirements;

Audit Committee Report (cont'd)

iii) significant and unusual events, including the latest status of the ongoing material litigation;

iv) cash flow, financing and going concern assumptions; and

v) significant audit issues and matters highlighted by the external auditors or Management, or which arose from the AC's review and discussions.

at the AC meetings held on 26 May 2016, 26 August 2016, 24 November 2016, 24 February 2017 and 29 March 2017 respectively.

2. Annual Reporting

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2015, at the AC meeting held on 23 February 2016.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control to ensure that the disclosures were in compliance with the requirements under paragraphs 41 & 42 of the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* ("Guidelines").

- Reviewed and approved the AC Report for inclusion in the Annual Report 2015, at the AC meeting held on 31 March 2016.

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016, at the AC meeting held on 24 February 2017.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control to ensure that the disclosures were in compliance with the Guidelines.

- Reviewed and approved the AC Report for inclusion in the Annual Report 2016, at the AC meeting held on 29 March 2017.

3. Internal Audit

- Reviewed and approved the internal audit reports presented by the Internal Audit and Risk Management Department ("IARMD") on the audit findings and recommended corrective measures, as well as Management's responses and action plans in addressing the identified risks and internal control deficiencies, at the AC meetings held on 23 February 2016, 26 May 2016, 26 August 2016, 24 November 2016 and 24 February 2017.

  The risk-based audits were performed on selected business units within the Group based on the approved internal audit plan, which covered reviews of the system of internal controls, risk management and governance pertaining to contract compliance and payment management, cash management and stock control, capital expenditure and operational controls review, accounts payable, shared services, employee expenses, project management, procurement and payables, supplier management, sales and receivables, work in progress and user access permissions, and finance system migration. These internal audit reports as recorded in the minutes, were also tabled to the Board for notation.

- Reviewed and approved the internal audit plan and budget proposed by the IARMD to ensure adequacy of the scope and coverage of key business and operational units within the Group, at the AC meeting held on 24 November 2016.

- Reviewed the selection (including interview by the AC Chairman) of candidates for the replacement of the Malaysia Internal Audit and Risk Management Manager who resigned during the financial year.

- Reviewed and adopted the revised 3-year rolling audit plan of Mulpha Australia Limited ("MAL") (a wholly-owned subsidiary of the Company), at the AC meeting held on 24 February 2017. This revised audit plan included the audit coverage across MAL's asset portfolio, strategic initiatives, business processes and external auditors' focus areas.

Audit Committee Report (cont'd)

4. External Audit

- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2015, at the AC meeting held on 23 February 2016.

  The external auditors briefed the AC among others, on the audit status and outstanding matters, audit timeline, significant risk areas and audit findings.

- Reviewed with the external auditors on 23 February 2016, 24 November 2016 and 24 February 2017 without the presence of the executive board member and Management, the extent of assistance rendered by Management and issues arising from their audit.

  In addition, the Chairman and members of the AC periodically held informal discussions with the partner in-charge of the external auditors to ensure audit issues were addressed on a timely basis.

- In February 2016, the AC undertook an assessment of the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the 2016 AGM, via questionnaires to be completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which were covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.

  The evaluation results with recommendations made to further safeguard and improve the independence and quality of services rendered by the external auditors, were tabled at the AC meeting held on 23 February 2016. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements. The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the AGM of the Company.

  The Board at its meeting held on 25 February 2016 approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the AGM of the Company. The shareholders had duly approved the re-appointment of external auditors at the AGM held on 9 June 2016.

  In February 2017, the AC also assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2017 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 24 February 2017, and the AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the forthcoming AGM of the Company. The external auditors have also provided written confirmation on their independence in accordance with the terms of relevant professional and regulatory requirements.

  The Board at its meeting held on 27 February 2017 approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the forthcoming AGM of the Company. The evaluation results were also tabled at the said Board meeting.

- Reviewed with the external auditors on 31 March 2016, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2015, where relevant disclosures in the annual audited financial statements were deliberated.

- Reviewed and recommended to the Board for approval, the audit and non-audit fees of the external auditors for the financial year ended 31 December 2015, at the AC meeting held on 31 March 2016.

Audit Committee Report (cont'd)

The non-audit fees comprised the reviews of the Statement on Risk Management and Internal Control, the realised and unrealised retained earnings, and the Housing Development Account. The amount of non-audit fees was not significant as compared to the amount of audit fees. The AC was satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.

- Reviewed with the external auditors, their audit plan, scope of audit, audit timeline and focus areas on key audit matters and other significant audit matters prior to the commencement of audit of the financial statements for the year ended 31 December 2016, at the AC meeting held on 24 November 2016.

  With regard to the new and revised Auditor Reporting Standards which took effect from 16 December 2016, the external auditors briefed and presented to the AC, the format of the new Audit Report together with the broad areas that would be covered under the key audit matters.

  Pursuant to the above, the AC reviewed the potential key audit matters raised by the external auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements. The 2 key audit matters which were highlighted to the AC (as disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) were:

  a) Valuation of property, plant and equipment; and

  b) Recoverability of development inventory.

- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2016, at the AC meeting held on 24 February 2017.

  The external auditors briefed the AC among others, on the audit status and outstanding matters, audit timeline, audit focus areas i.e. key audit matters and other significant audit matters. The external auditors also highlighted on the new Guidelines on Management of Cyber Risk, which was issued by Securities Commission on 31 October 2016.

- Reviewed with the external auditors on 29 March 2017, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2016, where relevant disclosures in the annual audited financial statements were deliberated.

5. Risk Management

- Reviewed, adopted and recommended to the Board for approval, the revised Enterprise Risk Management ("ERM") Policy and Procedures, ERM Quick Reference Guide and the revised terms of reference of the Risk Management Unit and Risk Management Committee, at the AC meeting held on 23 February 2016.

- Reviewed the risk management report together with the Top 15 Enterprise Risk Register of MAL, at the AC meeting held on 26 May 2016. The risk management report and the Risk Register were also tabled to the Board for notation.

- Reviewed the Risk Register of Leisure Farm Corporation Sdn Bhd ("LFC") (a wholly-owned subsidiary of the Company), at the AC meeting held on 24 November 2016, where the key risks were highlighted and deliberated. The Risk Register was also tabled to the Board for notation.

- Reviewed and approved the risk management plan proposed by the IARMD, at the AC meeting held on 24 November 2016. The risk management plan encompassed key deliverables to facilitate the identification, evaluation and management of material risks that may impede the achievement of the Group's business objectives and strategies, including an independent assessment of the effectiveness of the governance and risk management processes within the Group.

Audit Committee Report (cont'd)

- Reviewed the updated Top 15 Enterprise Risk Register of MAL and its associated risk management report, at the AC meeting held on 24 February 2017. In addition, possible future/emerging risks, trends and mitigating actions were also highlighted and deliberated.

6. Related Party Transactions

- Reviewed the related party transactions entered into by the Company and the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms, at the AC meetings held on 23 February 2016, 26 May 2016, 26 August 2016, 24 November 2016 and 24 February 2017.

7. Others

- Reviewed and recommended to the Board for approval, the revised Whistleblowing Policy and Procedures for the Group, at the AC meeting held on 23 February 2016. The objective of this Policy is to provide information and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse, for investigation and Management's action.

- 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.

- The Chairman and members of the AC have held informal sessions and interactions with Management throughout the year that aimed at better understanding of business operations and risks related issues, and the resolution of issues.

INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

The Group has an established independent internal audit function performed in-house by the IARMD, which reports directly to the AC.

The main role of the IARMD is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance to the AC that the internal control system is sound, adequate and operating effectively. The IARMD adopts a risk-based audit approach in developing the internal audit plan for approval by the AC. The AC receives quarterly internal audit reports from the IARMD and discusses these reports to ensure recommendations in the reports are duly acted upon by Management.

Apart from the aforesaid internal audit mandate, the IARMD is responsible to facilitate and assist Management in maintaining a structured risk management framework to identify, evaluate and manage material risks faced by the Group as well as monitoring the effectiveness of the Group's risk management processes.

The IARMD's scope of responsibilities encompasses all business and operational units within the Group, with the exception of Australian operations for which the internal audit and risk management functions are outsourced.

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

a) Performed risk-based audits on selected business units within the Group based on the approved internal audit plan, which covered reviews of the system of internal controls, risk management and governance pertaining to contract compliance and payment management, cash management and stock control, capital expenditure and operational controls review, accounts payable, shared services, employee expenses, project management, procurement and payables, supplier management, sales and receivables, work in progress and user access permissions, and finance system migration.

b) Tabled to the AC at its quarterly meetings, the audit reports for the above audits 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.

c) Prepared and tabled the following to the AC at the AC meeting held on 23 February 2016:-

Audit Committee Report (cont'd)

i) revised Whistleblowing Policy and Procedures for the Group;

ii) revised ERM Policy and Procedures to update and reflect the current risk management processes and methodologies;

iii) ERM Quick Reference Guide, which provides risk owners an at-a-glance view of the key steps within the risk assessment exercise, including key risk parameters and thresholds; and

iv) revised terms of reference of the Risk Management Unit and Risk Management Committee.

d) Prepared and tabled to the AC, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2015, at the AC meeting held on 23 February 2016.

e) In March 2016, MAL engaged Deloitte Touche Tohmatsu, Sydney ("Deloitte") to assist in the performance of a formal risk management exercise encompassing all business units of MAL. Deloitte also assisted in the development of a series of divisional risk registers, including an enterprise-wide Top 15 Risk Register. The outputs were discussed at the inaugural meeting/ workshop of MAL's Executive Risk Management Committee held on 21 March 2016.

The risk management report together with the Top 15 Enterprise Risk Register of MAL was tabled to the AC at its meeting held on 26 May 2016.

f) Conducted an ERM exercise for LFC and tabled the Risk Register of LFC at the AC meeting held on 24 November 2016, where the key risks were highlighted.

g) Prepared and tabled for the AC's approval, the 2017 internal audit and risk management plans, as well as internal audit budget, at the AC meeting held on 24 November 2016. The internal audit plan addressed the key themes of technology risk, operational efficiency, cost control and compliance. The risk management plan would cover among others, ongoing management and reporting of operational, financial and strategic risks; assurance over operational activities from a risk management perspective; and desktop review of divisional risk registers maintained by Management.

The 3-year rolling audit plan (2017 to 2019) which represented the pipeline of audit and risk management assignments aligning risk-based audit plan to the strategic business objectives, was also tabled for the AC's adoption.

h) Prepared and tabled to the AC, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016, at the AC meeting held on 24 February 2017.

i) Prepared and tabled for the AC's adoption, the revised 3-year rolling audit plan of MAL, at the AC meeting held on 24 February 2017. This revised audit plan included the audit coverage across MAL's asset portfolio, strategic initiatives, business processes and external auditors' focus areas.

j) Prepared and tabled to the AC, the updated Top 15 Enterprise Risk Register of MAL and its associated risk management report, at the AC meeting held on 24 February 2017. In addition, possible future/emerging risks, trends and mitigating actions were also highlighted.

In December 2016, the IARMD undertook a review and update of the divisional risk registers to reflect the prevailing risk landscape. As an outcome of this exercise, the Top 15 Enterprise Risk Register has been revised.

In February 2017, the AC carried out an evaluation of the effectiveness of the internal audit function, which covered the adequacy of the scope, functions and resources as well as the competency of the internal audit function. The results of the said evaluation were tabled at the AC meeting held on 29 March 2017. In general, the AC was satisfied that the IARMD has been operating satisfactorily.

The costs incurred by IARMD in discharging its functions and responsibilities during the financial year ended 31 December 2016 amounted to RM525,351.

Statement on Risk Management and Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires listed companies to establish and maintain a sound risk management framework and internal controls system 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 AC, being the delegated committee of the Board, is responsible for the preparation of the Statement on Risk Management and Internal Control ("this Statement") in accordance with the Guidelines. Set out below is this Statement which has been prepared in accordance with the Guidelines.

RESPONSIBILITY

The Board affirms its responsibility for maintaining a sound system of internal controls, including the assurance on 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 but 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. Operationally, the Group has in place an ERM framework, which encapsulates the Group's risk governance structure, policy and procedures to identify, evaluate, manage and monitor risks that may impede the achievement of the Group's business objectives and strategies.

The aforesaid ERM framework, policy and procedures, which are in line with the Malaysian Standard ISO 31000:2010, are administered and facilitated by the IARMD of the Group.

The Group adopts a decentralised approach to risk management whereby individual Risk Management Units ("RMUs") 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 to identify, prioritise, manage and monitor risk inherent in their business activities in accordance with the Group's risk management parameters, procedures and policy.

The Company conducted an ERM exercise for its wholly-owned subsidiary, Leisure Farm Corporation Sdn Bhd during the year and a review of the key risks will be carried out in subsequent year.

In March 2016, Mulpha Australia Limited (a wholly-owned subsidiary of the Company) engaged Deloitte Touche Tohmatsu, Sydney to assist in the performance of a formal risk management exercise encompassing all business units of Mulpha Australia Limited.

INTERNAL AUDIT

The IARMD undertakes the review of the system of internal controls, procedures and operations so as to provide reasonable assurance that the internal controls system and risk management framework are sound, adequate and operating satisfactorily. The activities carried out by the IARMD during the financial year are set out in the AC Report, which is also included in this Annual Report.

During the financial year, the IARMD carried out audits of selected business units within the Group based on a risk-based approach. 6 out of the 11 approved audit assignments were completed throughout the financial year, with 1 ongoing audit assignment and 4 audit assignments rescheduled to be carried out in subsequent year.

KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal controls 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.

Statement on Risk Management and Internal Control (cont'd)

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

- Whistleblowing Policy and Procedures are in place to provide appropriate communication avenue for all employees and stakeholders to report suspected inappropriate behavior or misconduct relating to fraud, corrupt practices, abuse and/or bribery in a transparent and confidential manner.

- Reporting requirements and procedures are established and set out in the Group's Conflict of Interest Policy to manage and address any real or potential conflict of interest faced by management personnel.

- 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 and risk management are continually assessed by the IARMD based on a risk-based audit plan approved by the AC.

MONITORING AND REVIEW OF THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

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

The current monitoring, review and reporting procedures provide reasonable assurance on the adequacy and effectiveness of the Group's system of internal controls and risk management. Such procedures, 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 does not deal with the Group's associated companies as the Group does not have management control over their operations.

The Board has also received assurance from the Group Chief Financial Officer that the Group's risk management and internal controls system is operating adequately and effectively, in all material aspects, based on the risk management and internal controls system of the Group.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control was approved by the Board on 27 February 2017.

Idyllic Styled Living

Leisure Farm is an award-winning gated community in Iskandar Malaysia in Johor, the largest integrated urban development in South-East Asia. Covering 1,765 acres of prime, freehold land, this master-planned resort township was the recipient of the FIABCI PRIX D'Excellence Best Master Plan Development in 2006 and The Most Notable Development Award in The Edge Property Excellence Awards 2015.

Leisure Farm offers a wide range of well-designed estates and residences with world-class amenities. Homes are set amidst expansive, undulating terrain surrounded by mature landscaped open spaces that lend themselves to the many outdoor pursuits, with easy access to the resort's extensive community facilities. The first double-gated and guarded residential development in Iskandar Malaysia, Leisure Farm offers its international community of residents and visitors a safe, secure environment that at the same time promotes a healthy and natural lifestyle.

www.leisurefarm.com.my

ISKANDAR MALAYSIA, JOHOR

LEISURE FARM

Statement on Corporate Responsibility

MULPHA 'S CORPORATE RESPONSIBILITY STRATEGY IS ALIGNED WITH ITS CREDO OF 'COMMITTED TO LONG TERM VALUE CREATION'. IN OUR CONTINUOUS PURSUIT OF EXCELLENCE, WE ARE EVER MINDFUL OF OUR RESPONSIBILITY AS A CORPORATE CITIZEN TOWARDS OUR ENVIRONMENT, COMMUNITY AND WORKPLACE.

The InterContinental Sydney is widely recognised for its extensive environmentally friendly practices.

Environment

The InterContinental Sydney emerged Winner of 2016 Green Hotelier Award for Asia Pacific through its numerous green practices. The hotel achieved 40% in electricity and 30% in gas savings over 5 years, (equating to AUD400,000 per annum) through LED lighting/T5 conversion, installation of 18 VSD, total LED retrofit, BMS, in-room control with sensor operation, fluoro conversion to T5, lighting daylight sensors/timers, high efficiency chillers installed, boiler optimisation and extensive maintenance.

The hotel continued Government carbon rebates; first hotel in Australia to participate in this scheme (previously offered to high rise buildings). The local NSW authorities used the hotel's initiatives and Engineering expertise to write standards and a training documentary for the Hotel Industry in NSW, titled "Every Drop Counts".

The hotel's waste is sorted, including glass, cardboard, paper, aluminum cans, linen, soap, food waste, kitchen oil, grease trap, corks, florescent tubes and general waste. Through the Environmental Committee, the IHG program "Green Engage" has been implemented with nearly 200 action points.

Community

LEISURE FARM

Throughout 2016, Leisure Farm organised a host of activities for residents of the development in support of health and environment. Quarterly gardening workshops were held to cultivate an interest in organic farming and living which saw keen participation by the young and old alike. "Jalan Hijau", an environmental trek into the wild guided by the Johor Chapter of the Malaysian Nature Society was held in March 2016.

Leisure Farm also launched **The Mulpha Aspire Scholarship Award** in 2016 with the awarding of its first scholarship to a Malaysian student to complete her IB Diploma Programme at Marlborough College Malaysia. In addition to that, Leisure Farm also supported the Friends of Marlborough College by sponsoring their fourth annual Christmas Bazaar. The

Statement on Corporate Responsibility (cont'd)

The residents of Leisure Farm are enthusiastic participants of the various community events organised by the development.

event held on the grounds of the Marlborough College saw the participation of parents and school kids with a host of activities and games for all. In line with Leisure Farm's green living concept, the bazaar also featured a green theme with some hands on gardening activities for the kids.

INTERCONTINENTAL SYDNEY

InterContinental Sydney supports "Shelter in a Storm" which helps guests, colleagues and local communities in times of disaster with financial support, vital supplies and accommodation. Funds are raised via raffles, bake offs and fitness challenges. The Hotel adopted a charity called St Canice, a Catholic Church that runs a soup kitchen for the homeless, feeding over 300 people daily and assisted in renovating refugee accommodation, preparing, and fixing a large hall that is utilised for the homeless to sleep during extreme weather conditions.

INTERCONTINENTAL SANCTUARY COVE

InterContinental Sanctuary Cove held several activities to drive support for OzHarvest. OzHarvest is the first perishable food rescue organisation in Australia collecting quality excess food from commercial outlets and delivering it, direct and free of charge, to 800 charities providing much needed assistance to vulnerable men, women and children across the country. The Hotel supported the cause through weekly schedule of food donations and special bins for food collection as well as donations of buffet food prep and non-perishables.

The IHG Training Academy continued with their student placement activities with the Blue Mountain Hotel School, International College of Hotel Management, Beacon and the QLD Hotel & Hospitality School. InterContinental Sanctuary Cove will continue its efforts to expand its portfolio of academy partners in 2017 looking to work with Queenstown Resort College and some of the culinary schools.

InterContinental Sanctuary Cove also focused on the IHG Foundation, participating through fundraising, raffles, charity auctions, donations etc, raising a total of AUD14,066 over 3,699 acts of participation from colleagues.

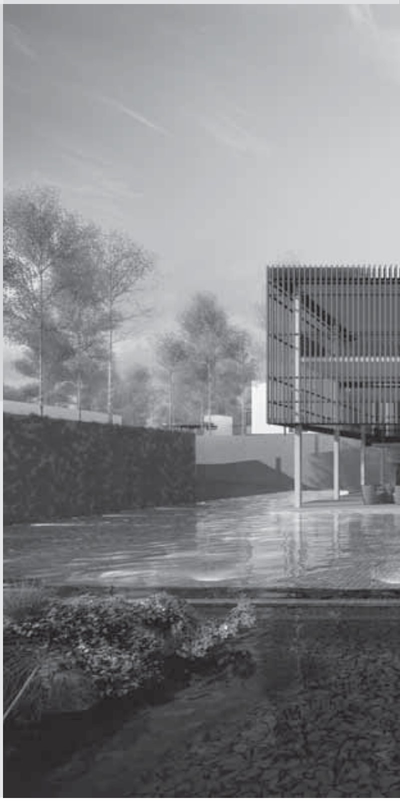
▶ Workplace

We are aware that an organisation is only as strong as the people within it - so we strive hard to ensure our workforce is healthy, engaged and productive. By promoting equality and inclusion, we aim to attract a diverse group of talented people. By fostering a supportive and engaging culture, we aim to inspire loyalty and leadership. And by investing in ongoing training and career development, we aim to unlock talent and performance in the short and long-term.

The Company 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 provide an enriching social experience for all staff.

InterContinental Sydney carries out sustainability lectures to universities/TAFE and assists students on projects to mentor the next generation of industry professionals. Through the Southern Cross University, the hotel carried out lectures for 150 teachers delivered by our Director of Engineering.

Strong retention and succession rates for employees measured through The Hotel's Talent Grid which allows the leadership team to map our talent into performance and progression quadrants to develop and advance individuals. IHG Academy focuses on partnering with local schools, namely the Hotel School Sydney, enabling students to gain experience in Hospitality; many alumni students are hired from the school.



Financial Statements

Directors' Report

for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is not a subsidiary of any corporation, which is regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	16,800	134,156

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 during the financial year until the date of this 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

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:

Directors' Report (cont'd)

for the year ended 31 December 2016

Directors' interests in shares (cont'd)

	Number of ordinary shares				
The Company	**At 1.1.2016**	**Acquired**	**Rights issue**	**Sold**	**At 31.12.2016**
Direct interest					
Lee Seng Huang	–	60,000,000	–	–	60,000,000
Deemed interest					
Lee Seng Huang	859,787,549	–	576,713,534	–	1,436,501,083

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 2016 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 remuneration 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 36 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

On 9 June 2016, the Company increased its issued and paid-up ordinary share capital from RM1,177,956,579 to RM1,711,369,918 by way of a rights issue of 1,066,826,679 new ordinary shares of RM0.50 each at an issue price of RM0.50 each per ordinary share, payable in cash and capitalisation from the Company's share premium account of RM0.25 and RM0.25 respectively. The proceeds from the rights issue of RM266.71 million was mainly used to repay outstanding borrowings with the balance available as working capital. The related expenses of RM1.80 million were debited to the share premium account. On 14 June 2016, the Company completed its rights issue exercise with the listing of 1,066,826,679 new ordinary shares on the Main Market of Bursa Malaysia Securities Berhad.

There were no debentures issued during the financial year.

Treasury shares

On 30 November 2016, the Company cancelled its treasury shares comprising 226,547,700 ordinary shares of RM0.50 each, of which 4,287,900 ordinary shares of RM0.50 each were purchased in the current year at an average cost of RM0.20 per share. Following the cancellation, the Company's issued and paid-up share capital decreased from RM1,711,369,918 to RM1,598,096,068, and the related expenses of RM0.48 million were debited to the share premium account.

Subsequently, the Company purchased an additional 1,322,100 ordinary shares at an average cost RM0.20 per share and these shares were retained as treasury shares as at 31 December 2016 in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2016, the total number of ordinary shares in issue (inclusive of treasury shares) is 3,196,192,137.

Directors' Report (cont'd)

for the year ended 31 December 2016

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of sum insured and premium paid for Directors and Officers of the Group are RM65,900,000 and RM138,000 respectively. There is no indemnity and insurance purchased for the auditors of the Group and of the Company.

Qualification of subsidiaries' financial statements

The auditors' report on the audit of the financial statements of Company's subsidiaries did not contain any qualification.

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.

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 2016 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 Notes 25 and 26 to the financial statements.

Directors' Report (cont'd)

for the year ended 31 December 2016

Significant events during the year

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

Subsequent events

The subsequent events are as disclosed in Note 40 to the financial statements.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

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

Lee Seng Huang
Director

Law Chin Wat
Director

Date: 12 April 2017

Statements of Financial Position

as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	**1,160,661**	1,087,824	**11**	2
Investment properties	4	**813,098**	416,938	**–**	–
Investments in subsidiaries	5	**–**	–	**598,817**	599,430
Investments in associates	6	**1,243,438**	1,354,347	**15,656**	24,433
Investments in joint ventures	7	**7,496**	12,798	**–**	–
Investment securities	8	**361,161**	1,156	**1,043**	1,043
Other investments	9	**5,080**	5,080	**5,051**	5,051
Goodwill	10	**2,731**	2,722	**–**	–
Inventories	11	**739,553**	645,560	**–**	–
Trade and other receivables	12	**13,085**	–	**401,445**	362,643
Other non-current assets	13	**10,511**	14,742	**–**	–
Deferred tax assets	14	**31,738**	59,756	**–**	–
Total non-current assets		**4,388,552**	3,600,923	**1,022,023**	992,602
Inventories	11	**723,082**	725,387	**–**	–
Trade and other receivables	12	**233,766**	233,570	**1,209,169**	889,013
Other current assets	15	**17,972**	26,658	**–**	182
Investment securities	8	**2,765**	2,516	**–**	–
Current tax assets		**2,014**	3,549	**805**	57
Cash and cash equivalents	16	**365,017**	539,900	**41,861**	16
Total current assets		**1,344,616**	1,531,580	**1,251,835**	889,268
Total assets		**5,733,168**	5,132,503	**2,273,858**	1,881,870

Statements of Financial Position (cont'd)

as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Equity					
Share capital	17	**1,598,096**	1,177,957	**1,598,096**	1,177,957
Share premium	17	**217,861**	579,863	**217,861**	579,863
Treasury shares	17	**(266)**	(92,137)	**(266)**	(92,137)
Reserves	18	**547,426**	305,608	**221,609**	108,335
Retained earnings		**614,499**	597,699	**158,747**	24,591
Total equity attributable to owners of the Company		**2,977,616**	2,568,990	**2,196,047**	1,798,609
Non-controlling interests		**–**	–	**–**	–
Total equity		**2,977,616**	2,568,990	**2,196,047**	1,798,609
Liabilities					
Loans and borrowings	19	**2,238,583**	932,341	**–**	–
Trade and other payables	20	**18,219**	13,431	**–**	–
Provision for liabilities	21	**1,719**	2,225	**–**	–
Total non-current liabilities		**2,258,521**	947,997	**–**	–
Loans and borrowings	19	**175,555**	1,314,683	**75,508**	81,174
Trade and other payables	20	**292,668**	264,443	**2,303**	2,087
Other current liabilities	22	**–**	6,604	**–**	–
Current tax liabilities		**24**	6,360	**–**	–
Provision for liabilities	21	**27,721**	23,426	**–**	–
Derivative liabilities	23	**1,063**	–	**–**	–
Total current liabilities		**497,031**	1,615,516	**77,811**	83,261
Total liabilities		**2,755,552**	2,563,513	**77,811**	83,261
Total equity and liabilities		**5,733,168**	5,132,503	**2,273,858**	1,881,870

The notes on pages 78 to 162 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Continuing operations					
Revenue	24	**1,276,525**	888,639	**91,802**	26,581
Other income	25	**114,143**	186,910	**83,634**	160,200
Land and property development costs		**(402,810)**	(192,666)	**–**	–
Finished goods and services rendered		**(132,849)**	(104,035)	**–**	–
Employee benefits expenses		**(282,471)**	(272,104)	**(815)**	(576)
Depreciation		**(60,258)**	(55,399)	**(4)**	–
Other expenses		**(500,034)**	(257,159)	**(36,754)**	(7,100)
Results from operating activities		**12,246**	194,186	**137,863**	179,105
Finance costs	27	**(103,081)**	(113,343)	**(4,039)**	(2,860)
Share of profit of associates		**98,186**	70,579	**–**	–
Share of profit of joint ventures		**552**	9,291	**–**	–
Profit before tax	26	**7,903**	160,713	**133,824**	176,245
Tax benefit/(expense)	28	**8,897**	2,569	**332**	(331)
Profit for the year		**16,800**	163,282	**134,156**	175,914
Other comprehensive income/(expense)					
Foreign currency translation differences for foreign operations		**67,546**	84,015	**–**	–
Fair value movement of available-for-sale financial assets		**(9,431)**	(11,932)	**–**	–
Share of other comprehensive income of associates		**1,546**	5,722	**–**	–
Reclassification to profit or loss on:					
- dilution of interest in an associate		**(3,326)**	(544)	**–**	–
- disposal of associates		**5,957**	–	**–**	–
- disposal of a subsidiary		**–**	(16,099)	**–**	–
- disposal of available-for-sale financial assets		**–**	(16,486)	**–**	–
Revaluation of property, plant and equipment upon transfer of properties to investment properties		**66,252**	–	**–**	–
Other comprehensive income for the year		**128,544**	44,676	**–**	–
Total comprehensive income for the year		**145,344**	207,958	**134,156**	175,914

Statements of Profit or Loss and Other Comprehensive Income (cont'd)

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Profit attributable to:					
Owners of the Company		**16,800**	165,123	**134,156**	175,914
Non-controlling interests		**–**	(1,841)	**–**	–
Profit for the year		**16,800**	163,282	**134,156**	175,914
Total comprehensive income attributable to:					
Owners of the Company		**145,344**	209,799	**134,156**	175,914
Non-controlling interests		**–**	(1,841)	**–**	–
Total comprehensive income for the year		**145,344**	207,958	**134,156**	175,914
Earnings per ordinary share (sen)	30	**0.63**	7.71*		

** Restated*

The notes on pages 78 to 162 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

Group	Attributable to owners of the Company – Non-distributable						Distributable			
	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Capital reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015	1,177,957	579,863	124,246	117,727	18,824	(92,115)	432,711	2,359,213	44,346	2,403,559
Fair value of movement of available-for-sale financial assets	–	–	–	–	(11,932)	–	–	(11,932)	–	(11,932)
Foreign currency translation differences for foreign operations	–	–	84,015	–	–	–	–	84,015	–	84,015
Share of other comprehensive income of associates	–	–	1,915	–	3,807	–	–	5,722	–	5,722
Reclassification to profit or loss on:										
- dilution of interest in an associate	–	–	(544)	–	–	–	–	(544)	–	(544)
- disposal of a subsidiary	–	–	–	(16,099)	–	–	–	(16,099)	–	(16,099)
- disposal of available-for-sale financial assets	–	–	–	–	(16,486)	–	–	(16,486)	–	(16,486)
Total other comprehensive income/(expense) for the year	–	–	85,386	(16,099)	(24,611)	–	–	44,676	–	44,676
Profit for the year	–	–	–	–	–	–	165,123	165,123	(1,841)	163,282
Total comprehensive income/ (expense) for the year	–	–	85,386	(16,099)	(24,611)	–	165,123	209,799	(1,841)	207,958

Consolidated Statement of Changes in Equity (cont'd)

for the year ended 31 December 2016

	Attributable to owners of the Company									
	Non-distributable						Distributable			
Group	**Share capital RM'000**	**Share premium RM'000**	**Exchange reserve RM'000**	**Capital reserve RM'000**	**Other reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Purchase of treasury shares	–	–	–	–	–	(22)	–	(22)	–	(22)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(42,505)	(42,505)
Transfer within reserves	–	–	–	135	–	–	(135)	–	–	–
Total transactions with owners of the Company	–	–	–	135	–	(22)	(135)	(22)	(42,505)	(42,527)
At 31 December 2015	1,177,957	579,863	209,632	101,763	(5,787)	(92,137)	597,699	2,568,990	–	2,568,990
	Note 17	**Note 17**	**Note 18**	**Note 18**	**Note 18**	**Note 17**				

Consolidated Statement of Changes in Equity (cont'd)

for the year ended 31 December 2016

Group	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owners of the Company										
	Non-distributable							Distributable			
At 1 January 2016	**1,177,957**	**579,863**	**209,632**	**101,763**	**–**	**(5,787)**	**(92,137)**	**597,699**	**2,568,990**	**–**	**2,568,990**
Fair value movement of available-for-sale financial assets	–	–	–	–	–	(9,431)	–	–	(9,431)	–	(9,431)
Foreign currency translation differences for foreign operations	–	–	67,546	–	–	–	–	–	67,546	–	67,546
Share of other comprehensive income of associates	–	–	1,546	–	–	–	–	–	1,546	–	1,546
Reclassification to profit or loss on:											
- dilution of interest in an associate	–	–	(3,326)	–	–	–	–	–	(3,326)	–	(3,326)
- disposal of associates	–	–	3,286	–	–	2,671	–	–	5,957	–	5,957
Revaluation of property, plant and equipment upon transfer of properties to investment properties	–	–	–	–	66,252	–	–	–	66,252	–	66,252
Total other comprehensive income/(expense) for the year	–	–	69,052	–	66,252	(6,760)	–	–	128,544	–	128,544
Profit for the year	–	–	–	–	–	–	–	16,800	16,800	–	16,800
Total comprehensive income/ (expense) for the year	**–**	**–**	**69,052**	**–**	**66,252**	**(6,760)**	**–**	**16,800**	**145,344**	**–**	**145,344**

Consolidated Statement of Changes in Equity (cont'd)

for the year ended 31 December 2016

	Attributable to owners of the Company										
	Non-distributable						Distributable				
Group	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Issuance of ordinary shares pursuant to rights issue	533,413	(266,707)	–	–	–	–	–	–	266,706	–	266,706
Purchase of treasury shares	–	–	–	–	–	–	(1,140)	–	(1,140)	–	(1,140)
Share issuance and treasury shares cancellation expenses	–	(2,284)	–	–	–	–	–	–	(2,284)	–	(2,284)
Cancellation of treasury shares	(113,274)	(93,011)	–	113,274	–	–	93,011	–	–	–	–
Total transactions with owners of the Company	420,139	(362,002)	–	113,274	–	–	91,871	–	263,282	–	263,282
At 31 December 2016	1,598,096	217,861	278,684	215,037	66,252	(12,547)	(266)	614,499	2,977,616	–	2,977,616
	Note 17	Note 17	Note 18	Note 18	Note 18	Note 18	Note 17				

The notes on pages 78 to 162 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2016

	← Non-distributable				→		
Company	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Other reserve RM'000**	**Treasury shares RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total equity RM'000**
At January 2015	1,177,957	579,863	108,228	107	(92,115)	(151,323)	1,622,717
Total comprehensive income for the year	–	–	–	–	–	175,914	175,914
Purchase of treasury shares	–	–	–	–	(22)	–	(22)
At 31 December 2015/1 January 2016	1,177,957	579,863	108,228	107	(92,137)	24,591	1,798,609
Total comprehensive income for the year	–	–	–	–	–	134,156	134,156
Issuance of ordinary shares pursuant to rights issue	533,413	(266,707)	–	–	–	–	266,706
Share issuance and treasury shares cancellation expenses	–	(2,284)	–	–	–	–	(2,284)
Purchase of treasury shares	–	–	–	–	(1,140)	–	(1,140)
Cancellation of treasury shares	(113,274)	(93,011)	113,274	–	93,011	–	–
At 31 December 2016	**1,598,096**	**217,861**	**221,502**	**107**	**(266)**	**158,747**	**2,196,047**
	Note 17	**Note 17**	**Note 18**	**Note 18**	**Note 17**		

The notes on pages 78 to 162 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities					
Profit before tax		**7,903**	160,713	**133,824**	176,245
Adjustments for:					
Bad debts recovered		**(37)**	(14)	**–**	(14)
Bad debts written off		**15**	398	**–**	8
Dividend income		**(23)**	(19)	**(91,802)**	(26,581)
Change in fair value of investment properties	4	**(1,162)**	–	**–**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(295)**	1,993	**–**	–
Gain on dilution of interests in associates		**(41,352)**	(9,835)	**–**	–
Loss/(Gain) on disposal of investment securities		**696**	(3,779)	**–**	–
Gain on disposal of a subsidiary		**–**	(50,385)	**–**	(9,191)
Gain on partial disposal of an associate		**–**	(1,411)	**–**	(2,023)
Gain on waiver of amount due to subsidiaries		**–**	–	**(940)**	–
Impairment loss on financial assets:					
- Investment securities		**247**	61	**–**	–
- Trade and other receivables		**725**	1,155	**–**	–
Interest income		**(5,410)**	(4,191)	**(20,031)**	(7,161)
Interest expense		**103,081**	113,343	**4,039**	2,860
Inventories written down		**90,578**	20	**–**	–
Impairment loss on investments in associates	6	**17,512**	–	**7,270**	–
Impairment loss on investments in subsidiaries		**–**	–	**613**	–
Loss on disposal of associates		**108,919**	–	**326**	–
Net unrealised foreign exchange gain		**(207)**	(1,803)	**(62,661)**	(136,470)
Property, plant and equipment:					
- Depreciation	3	**60,258**	55,399	**4**	–
- Written off		**–**	1,634	**–**	–
- Gain on disposal		**–**	(29)	**–**	–
Provision for foreseeable loss on inventories		**–**	1,242	**–**	–
Provision for staff benefits		**17,365**	14,052	**–**	–
Reversal of impairment loss on:					
- Property, plant and equipment		**(7,717)**	–	**–**	–
- Investments in associates	6	**(5,275)**	–	**–**	–
- Inventories		**–**	(571)	**–**	–
- Investment securities		**–**	(771)	**–**	–
- Trade and other receivables		**(15)**	(193)	**–**	–
Share of profit of associates		**(98,186)**	(70,579)	**–**	–
Share of profit of joint ventures		**(552)**	(9,291)	**–**	–
Operating profit/(loss) before changes in working capital		**247,068**	197,139	**(29,358)**	(2,327)

Statements of Cash Flows (cont'd)

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities (cont'd)					
Changes in working capital					
Inventories		**(144,737)**	(110,746)	**–**	–
Receivables		**(17,681)**	12,014	**9**	92
Other current assets		**8,686**	(8,298)	**182**	(151)
Other non-current assets		**7,755**	4,225	**–**	–
Financial assets at fair value through profit or loss		**–**	3,277	**–**	–
Payables		**11,099**	20,141	**716**	(39)
Other current liabilities		**4,273**	(8,197)	**–**	–
Intercompany balances		**–**	–	**(223,414)**	(65,678)
Cash generated from/(used in) operations		**116,463**	109,555	**(251,865)**	(68,103)
Interest paid		**(107,065)**	(113,343)	**(4,039)**	(2,860)
Interest received		**5,410**	4,191	**20,031**	7,161
Income tax refunded/(paid)		**3,006**	3,624	**(416)**	(109)
Staff benefits paid		**(14,372)**	(14,071)	**–**	–
Net cash generated from/(used in) operating activities		**3,442**	(10,044)	**(236,289)**	(63,911)
Cash flows from investing activities					
Acquisition of hotel business, net of cash and cash equivalents acquired	37	**(129,902)**	–	**–**	–
Purchase of investment securities	8(a)	**(268,800)**	–	**–**	–
Purchase of property, plant and equipment	3	**(158,811)**	(39,373)	**(13)**	(2)
Purchase of investment properties	4	**(67,210)**	(366,149)	**–**	–
Proceeds from disposal of					
- Property, plant and equipment		**70**	323	**–**	–
- Investment securities		**5,830**	65,506	**–**	–
- Subsidiary		**–**	–	**–**	35,196
Disposal of a subsidiary, net of cash and cash equivalents disposed of	29	**–**	(9,306)	**–**	–
Proceeds from disposal of associates		**14,731**	3,890	**1,181**	3,890
Capital expenditure of investment properties		**(12)**	(27)	**–**	–
Additional investments in associates		**(1,883)**	–	**–**	–
Additional investments in joint ventures		**(296)**	(24)	**–**	–
Proportionate consolidation of joint operations, net of cash and cash equivalents acquired		**–**	1,985	**–**	–
Dividend received		**23**	19	**19,350**	–
Dividend received from associates and joint ventures		**45,447**	38,486	**–**	–
Net cash (used in)/generated from investing activities		**(560,813)**	(304,670)	**20,518**	39,084

Statements of Cash Flows (cont'd)

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from financing activities					
Purchase of treasury shares		**(1,140)**	(22)	**(1,140)**	(22)
Share issuance and treasury shares cancellation expenses		**(2,284)**	–	**(2,284)**	–
Proceeds from issuance of ordinary shares pursuant to rights issue		**266,706**	–	**266,706**	–
Payment of finance lease liabilities		**(145)**	(195)	**–**	–
Withdrawal of pledged deposits		**374,722**	108,327	**–**	–
Net drawdown of borrowings		**72,456**	243,614	**(5,520)**	25,000
Net cash generated from financing activities		**710,315**	351,724	**257,762**	24,978
Net increase in cash and cash equivalents		**152,944**	37,010	**41,991**	151
Effect of exchange rate fluctuations on cash held		**47,939**	11,161	**–**	–
Cash and cash equivalents at 1 January		**154,623**	106,452	**(158)**	(309)
Cash and cash equivalents at 31 December		**355,506**	154,623	**41,833**	(158)

Cash and cash equivalents

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

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash and bank balances	16	**196,718**	247,521	**410**	16
Deposits	16	**168,299**	292,379	**41,451**	–
		365,017	539,900	**41,861**	16
Less: Pledged bank balances and deposits	16	**(9,133)**	(383,855)	**–**	–
Bank overdraft	19	**(378)**	(1,422)	**(28)**	(174)
		355,506	154,623	**41,833**	(158)

Purchase of property, plant and equipment

In 2015, the Group acquired property, plant and equipment with an aggregate cost of RM39,559,000 of which RM186,000 were acquired by means of hire purchase and finance lease arrangements with the balance paid in cash.

The notes on pages 78 to 162 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 and 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 2016 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 2016 also include joint operations.

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are as stated in Note 5.

These financial statements were authorised for issue by the Board of Directors on 12 April 2017.

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 2017
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*

Notes to The Financial Statements (cont'd)

1. Basis of preparation (cont'd)

a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 4 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group will assess the financial impact that may arise from the adoption of MFRS 15.

ii) 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 will assess the financial impact that may arise from the adoption of MFRS 9.

iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group will assess the financial impact that may arise from the adoption of MFRS 16.

b) Basis of measurement

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

Notes to The Financial Statements (cont'd)

1. Basis of preparation (cont'd)

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 3 - valuation of property, plant and equipment
- Note 4 - valuation of investment properties
- Note 5 - valuation of investments in subsidiaries
- Note 10 - measurement of recoverable amounts of cash generating units
- Note 11 - recoverability of development inventories
- Note 14 - recognition of capital allowances and tax losses carried forward
- Note 32 - contigencies arising from financial guarantees
- Note 37 - acquisition of hotel business

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

a) Basis of consolidation (cont'd)

ii) Business combinations (cont'd)

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 accounts for 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.

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, unless it is classified as held for sale or distribution. 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

a) Basis of consolidation (cont'd)

v) Associates (cont'd)

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, unless the investment is classified as held for sale or distribution. 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.

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 or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

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 ventures 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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 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.

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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

i) Initial recognition and measurement (cont'd)

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(k)(i)).

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

ii) Financial instrument categories and subsequent measurement (cont'd)

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 otherwise 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 is 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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 from the date that they are available for use. 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

d) Property, plant and equipment (cont'd)

iii) Depreciation (cont'd)

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

• Aircraft	18 years
• Freehold buildings	20 - 99 years
• Leasehold buildings	over period of lease
• Leasehold land	perpetuity
• Land improvements	10 - 40 years
• Plant, machinery, office equipment and furniture	3 - 20 years
• Motor vehicles	4 - 8 years

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

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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

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, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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

Goodwill is not amortised but is 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 or held under a leasehold interest 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.

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.

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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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 under development 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 stated 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.

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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

j) 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.

k) 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.

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, deferred tax asset and investment property measured at fair value) 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

k) Impairment (cont'd)

ii) Other assets (cont'd)

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 a cash-generating unit or a 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.

l) 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

m) 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.

n) 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.

o) 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:

a) 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;

b) 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;

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

d) 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, 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

o) Revenue and other income (cont'd)

iii) Services

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

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) Interest income

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

vii) Management fee income

Management fee income from the provision of management services is recognised when services are rendered.

p) 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.

q) 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

q) Income tax (cont'd)

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 assets and liabilities 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.

r) 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.

s) 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. Operating segment's 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, Chief Executive Officer, Group Chief Financial Officer and Chief Operating 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.

Notes to The Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

t) 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

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

u) Fair value measurements

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in the circumstances that caused the transfers.

Notes to The Financial Statements (cont'd)

3. Property, plant and equipment

Group	Land RM'000	Land improve -ments RM'000	Buildings RM'000	*Plant and equipment RM'000	Aircraft RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2015	186,229	26,948	856,685	461,717	–	20,971	1,552,550
Additions	–	158	295	7,389	–	31,717	39,559
Disposals	–	–	–	(777)	–	–	(777)
Written off	–	–	(1,647)	(2,257)	–	–	(3,904)
Reclassifications	–	–	6,175	25,066	–	(31,241)	–
Increase of share in joint operations	–	–	167	1,484	–	–	1,651
Disposal of a subsidiary	–	–	(902)	(406)	–	(80)	(1,388)
Effect of movements in exchange rates	17,939	2,659	82,547	46,132	–	2,053	151,330
At 31 December 2015/1 January 2016	204,168	29,765	943,320	538,348	–	23,420	1,739,021
Additions	–	1,477	3,402	38,022	102,664	13,246	158,811
Acquisition of hotel business (Note 37)	30,843	–	61,880	37,277	–	–	130,000
Disposals	–	–	(38)	(75)	–	–	(113)
Written off	–	–	–	(261)	–	–	(261)
Transfer to investment properties:							
- Offset of accumulated depreciation	–	(1,083)	(36,949)	(46,552)	–	–	(84,584)
- Revaluation of property transferred	–	–	94,645	–	–	–	94,645
- Transfer of carrying amount	(55,704)	(8,669)	(215,183)	(26,957)	–	(1,360)	(307,873)
Effect of movements in exchange rates	7,688	1,233	35,618	22,368	8,971	1,691	77,569
At 31 December 2016	**186,995**	**22,723**	**886,695**	**562,170**	**111,635**	**36,997**	**1,807,215**
Depreciation and impairment loss							
At 1 January 2015							
Accumulated depreciation	–	7,989	165,146	228,821	–	–	401,956
Accumulated impairment losses	–	5,861	132,354	1,362	–	–	139,577
	–	13,850	297,500	230,183	–	–	541,533
Depreciation for the year	–	696	21,289	33,414	–	–	55,399
Disposals	–	–	–	(483)	–	–	(483)
Written off	–	–	(606)	(1,664)	–	–	(2,270)
Reclassifications	–	–	167	(167)	–	–	–
Increase of share in joint operations	–	–	8	1,219	–	–	1,227
Disposal of a subsidiary	–	–	(104)	(111)	–	–	(215)
Effect of movements in exchange rates	–	1,412	30,279	24,315	–	–	56,006
At 31 December 2015							
Accumulated depreciation	–	9,521	203,176	285,249	–	–	497,946
Accumulated impairment losses	–	6,437	145,357	1,457	–	–	153,251
	–	15,958	348,533	286,706	–	–	651,197

Notes to The Financial Statements (cont'd)

3. Property, plant and equipment (cont'd)

Group	Land RM'000	Land improve -ments RM'000	Buildings RM'000	*Plant and equipment RM'000	Aircraft RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2016							
Accumulated depreciation	–	9,521	203,176	285,249	–	–	497,946
Accumulated impairment losses	–	6,437	145,357	1,457	–	–	153,251
	–	15,958	348,533	286,706	–	–	651,197
Depreciation for the year	–	685	20,978	36,678	1,917	–	60,258
Disposals	–	–	–	(43)	–	–	(43)
Written off	–	–	–	(261)	–	–	(261)
Offset of accumulated depreciation on property transferred to investment properties	–	(1,083)	(36,949)	(46,552)	–	–	(84,584)
Reversal of impairment losses	–	(6,293)	–	(1,424)	–	–	(7,717)
Effect of movements in exchange rates	–	263	14,448	12,826	167	–	27,704
At 31 December 2016							
Accumulated depreciation	–	9,530	196,081	287,930	2,084	–	495,625
Accumulated impairment losses	–	–	150,929	–	–	–	150,929
	–	9,530	347,010	287,930	2,084	–	646,554
Carrying amounts							
At 1 January 2015	186,229	13,098	559,185	231,534	–	20,971	1,011,017
At 31 December 2015/1 January 2016	204,168	13,807	594,787	251,642	–	23,420	1,087,824
At 31 December 2016	186,995	13,193	539,685	274,240	109,551	36,997	1,160,661

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

Notes to The Financial Statements (cont'd)

3. Property, plant and equipment (cont'd)

Company	*Plant and equipment RM'000
Cost	
At 1 January 2015	1,616
Additions	2
At 31 December 2015/1 January 2016	1,618
Additions	13
At 31 December 2016	**1,631**
Depreciation	
At 1 January 2015	1,616
Depreciation for the year	–
At 31 December 2015/1 January 2016	1,616
Depreciation for the year	4
At 31 December 2016	**1,620**
Carrying amounts	
At 1 January 2015	–
At 31 December 2015/1 January 2016	2
At 31 December 2016	**11**

* 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 19 are as follows:

	Group	
	2016 RM'000	2015 RM'000
Land	**154,162**	197,498
Land improvements	**272**	7,128
Buildings	**471,460**	544,731
Plant and equipment	**231,937**	220,311
Aircraft	**109,551**	–
	967,382	969,668

ii) 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 RM26,000 (2015: RM127,000).

Notes to The Financial Statements (cont'd)

3. Property, plant and equipment (cont'd)

iii) 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 34.

Group	Land and buildings RM'000
At 31 December 2016	
Cost	**20,057**
Accumulated depreciation	**(11,161)**
Net carrying amount	**8,896**
At 31 December 2015	
Cost	215,541
Accumulated depreciation	(39,978)
Net carrying amount	175,563

iv) Included in the total carrying amounts of land are:

	Group 2016 RM'000	Group 2015 RM'000
Freehold land	**177,993**	195,498
Leasehold land with unexpired lease period of more than 50 years	**9,002**	8,670
	186,995	204,168

v) The Group's capital work-in-progress mainly relates to refurbishment of hotels' assets.

vi) During the year, two commercial properties with a total carrying amount of RM213,228,000 have been transferred from property, plant and equipment to investment properties as the occupancy rate by the Group has been reduced to an insignificant level. At the date of reclassification, the Group has performed the following transactions to recognise the difference between the carrying value and the fair value of the assets based on capitalisation approach (see Note 4.1):

a) Reversal of impairment loss of RM7,717,000; and
b) Revaluation reserves of RM94,645,000 with deferred tax liability of RM28,393,000.

Changes in fair value subsequent to this date are recorded in Investment Properties in Note 4.

Notes to The Financial Statements (cont'd)

4. Investment properties

	Note	Group 2016 RM'000	Group 2015 RM'000
At 1 January		**416,938**	21,962
Addition		**67,210**	366,149
Transfer from property, plant and equipment	(a)	**307,873**	–
Capital expenditure capitalised		**12**	27
Change in fair value of investment properties		**1,162**	–
Disposal of a subsidiary (Note 29)		**–**	(2,984)
Effect of movements in exchange rates		**19,903**	31,784
At 31 December		**813,098**	416,938

Included in the above are:

	Group 2016 RM'000	Group 2015 RM'000
Freehold land and buildings	**813,098**	416,938

Valuation reconciliation:

Valuation is reconciled to the investment properties carrying amount as follows:

	Group 2016 RM'000	Group 2015 RM'000
Carrying amount of investment properties	**813,098**	416,938
Add:		
Accrued income	**11,964**	–
Deferred lease incentive	**6,177**	–
Deferred revenue	**(1,263)**	–
Valuation	**829,976**	416,938

Investment properties mainly comprise of commercial properties that leased to third parties (see Note 34). Each of the leases contains an initial non-cancellable period of 1 to 16 years, with annual rental indexed to consumer prices. No contingent rents are charged.

Investment properties of the Group with a carrying amount of RM811,347,000 (2015: RM397,933,000) is pledged as a security for bank borrowings as disclosed in Note 19.

Notes to The Financial Statements (cont'd)

4. Investment properties (cont'd)

During the financial year, the Group has undertaken the following transactions:

a) As mentioned in Note 3(vi), two commercial properties have been transferred from property, plant and equipment to investment properties with carrying amount of RM307,873,000 inclusive of revaluation reserves of RM94,645,000.

b) Norwest Flexi Pty. Limited, an indirect wholly-owned subsidiary of the Company had on 14 December 2015 entered into a contract to purchase a property located at 2-8 Lexington Drive, Bella Vista, NSW 2153 for RM67,210,000. The property is improved with a modern freestanding bulky goods retail building, formerly a Bunnings Warehouse facility with on-grade car parking for 277 vehicles. The said acquisition was completed on 22 January 2016.

In previous financial year, Norwest City Pty Limited, an indirect wholly-owned subsidiary of the Company had on 18 December 2014 entered into a Contract for the Sale of Land with Norwest Marketown Pty Limited as trustee for Norwest Lakeside Unit Trust ("Vendor") for the proposed acquisition of Norwest Marketown and certain surrounding lands located at Norwest Boulevard, Baulkham Hills, NSW, Australia from the Vendor for a total purchase consideration of RM366,149,000. The said acquisition was completed on 27 February 2015.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2016 RM'000	**2015 RM'000**
Rental income	**41,332**	21,427
Direct operating expenses:		
- income generating investment properties	**12,219**	6,550
- non-income generating investment properties	**198**	133

Notes to The Financial Statements (cont'd)

4. Investment properties (cont'd)

4.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2016 Level 2 RM'000	2016 Level 3 RM'000	2016 Total RM'000	2015 Level 2 RM'000	2015 Level 3 RM'000	2015 Total RM'000
Freehold land and buildings	**–**	**829,976**	**829,976**	14,058	402,880	416,938

Level 2 fair value

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.

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Note	Group 2016 RM'000	Group 2015 RM'000
At 1 January		**402,880**	5,971
Addition		**67,210**	366,149
Transfer from property, plant and equipment		**307,873**	–
Capital expenditure capitalised		**12**	–
Transfer into Level 3	a	**14,058**	–
Change in fair value of investment properties		**1,162**	–
Disposal of a subsidiary		**–**	(1,024)
Accrued income		**11,964**	–
Deferred lease incentive		**6,177**	–
Deferred revenue		**(1,263)**	–
Effect of movements in exchange rates		**19,903**	31,784
At 31 December		**829,976**	402,880

Note a – Transfer into Level 3

In 2015, the fair value of the property was determined using the transacted price of a recent sale transaction near reporting date of similar property, which resulted in a Level 2 fair value. In 2016, the Group estimates the fair value of the property using a valuation report that is based on the market research on similar properties listed for sale within the same locality. The revised valuation technique for the property uses significant unobservable inputs. The fair value was therefore reclassified to Level 3.

Notes to The Financial Statements (cont'd)

4. Investment properties (cont'd)

4.1 Fair value information (cont'd)

Level 3 fair value (cont'd)

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sale comparison approach: Sale price of comparable land and buildings 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.	Price per square foot (RM91-RM1,309)	The estimated fair value would increase / (decrease) if the price per square foot is higher / (lower).
Capitalisation approach: The capitalisation rates were determined with regard to recent market transactions of similar properties in similar locations to the Group's investment properties, capitalised rental returns/passing income and assessment of development potential.	Capitalisation rate range from 6.0% to 8.0%.	The estimated fair value would increase / (decrease) if the expected capitalisation rate was (higher) / lower.

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined based on:

i) the external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued; and
ii) internal valuation using the capitalisation rate method which is the rate of return on investment properties based on the income that the property is expected to generate.

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.

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
At cost		
Unquoted shares in Malaysia	**414,017**	414,017
Foreign unquoted shares	**242,271**	242,271
	656,288	656,288
Less: Accumulated impairment losses	**(57,471)**	(56,858)
	598,817	599,430

Movement in the accumulated impairment losses are as follows:

	Company 2016 RM'000	Company 2015 RM'000
At 1 January	**56,858**	56,858
Addition	**613**	–
At 31 December	**57,471**	56,858

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Subsidiaries of Mulpha International Bhd.				
Leisure Farm Corporation Sdn. Bhd.	Malaysia	Property development, property investment and resort operation	**100**	100
M Sky Services Sdn. Bhd.	Malaysia	Private air transportation services	**100**	100
Mulpha Land & Property Sdn. Bhd.	Malaysia	Property development	**100**	100
Mulpha Ventures Sdn. Bhd.	Malaysia	Licensed money lending 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 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 [3]	British Virgin Islands	Investment holding	**100**	100

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Subsidiaries of Leisure Farm Corporation Sdn. Bhd.				
Leisure Farm Horticulture Services Sdn. Bhd.	Malaysia	Maintenance and upkeep of landscape services	**100**	100
Leisure Farm Equestrian Sdn. Bhd.	Malaysia	Investment holding, property development and property investment	**100**	100
Leisure Farm Polo Club Berhad	Malaysia	Dormant	**100**	100
Subsidiaries of Mulpha Capital Holdings Sdn. Bhd.				
Mulpha Capital Markets Sdn. Bhd.	Malaysia	Provision of corporate advisory and professional services and investment holding	**100**	100
Mulpha Capital Asset Management Sdn. Bhd.	Malaysia	Dormant	**70**	70
Subsidiaries of Mulpha Capital Markets Sdn. Bhd.				
Mulpha Credit Sdn. Bhd.	Malaysia	Dormant	**100**	100
Subsidiaries of Mulpha Group Services Sdn. Bhd.				
Mulpha Strategic Limited [3]	British Virgin Islands	Investment holding and funds management	**100**	100
Manta Equipment (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**70**	70
Subsidiaries of Mulpha Australia Limited				
Bimbadgen Estate Pty. Limited [1]	Australia	Winery and vineyard	**100**	100
Mulpha Australia (Holdings) Pty. Limited [1]	Australia	Investment holding	**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

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	2015 %
Subsidiaries of Mulpha Australia Limited (cont'd)				
Mulpha Hotel Management Pty. Limited [1]	Australia	Dormant	**100**	100
Mulpha (Hotel Bonds) Group Pty. Limited [1]	Australia	Dormant	**100**	100
Mulpha Core Plus Trust [1]	Australia	Investment holding	**100**	100
Mulpha Core Plus Pty. Limited [1]	Australia	Trustee	**100**	100
Mulpha Education Group Pty. Limited [1]	Australia	Education and investment holding	**100**	100
Norwest City Pty. Limited [1]	Australia	Trustee	**100**	100
MAL Hayman Pty. Limited [1]	Australia	Dormant	**100**	100
Norwest Flexi Pty. Limited [1]	Australia	Trustee	**100**	100
Mulpha Funds Management Pty. Limited [1]	Australia	Trustee/asset management	**100**	100
Circa 1 Pty. Limited [1] [2]	Australia	Property development	**100**	–
Cairns Esplanade Operations Pty. Limited [1] [2]	Australia	Hotelier	**100**	–
Mulpha Finance Pty. Limited [1] [2]	Australia	Financial services provider	**100**	–
Mulpha Cairns Esplanade Fund [1] [2]	Australia	Property ownership	**100**	–
Subsidiaries of Mulpha Sanctuary Cove Pty. Limited				
Mulpha Sanctuary Cove (Developments) Pty. Limited [1]	Australia	Property development	**100**	100
Mulpha Sanctuary Cove International Boat Show Pty. Limited [1]	Australia	Boat show operator	**100**	100
Sanctuary Cove (Real Estate) Pty. Limited [1]	Australia	Investment holding	**100**	100
Mulpha Sanctuary Cove Hotel Operations Pty. Limited [1]	Australia	Hotelier	**100**	100
Mulpha Sanctuary Cove Marine Village Pty. Limited [1]	Australia	Property ownership	**100**	100
Mulpha Sanctuary Cove Marina Pty. Limited [1]	Australia	Marina operations	**100**	100
Mulpha Sanctuary Cove Hotel Investments Pty. Limited [1]	Australia	Property ownership	**100**	100

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	2015 %
Subsidiaries of Mulpha Sanctuary Cove (Developments) Pty. Limited				
Mulpha Sanctuary Cove (Alpinia) Pty. Limited [1]	Australia	Property development	**100**	100
Mulpha SPV2 Pty Limited [1]	Australia	Dormant	**100**	100
Subsidiary of HD Diesels Pty. Limited				
Salzburg Apartments (Perisher Valley) Pty. Limited [1]	Australia	Serviced apartment operator	**100**	100
Subsidiaries of Mulpha Hotel Investments (Australia) Pty. Limited				
Mulpha Hotels Holdings Trust [1]	Australia	Investment holding	**100**	100
Mulpha Hotels Holdings Pty. Limited [1]	Australia	Trustee	**100**	100
Subsidiaries of Mulpha Hotels Holdings Trust				
Mulpha Hotels Australia Trust [1]	Australia	Investment holding	**100**	100
Mulpha Hotels Australia Pty. Limited [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	Property ownership	**100**	100
Mulpha Hotel Operations Pty. Limited [1]	Australia	Hotelier	**100**	100
Subsidiary of Mulpha Investment Pty. Limited				
Mulpha Norwest Pty. Limited [1]	Australia	Property developer	**100**	100
Subsidiary of Mulpha Education Group Pty. Limited				
iLead Training Pty. Limited [1]	Australia	Education	**100**	100
Subsidiaries of Mulpha Hotels Australia Trust				
Mulpha Hotel Pty. Limited [1]	Australia	Hotelier	**100**	100
Mulpha Hotel Trust [1]	Australia	Property ownership	**100**	100

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Subsidiaries of Mulpha Norwest Pty. Limited				
Norwest Real Estate Pty. Limited [1]	Australia	Dormant	**100**	100
Mulpha SPV 3 Pty. Limited [1]	Australia	Dormant	**100**	100
Subsidiaries of Mulpha Hotel Trust				
Hotel Land Trust [1]	Australia	Property development	**100**	100
Mulpha Hotel Bonds (Holdings) Pty. Limited [1]	Australia	Dormant	**100**	100
Bistrita Pty. Limited [1]	Australia	Trustee	**100**	100
Subsidiary of Mulpha Hotel Bonds (Holdings) Pty. Limited				
Mulpha Hotel Bonds Pty. Limited [1]	Australia	Bond issuer	**100**	100
Subsidiaries of Mulpha Core Plus Trust				
Norwest City Trust [1]	Australia	Property ownership and development	**100**	100
Flexi Trust [1]	Australia	Property ownership	**100**	100
Subsidiaries of Mulpha Strategic Limited				
AFO Assets Limited [2]	Malaysia (Labuan)	Leasing business	**100**	–
Jumbo Hill Group Limited [3]	British Virgin Islands	Investment holding	**100**	100
Flame Gold Group Limited [3]	British Virgin Islands	Investment holding	**100**	100
View Link Global Limited [3]	British Virgin Islands	Investment holding and consultancy services	**100**	100

[1] Subsidiaries audited by other member firms of KPMG International.

[2] Subsidiaries incorporated/established during the financial year.

[3] Not required to be audited pursuant to the relevant regulations of the country of incorporation.

Notes to The Financial Statements (cont'd)

5. Investments in subsidiaries (cont'd)

a) Additional investments in subsidiaries

In the previous financial year, the Company made an additional investment of redeemable preference shares in a subsidiary amounting to RM50,000,000.

b) Disposal of a subsidiary/Redemption of redeemable preference shares

In the previous financial year, the Company undertook the following transactions:

i) Disposal of 75 million ordinary shares of Thriven with cost of investment of RM28,005,000. The disposal resulted in a gain of RM9,191,000 to the Company. The remaining of the cost of investment of RM24,794,000 was classified as investments in associates in the Company level. The effects of the disposal to the Group are disclosed in Note 29.

ii) Net redemption of redeemable preference shares of certain existing subsidiaries amounting to RM89,540,000.

6. Investments in associates

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
At cost:				
Quoted shares in Malaysia	**30,829**	75,037	**22,926**	22,926
Unquoted shares in Malaysia	**–**	55	**–**	–
Foreign quoted shares	**1,228,758**	1,226,874	**–**	–
Foreign unquoted shares	**115,883**	137,846	**–**	21,963
Exchange difference	**260,906**	233,257	**–**	–
	1,636,376	1,673,069	**22,926**	44,889
Share of post-acquisition reserves	**(375,426)**	(310,392)	**–**	–
	1,260,950	1,362,677	**22,926**	44,889
Less: Accumulated impairment losses	**(17,512)**	(8,330)	**(7,270)**	(20,456)
	1,243,438	1,354,347	**15,656**	24,433
At market value:				
Quoted shares				
- In Malaysia	**15,656**	178,776	**15,656**	36,837
- Foreign	**1,430,303**	1,293,271	**–**	–
	1,445,959	1,472,047	**15,656**	36,837

Notes to The Financial Statements (cont'd)

6. Investments in associates (cont'd)

Movement in the accumulated impairment losses account is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	**8,330**	8,330	**20,456**	20,456
Charge for the year	**17,512**	–	**7,270**	–
Reversal for the year	**(5,275)**	–	**–**	–
Written off	**(55)**	–	**–**	–
Disposal of associates	**(3,000)**	–	**(20,456)**	–
At 31 December	**17,512**	8,330	**7,270**	20,456

Details of the associates are as follows:

Name of entity	Country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Held by Mulpha International Bhd.				
Rotol Singapore Ltd. ("Rotol") [1]	Singapore	Investment holding	**–**	38.00
Thriven Global Berhad ("Thriven")	Malaysia	Investment holding, property development and property investment	**24.45**	24.45
Held through Mulpha Infrastructure Holdings Sdn. Bhd.				
Mudajaya Group Berhad ("Mudajaya") [2]	Malaysia	Building contractor and civil engineering	**–**	22.34
Held through Mulpha Australia Limited				
AVEO Group [3] ("AVEO")	Australia	Ownership and management of retirement villages and property development	**2.35**	2.65
Held through Rosetec Investments Limited				
AVEO [3]	Australia	Ownership and management of retirement villages and property development	**20.25**	22.81
Held through View Link Global Limited				
New Pegasus Holdings Limited [4] ("New Pegasus")	British Virgin Island	Investment holding	**33.00**	33.00

[1] Associate disposed of during the financial year.

[2] Associate which became investment securities during the financial year upon partial disposal of equity interest as disclosed in Note 6(i).

[3] Associates not audited by other member firms of KPMG International.

[4] Associates audited by other member firms of KPMG International.

Notes to The Financial Statements (cont'd)

6. Investments in associates (cont'd)

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 2016	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000	Thriven RM'000
Summarised financial information				
As at 31 December				
Non-current assets	17,826,250	–	643,100	60,331
Current assets	820,300	–	61,738	341,159
Non-current liabilities	(979,550)	–	(341,620)	(85,181)
Current liabilities	(11,500,125)	–	(26,052)	(161,289)
Net assets	6,166,875	–	337,166	155,020
Year ended 31 December				
Profit/(Loss)	521,424	–	22,239	(7,797)
Other comprehensive income	2,754	–	–	–
Total comprehensive income/(expense)	524,178	–	22,239	(7,797)
Included in the total comprehensive income is:				
Revenue	1,876,392	–	140,947	66,969

Group 2016	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000	Thriven RM'000	Other immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount as at 31 December						
Group's share of net assets	1,116,517	–	111,265	15,656	–	1,243,438
Group's share of results for the year ended 31 December						
Group's share of profit/(loss)	121,713	(29,282)	7,176	(1,136)	(285)	98,186
Group's share of other comprehensive income	1,688	(142)	–	–	–	1,546
Group's share of total comprehensive income/(expense)	123,401	(29,424)	7,176	(1,136)	(285)	99,732
Other information						
Dividends received	32,112	–	7,047	–		

Notes to The Financial Statements (cont'd)

6. Investments in associates (cont'd)

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 (cont'd):

Group 2015	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000	Thriven RM'000
Summarised financial information				
As at 31 December				
Non-current assets	9,736,178	871,254	757,150	65,637
Current assets	902,066	1,169,716	71,874	334,830
Non-current liabilities	(1,085,797)	(404,791)	(410,759)	(107,881)
Current liabilities	(4,635,843)	(546,197)	(30,696)	(129,678)
Net assets	4,916,604	1,089,982	387,569	162,908
Year ended 31 December				
Profit	272,728	2,392	22,580	376
Other comprehensive income	1,460	5,960	522	–
Total comprehensive income	274,188	8,352	23,102	376
Included in the total comprehensive income is:				
Revenue	1,281,880	543,509	154,026	56,810

Group 2015	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000	Thriven RM'000	Other immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount as at 31 December						
Group's share of net assets	937,180	252,340	128,205	34,304	2,318	1,354,347
Group's share of results for the year ended 31 December						
Group's share of profit/(loss)	70,716	(456)	(884)	1,080	123	70,579
Group's share of other comprehensive income	640	1,343	2,773	–	966	5,722
Group's share of total comprehensive income	71,356	887	1,889	1,080	1,089	76,301
Other information						
Dividends received	20,529	–	17,811	–		

Notes to The Financial Statements (cont'd)

6. Investments in associates (cont'd)

i) On 28 September 2016, the Group disposed of 2.5% investment in Mudajaya. As a result, the Group's interest in Mudajaya has decreased from 22.34% to 19.84% and ceased to have significant influence over Mudajaya. The retained interest in Mudajaya is measured at fair value and regarded as the initial carrying amount of investment securities and this has resulted in a loss on disposal of RM105,916,000 at the Group level.

On 5 December 2016, the Group further disposed of 1.21% investment in Mudajaya. This resulted in the Group's interest decreasing to 18.63% and a loss on disposal of investment securities of RM696,000 was recognised.

ii) On 22 September 2016, the Group and the Company had fully disposed the investment in Rotol with the carrying amount of RM5,033,000 and RM1,507,000 respectively. This has resulted in a loss on disposal of RM3,003,000 and RM326,000 at the Group level and the Company level respectively.

iii) AVEO has on 17 February 2016, 18 August 2016 and 26 October 2016 placed out its 5.44%, 6.83% and 0.18% respectively of its issued shares to third parties. Consequently, the Group's shareholding in AVEO has diluted from 25.46% to 22.60%. This has resulted in a gain on dilution of interest in an associate amounting to RM41,352,000 at the Group level.

iv) The quoted shares of a foreign associate with a carrying value of RM1,116,517,000 (2015: RM937,180,000) are pledged as security for other borrowings as disclosed in Note 19.

7. Investments in joint ventures

	Group	
	2016 RM'000	**2015 RM'000**
Unquoted shares at cost	**3,336**	3,040
Add: Share of post-acquisition profit	**3,409**	9,145
Exchange differences	**751**	613
	7,496	12,798
The movements of investments in joint ventures are as follows:		
Carrying amount at 1 January	**12,798**	2,534
Addition	**296**	24
Share of net result from investment in joint ventures	**552**	9,291
Dividend received	**(6,288)**	(146)
Exchange differences	**138**	1,095
Carrying amount at 31 December	**7,496**	12,798

Notes to The Financial Statements (cont'd)

7. Investments in joint ventures (cont'd)

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2016 %	Effective ownership interest 2015 %
Held through Mulpha Sanctuary Cove (Management) Pty. Limited				
SC Realty Pty. Limited [1]	Australia	Real estate agency	**50.00**	50.00
Held through Mulpha Norwest Pty. Limited				
Spamb Pty. Limited [1]	Australia	Property developer	**60.00**	60.00
Held through Mulpha Credit Sdn. Bhd.				
Mondrian Real Estate Services Sdn. Bhd. [1]	Malaysia	Providing real estate project marketing and brokerage services	**45.00**	45.00
Held through Leisure Farm Corporation Sdn. Bhd.				
Gerbang Leisure Park Sdn. Bhd. (formerly known as JV Axis Sdn. Bhd.) [2]	Malaysia	Property development	**50.00**	–

[1] Joint ventures not audited by other member firms of KPMG International.

[2] Joint venture acquired during the financial year.

Notes to The Financial Statements (cont'd)

7. Investments in joint ventures (cont'd)

The following tables summarise the financial information of joint ventures 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	
	2016 RM'000	**2015 RM'000**
Summarised financial information		
As at 31 December		
Non-current assets	**5,647**	17
Current assets	**2,012**	26,998
Current liabilities	**(138)**	(10,412)
Net assets	**7,521**	16,603
Year ended 31 December		
Total comprehensive income	**1,044**	15,764
Included in the total comprehensive income is:		
Revenue	**7,143**	28,099
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**7,496**	12,798
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	**552**	9,291
Other information		
Cash dividends received by the Group	**6,288**	146

Notes to The Financial Statements (cont'd)

8. Investment securities

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
Available-for-sale financial assets					
Foreign quoted bond	a	**268,800**	–	**–**	–
Foreign quoted shares		**18**	112	**–**	–
Quoted shares - Malaysia	b	**91,298**	–	**–**	–
Unquoted shares					
- In Malaysia		**1,000**	1,000	**1,000**	1,000
- Foreign		**45**	44	**43**	43
		361,161	1,156	**1,043**	1,043
Current					
Financial assets at fair value through profit or loss					
Quoted shares					
- In Malaysia		**275**	431	**–**	–
- Foreign		**2,490**	2,085	**–**	–
		2,765	2,516	**–**	–
		363,926	3,672	**1,043**	1,043
Market value of quoted investments		**362,881**	2,628	**–**	–

The investment securities with a carrying value of RM269,075,000 (2015: RM2,516,000) are pledged to financial institutions for credit facilities granted to subsidiaries as disclosed in Note 19.

Note a

On 28 December 2016, Mulpha Strategic Limited ("MSL"), a wholly-owned subsidiary of Mulpha Group Services Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, has subscribed for Series 1 USD60 million (equivalent to RM268,800,000) 7% Notes due in 2019 issued by Mudajaya Ventures Limited under its USD200 million Euro Medium Term Note Programme. This investment is recognised as available-for-sale financial assets and partially funded by a term loan from a foreign financial institution.

Note b

This relates to investment in Mudajaya. See Note 6(i).

9. Other investments

	Club memberships RM'000	Investments in works of art RM'000	Total RM'000
Group			
At 1 January 2015/31 December 2015/31 December 2016	959	4,121	5,080
Company			
At 1 January 2015/31 December 2015/31 December 2016	930	4,121	5,051

Notes to The Financial Statements (cont'd)

10. Goodwill

Group	Goodwill on consolidated RM'000	Purchased goodwill RM'000	Total RM'000
At 1 January 2015	8,921	192	9,113
Disposal of a subsidiary (Note 29)	(6,409)	–	(6,409)
Exchange differences	–	18	18
At 31 December 2015/1 January 2016	2,512	210	2,722
Exchange differences	–	9	9
At 31 December 2016	**2,512**	**219**	**2,731**

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 2016			
Boat show	**–**	**219**	**219**
Investment business	**2,512**	**–**	**2,512**
	2,512	**219**	**2,731**
At 31 December 2015			
Boat show	–	210	210
Investment business	2,512	–	2,512
	2,512	210	2,722

Key assumption used

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, the recoverable amount is based on fair value less cost of disposal by estimating the fair value of the underlying assets and liabilities of the investment.

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

Notes to The Financial Statements (cont'd)

11. Inventories

	Group 2016 RM'000	Group 2015 RM'000
Non-current assets		
Properties held for development		
- Cost of acquisition for freehold land	**568,262**	460,939
- Capitalised development cost	**171,291**	184,621
Total non-current inventories	**739,553**	645,560
Current assets		
Properties under development		
- Cost of acquisition for freehold land	**169,209**	176,831
- Capitalised development cost	**395,677**	484,934
	564,886	661,765
Completed properties	**134,066**	42,964
Finished goods	**6,051**	3,118
Work-in-progress	**6,665**	7,818
Other consumables	**11,414**	9,722
	158,196	63,622
Total current inventories	**723,082**	725,387
Total inventories	**1,462,635**	1,370,947

Included in properties under development of the Group is interest capitalised during the financial year amounting to RM3,984,000 (2015: RM2,227,000).

Certain properties held for development and properties under development amounting to RM919,081,000 (2015: RM886,196,000) are pledged to financial institutions as security for banking facilities granted as disclosed in Note 19.

Notes to The Financial Statements (cont'd)

12. Trade and other receivables

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
Trade					
Accrued income	12.1	**13,085**	–	**–**	–
Non-trade					
Amount due from subsidiary	12.2	**–**	–	**401,445**	362,643
		13,085	–	**401,445**	362,643
Current					
Trade					
Trade receivables	12.3	**96,136**	80,820	**–**	–
Less: Allowance for impairment losses		**(1,249)**	(1,405)	**–**	–
		94,887	79,415	**–**	–
Accrued billings	12.4	**5,987**	5,174	**–**	–
		100,874	84,589	**–**	–
Non-trade					
Other receivables		**129,914**	142,900	**103,306**	103,306
Deposits		**2,978**	5,837	**39**	48
Amounts due from associates		**–**	244	**–**	22
Amounts due from subsidiaries	12.2	**–**	–	**1,105,824**	785,637
		132,892	148,981	**1,209,169**	889,013
		233,766	233,570	**1,209,169**	889,013
Total trade and other receivables		**246,851**	233,570	**1,610,614**	1,251,656

12.1 Accrued income

Accrued income of RM11,964,000 relates to rental income of investment properties recognised on a straight-line basis over the lease term.

12.2 Amounts due from subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
Bearing interest	**549,199**	452,397
Non-interest bearing	**958,070**	695,883
	1,507,269	1,148,280

Notes to The Financial Statements (cont'd)

12. Trade and other receivables (cont'd)

12.2 Amounts due from subsidiaries (cont'd)

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

The non-current amount due from a subsidiary consist of the following:

i) Foreign unquoted cumulative redeemable preference shares ("CRPS") amounted to RM262,955,000 (2015: RM253,246,000) owing by Mulpha Australia Limited ("MAL"), 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 subject to dividend of 9.50% (2015: 9.50%) per annum.

ii) Unsecured loan owing by MAL amounted to RM44,802,000 (2015: RM40,821,000) is subject to interest of 7.00% (2015: 7.00%) per annum; and

iii) Remaining amount owing by MAL was accrued dividend payables on CRPS and interest on the unsecured loan as mentioned in Note 12.2(i) and 12.2(ii) respectively.

The current amounts due from subsidiaries are unsecured, non-interest bearing and receivable on demand except for amounts due from subsidiaries amounting to RM19,303,000 (2015: RM14,564,000) and RM222,139,000 (2015: RM143,766,000) which are subject to interest of 4.05% (2015: 4.05%) per annum and 8.50% (2015: 8.50%) per annum respectively.

12.3 Trade receivables

Included in trade receivables of the Group in the previous financial year was an amount of RM716,000 due from an associate company of the Group which was fully received during the financial year. The amount was subject to normal trade terms.

12.4 Accrued billings

The accrued billings represent the amount due from customers of which services have been rendered but billings have yet to be issued. Included in accrued billings of the Group are amounts of RM4,644,000 (2015: RM1,380,000) due from a company related to a director of the Company and RM739,000 (2015: RM2,754,000) due from a company related to a person connected to a director of the Company. In 2015, included in accrued billings was an amount of RM524,000 due from an associate company of the Group.

13. Other non-current assets

	Group	
	2016 RM'000	**2015 RM'000**
Deferred lease incentive	**6,177**	–
Prepayments and others	**4,334**	14,742
	10,511	14,742

Notes to The Financial Statements (cont'd)

14. Deferred tax assets

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 RM'000	Assets 2015 RM'000	Liabilities 2016 RM'000	Liabilities 2015 RM'000	Net 2016 RM'000	Net 2015 RM'000
Inventories	**12,963**	12,963	**–**	–	**12,963**	12,963
Provision for liabilities and other payables	**78,845**	20,456	**–**	–	**78,845**	20,456
Unabsorbed capital allowances	**10,705**	36,451	**–**	–	**10,705**	36,451
Fair value adjustment	**–**	–	**(18,184)**	(268)	**(18,184)**	(268)
Tax losses	**11,783**	33,759	**–**	–	**11,783**	33,759
Accelerated capital allowances	**–**	–	**(31,435)**	(21,564)	**(31,435)**	(21,564)
Receivables and others	**–**	–	**(32,939)**	(22,041)	**(32,939)**	(22,041)
Tax assets/(liabilities)	**114,296**	103,629	**(82,558)**	(43,873)	**31,738**	59,756
Set off of tax	**(82,558)**	(43,873)	**82,558**	43,873	**–**	–
Net tax assets/(liabilities)	**31,738**	59,756	**–**	–	**31,738**	59,756

Unrecognised deferred tax assets

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

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Unutilised tax losses	**191,074**	103,090	**335**	335
Unabsorbed capital allowances	**7,213**	7,134	**3,646**	3,646
Other deductible temporary differences	**15,134**	11,491	**–**	–
	213,421	121,715	**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.

Notes to The Financial Statements (cont'd)

14. Deferred tax assets (cont'd)

Unrecognised deferred tax assets (cont'd)

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	
	Note	2016 RM'000	2015 RM'000
At 1 January		**59,756**	53,750
Recognised in profit or loss		**1,088**	4,283
Disposal of a subsidiary	29	**–**	(2,502)
Recognised in other comprehensive income		**(28,393)**	–
Exchange adjustments		**(713)**	4,225
At 31 December		**31,738**	59,756

15. Other current assets

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Prepayments	**17,972**	26,658	**–**	182

16. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	**196,718**	247,521	**410**	16
Deposits with licensed banks	**168,299**	292,379	**41,451**	–
	365,017	539,900	**41,861**	16

Deposits amounting to RM7,450,000 (2015: RM381,052,000) and an amount of RM1,683,000 (2015: RM2,803,000) held in an interest reserve account of the Group are pledged to licensed banks as security for banking facilities granted to certain subsidiaries and the Company as disclosed in Note 19.

Included in the cash and bank balances of the Group is an amount of RM411,000 (2015: RM13,000) maintained under the Housing Developers Accounts pursuant to the Housing Developers (HDA) Regulations 1991, which are restricted from use in other operations.

Notes to The Financial Statements (cont'd)

16. Cash and cash equivalents (cont'd)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2016 for the Group and for the Company was 1.5% (2015: 0.5%) and 3.41% (2015: nil) per annum respectively.

The average maturities of deposits with licensed banks for the Group and for the Company as at reporting date was 10 days (2015: 71 days) and 1 day (2015: nil) respectively.

17. Share capital, share premium and treasury shares

	Group and Company			
	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '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 2015	2,355,913	(222,199)	1,177,957	(92,115)
Purchase of treasury shares	–	(60)	–	(22)
At 31 December 2015/1 January 2016	**2,355,913**	**(222,259)**	**1,177,957**	**(92,137)**
Purchase of treasury shares	**–**	**(5,610)**	**–**	**(1,140)**
Cancellation of treasury shares	**(226,547)**	**226,547**	**(113,274)**	**93,011**
Issuance of ordinary shares pursuant to rights issue	**1,066,826**	**–**	**533,413**	**–**
At 31 December 2016	**3,196,192**	**(1,322)**	**1,598,096**	**(266)**

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.

On 9 June 2016, the Company increased its issued and paid-up ordinary share capital from RM1,177,956,579 to RM1,1711,369,918 by way of a rights issue of 1,066,826,679 new ordinary shares of RM0.50 each at an issue price of RM0.50 each per ordinary share, payable in cash and capitalisation from the Company's share premium account of RM0.25 and RM0.25 respectively. On 14 June 2016, the Company completed its rights issue exercise with the listing of 1,066,826,679 new ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. Subsequently, on 30 November 2016, the Company cancelled all its treasury shares comprising 226,547,700 ordinary shares of RM0.50 each. Following the cancellation, the Company's issued and paid-up share capital decreased from RM1,711,369,918 to RM1,598,096,068.

Notes to The Financial Statements (cont'd)

17. Share capital, share premium and treasury shares (cont'd)

b) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. During the financial year, an amount of RM266,707,000 and RM93,011,000 were capitalised and deducted from the share premium account for rights issue and cancellation of treasury share as mentioned in Note 17(a) and Note 17(c) respectively. The expenses for rights issues and cancellation of treasury shares with an amount of RM2,284,000 was also deducted from the share premium account.

c) 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 2016, the details of the Company's share purchase and share cancellation are as follows:

		Number of shares purchased/ (cancelled)	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
2014	Purchased	150,000	66	0.440
2015	Purchased	60,000	22	0.367
2016	Purchased	5,610,000	1,140	0.203
2016	Cancelled	(226,547,700)	(93,011)	0.411
		1,322,100	266	0.201

During the financial year, the Company purchased 5,610,000 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
September	10,000	2	0.230	0.230	0.230
October	2,600,000	535	0.205	0.205	0.205
November	1,677,900	337	0.200	0.200	0.200
December	1,322,100	266	0.200	0.200	0.201
	5,610,000	1,140			

* 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 3,196,192,137 (2015: 2,355,913,158) issued and fully paid up ordinary shares as at 31 December 2016, 1,322,100 (2015: 222,259,800) are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Notes to The Financial Statements (cont'd)

18. Reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable				
Exchange reserve	**278,684**	209,632	**–**	–
Capital reserve	**215,037**	101,763	**221,502**	108,228
Other reserve	**(12,547)**	(5,787)	**107**	107
Revaluation reserve	**66,252**	–	**–**	–
	547,426	305,608	**221,609**	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) **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.

b) **Capital reserve**

Capital reserve mainly arising from the cancellation of treasury shares representing the nominal value of the shares repurchased and cancelled and the changes in ownership interests in subsidiaries.

c) **Other reserve**

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

d) **Revaluation reserve**

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification to investment properties.

Notes to The Financial Statements (cont'd)

19. Loans and borrowings

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current				
Finance lease liabilities - secured	**9,025**	8,777	**–**	–
Bonds - secured	**505,969**	101,939	**–**	–
Bills payable	**55,957**	–	**–**	–
Term loans - secured	**1,667,632**	821,625	**–**	–
	2,238,583	932,341	**–**	–
Current				
Finance lease liabilities - secured	**88**	148	**–**	–
Bank overdraft - secured	**378**	1,422	**28**	174
Bonds - secured	**4,205**	647,170	**–**	–
Bills payable	**2,167**	–	**–**	–
Revolving credit - secured	**85,480**	226,483	**75,480**	81,000
Term loans:				
- secured	**83,237**	432,821	**–**	–
- unsecured	**–**	6,639	**–**	–
	175,555	1,314,683	**75,508**	81,174
Total borrowings	**2,414,138**	2,247,024	**75,508**	81,174

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 5.5% to 7.0% (2015: 5.5% to 8.6%) per annum during the financial year.

b) The bank overdrafts, bills payable, 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(i);

iii) Pledge of investment properties of certain subsidiaries as disclosed in Note 4;

iv) Pledge over quoted shares of a foreign associate as disclosed in Note 6(iv);

v) Pledge over investment securities of certain subsidiaries as disclosed in Note 8;

vi) Pledge of inventories of certain subsidiaries as disclosed in Note 11;

vii) Deposits and interest reserve account of certain subsidiaries as disclosed in Note 16; and

viii) Floating charge over assets of certain subsidiaries.

Notes to The Financial Statements (cont'd)

19. Loans and borrowings (cont'd)

c) Bonds

i) A subsidiary in Labuan issued medium term notes amounting to USD60 million with interest rate of 8.5% per annum in 2013 was fully repaid in July 2016. In addition, this subsidiary also issued medium term notes amounting to USD90 million with interest rate of 8% per annum in 2014 which was refinanced in September 2016 at a lower interest rate of 6% per annum which is repayable in full in September 2019. The bond is secured by corporate guarantee by the Company.

ii) A subsidiary in Australia issued bonds in 1999 for a term of 30 years. The bond has an effective interest rate of 7.90% (2015: 7.90%) per annum and is payable quarterly in arrears. These bonds are secured against the freehold land of a subsidiary as disclosed in Note 3(i).

d) Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
Current						
Less than one year	**722**	**634**	**88**	168	20	148
Non-current						
Between one and five years	**2,543**	**2,521**	**22**	110	3	107
More than five years	**9,003**	**–**	**9,003**	8,670	–	8,670
	11,546	**2,521**	**9,025**	8,780	3	8,777
Total	**12,268**	**3,155**	**9,113**	8,948	23	8,925

Notes to The Financial Statements (cont'd)

20. Trade and other payables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current				
Non-trade				
Other payables	**18,219**	13,431	**–**	–
Current				
Trade				
Trade payables	**34,433**	47,822	**–**	–
Non-trade				
Other payables	**185,395**	147,852	**1,562**	847
Amounts due to subsidiaries	**–**	–	**741**	1,240
Deferred revenue	**72,840**	68,769	**–**	–
	292,668	264,443	**2,303**	2,087
Total trade and other payables	**310,887**	277,874	**2,303**	2,087

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 subsidiaries

The amounts are non-interest bearing, unsecured and repayable on demand.

c) Other payables

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

d) Deferred revenue

The amount is mainly arising from the disposal of development properties to third parties.

Notes to The Financial Statements (cont'd)

21. Provision for liabilities

		Group	
	Note	2016 RM'000	2015 RM'000
Provision for staff benefits	(a)	**20,775**	17,480
Others		**8,665**	8,171
		29,440	25,651
Analysed as:			
Current		**27,721**	23,426
Non-current		**1,719**	2,225
		29,440	25,651

(a) Provision for staff benefits

	2016 RM'000	2015 RM'000
At 1 January	**17,480**	15,935
Provision for the year	**17,365**	14,052
Payments during the year	**(14,372)**	(14,071)
Exchange adjustments	**302**	1,564
At 31 December	**20,775**	17,480

Provision for staff benefits accrues annual leave to employees in subsidiaries in Australia, who are also entitled to a two-month paid leave after having served ten years of continuous employment.

22. Other current liabilities

	Group	
	2016 RM'000	2015 RM'000
Deferred revenue - advance billings on property sales	**–**	6,604

Notes to The Financial Statements (cont'd)

23. Derivative liabilities

	Group 2016 RM'000	Group 2015 RM'000
Derivatives held for market trading at fair value		
- Forward exchange contracts	**835**	–
- Currency options contracts	**228**	–
	1,063	–

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.

24. Revenue

	2016 RM'000	2015 RM'000
Group		
Performance of services	**560,843**	479,868
Sale of properties	**678,774**	388,586
Rental income	**36,828**	18,519
Interest income from money lending activities	**80**	1,666
	1,276,525	888,639
Company		
Dividends	**91,802**	26,581

Notes to The Financial Statements (cont'd)

25. Other income

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bad debts recovered	**37**	14	**–**	14
Dividend income:				
- Foreign unquoted shares	**17**	18	**–**	–
- Foreign quoted shares	**6**	1	**–**	–
Fair value gain on investment properties	**2,102**	–	**–**	–
Fair value gain on financial assets at fair value through profit or loss	**295**	–	**–**	–
Gain on dilution of interests in associates	**41,352**	9,835	**–**	–
Gain on disposal of investment securities	**–**	4,152	**–**	–
Gain on disposal of property, plant and equipment	**–**	29	**–**	–
Gain on foreign exchange:				
- Realised	**3,227**	59,111	**–**	5,336
- Unrealised	**279**	1,816	**62,661**	136,470
Gain on disposal of a subsidiary	**–**	50,385	**–**	9,191
Gain on partial disposal of an associate	**–**	1,411	**–**	2,023
Gain on waiver of amount due to subsidiaries	**–**	–	**940**	–
Insurance recoveries	**1,837**	446	**–**	–
Interest income:				
- Deposits with licensed banks	**4,313**	2,840	**1,595**	73
- Subsidiaries	**–**	–	**18,282**	7,088
- Others	**1,097**	1,351	**154**	–
Liquidated ascertained damages from contractor	**–**	1,948	**–**	–
Management fees received	**120**	389	**–**	–
Property maintenance and agency fee	**514**	3,965	**–**	–
Rental income from:				
- Investment properties	**4,504**	2,908	**–**	–
- Land and buildings	**26,074**	34,738	**–**	–
Reversal of impairment loss on:				
- Property, plant and equipment	**7,717**	–	**–**	–
- Investments in associates	**5,275**	–	**–**	–
- Inventories	**–**	571	**–**	–
- Investment securities	**–**	771	**–**	–
- Trade and other receivables	**15**	193	**–**	–
Shared services income	**5,304**	4,445	**–**	–
Miscellaneous income	**10,058**	5,573	**2**	5
	114,143	186,910	**83,634**	160,200

Notes to The Financial Statements (cont'd)

26. Profit before tax

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG in Malaysia	**258**	258	**120**	120
Overseas affiliates of KPMG in Malaysia	**1,081**	1,336	**–**	–
Other auditor	**87**	–	**–**	–
- Non-audit fees				
KPMG in Malaysia	**13**	13	**13**	13
Overseas affiliates of KPMG in Malaysia	**135**	186	**–**	–
Bad debts written off:				
- Trade and other receivables	**15**	398	**–**	8
Fair value loss on financial assets at fair value through profit or loss	**–**	1,993	**–**	–
Fair value loss on investment properties	**940**	–	**–**	–
Impairment loss on financial assets:				
- Investment securities	**247**	61	**–**	–
- Trade and other receivables	**725**	1,155	**–**	–
Impairment loss on:				
- investments in associates	**17,512**	–	**7,270**	–
- investments in subsidiaries	**–**	–	**613**	–
Inventories written down	**90,578**	20	**–**	–
Loss on disposal of investment securities	**696**	373	**–**	–
Loss on disposal of associates	**108,919**	–	**326**	–
Loss on foreign exchange:				
- Realised	**11,391**	7	**18,703**	–
- Unrealised	**72**	13	**–**	–
Loss on derivatives	**2,963**	5,056	**2,092**	–
Management fee paid	**–**	–	**2,648**	1,581
Minimum operating lease payments:				
- Land and buildings	**8,435**	17,229	**70**	62
- Plant and equipment	**16,472**	18,264	**–**	–
Provision for foreseeable loss on inventories	**–**	1,242	**–**	–
Property, plant and equipment:				
- Depreciation	**60,258**	55,399	**4**	–
- Written off	**–**	1,634	**–**	–
Employee benefits expenses (including key management personnel):				
- Wages, salaries and others	**252,777**	242,969	**728**	515
- Pension costs - defined contribution plans	**15,865**	16,200	**87**	61
- Short-term accumulating compensated absences	**13,829**	12,935	**–**	–

Notes to The Financial Statements (cont'd)

27. Finance costs

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Interest expense on:				
- overdrafts	**43**	89	**26**	47
- revolving loans and term loans	**61,060**	60,610	**4,013**	2,813
- bonds	**45,930**	54,842	**–**	–
- others	**32**	29	**–**	–
	107,065	115,570	**4,039**	2,860
Less: Interest expense capitalised in properties under development (Note 11)	**(3,984)**	(2,227)	**–**	–
Total finance costs	**103,081**	113,343	**4,039**	2,860

28. Tax (benefit)/expense

Recognised in profit or loss

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current tax expense				
Malaysian - current year	**43**	1,669	**–**	332
- prior year	**(7,852)**	45	**(332)**	(1)
	(7,809)	1,714	**(332)**	331
Deferred tax expense				
- Origination and reversal of temporary differences	**(7,113)**	(1,205)	**–**	–
- Under/(Over) provision in prior year	**6,025**	(3,078)	**–**	–
	(1,088)	(4,283)	**–**	–
Total income tax (benefit)/expense	**(8,897)**	(2,569)	**(332)**	331

Notes to The Financial Statements (cont'd)

28. Tax (benefit)/expense (cont'd)

Reconciliation of tax expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	**7,903**	160,713	**133,824**	176,245
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	**1,897**	40,178	**32,118**	44,061
Different tax rates in other countries	**4,759**	2,236	**–**	–
Non-deductible expenses	**76,444**	7,719	**4,507**	1,780
Group relief	**–**	–	**(2,927)**	(503)
Income not subject to taxation	**(14,720)**	(23,753)	**(33,698)**	(45,006)
Benefits from previously unrecognised tax losses	**–**	(11,931)	**–**	–
Changes in deductible temporary differences	**(73,762)**	–	**–**	–
Deferred tax assets not recognised during the year	**22,009**	5,982	**–**	–
Under/(Over) provision of deferred tax in prior years	**6,025**	(3,078)	**–**	–
(Over)/Under provision of income tax in prior years	**(7,852)**	45	**(332)**	(1)
Shares of results of associates and joint ventures	**(23,697)**	(19,967)	**–**	–
Income tax (benefit)/expense recognised in profit or loss	**(8,897)**	(2,569)	**(332)**	331

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The corporate tax rates applicable to subsidiaries located in Australia are 30% (2015: 30%).

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

During the current financial year, under the provision of S44A of the Malaysia Income Tax Act 1967, the Company has utilised RM2,927,000 of tax losses surrendered from a subsidiary.

Notes to The Financial Statements (cont'd)

29. Disposal of a subsidiary

Thriven Global Berhad ("Thriven")

The Company entered into a call option agreement ("Call Option Agreement") on 17 May 2012 with Teladan Kuasa Sdn. Bhd. ("Option Holder") to grant the Option Holder the right to require the Company to sell to the Option Holder up to 75 million ordinary shares in Thriven (adjusted after the bonus issue exercise of Thriven) at an adjusted option price of RM0.47 per share ("Call Option"). The Option Holder has paid the Company a non-refundable cash consideration of RM2 million upon execution of the Call Option Agreement as disclosed in Note 21(d). As at 31 December 2014, Thriven is a 61.93% owned subsidiary of the Company.

The Option Holder is entitled to exercise the Call Option at any time during the period commencing from the date falling three (3) months after the date of the Call Option Agreement and ending on the day immediately preceding the third anniversary of the Call Option Agreement.

On 6 March 2015, the Option Holder exercised the entire Call Option. The sale and transfer of the 75 million ordinary shares by the Company to the Option Holder was completed on 9 March 2015. Upon completion, the Company owns 29.08% of Thriven and Thriven became an associated company of the Company. This resulted in a gain on disposal of a subsidiary of RM50,385,000 and RM9,191,000 recognised at the Group and the Company level respectively.

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

	2015 **RM'000**
Property, plant and equipment	1,173
Investment properties	2,984
Deferred tax assets	2,502
Inventories	222,883
Cash and bank balances	46,502
Trade and other receivables	4,383
Current tax assets	1,127
Trade and other payables	(57,267)
Bank borrowings	(151,973)
Total identifiable net assets	72,314
Attributable goodwill	6,409
Realisation of reserves	(16,099)
Non-controlling interests	(42,505)
Transfer to investments in associates	(33,308)
Gain on disposal of a subsidiary	50,385
Consideration received, satisfied in cash	37,196
Cash and cash equivalents disposed of	(46,502)
Net cash outflow	(9,306)

Notes to The Financial Statements (cont'd)

30. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Profit attributable to ordinary shareholders	**16,800**	165,123

	Group	
	2016 '000	**2015 '000 (Restated)**
Weighted average number of ordinary shares at 31 December		
Issued ordinary shares at 1 January	**2,355,913**	2,355,913
Effect of ordinary share issued on 14 June 2016	**537,856**	8,887
Effect of share buy back	**(222,835)**	(222,239)
Weighted average number of ordinary shares at 31 December	**2,670,934**	2,142,561

	Group	
	2016 Sen	**2015 Sen (Restated)**
Basic earnings per ordinary share	**0.63**	7.71

The previous year's basic earnings per ordinary share has been restated to reflect the rights issue implemented during the year under review.

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2016 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

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

Notes to The Financial Statements (cont'd)

31. 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
Investment and others	investment holding, investments in securities, licensed money lending and others

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.

Notes to The Financial Statements (cont'd)

31. Operating segments (cont'd)

Business segments (cont'd)

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

	Property		Hospitality		Investment and others		Adjustment and eliminations		Note	Per consolidated financial statement	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000		2016 RM'000	2015 RM'000
Revenue											
External customers	**715,602**	407,105	**536,512**	459,469	**24,411**	22,065	**–**	–		**1,276,525**	888,639
Inter–segment	**–**	21,815	**–**	–	**8,531**	1,207	**(8,531)**	(23,022)	(i)	**–**	–
Total revenue	**715,602**	428,920	**536,512**	459,469	**32,942**	23,272	**(8,531)**	(23,022)		**1,276,525**	888,639
Results											
Inventories written down	**(90,578)**	(20)	**–**	–	**–**	–	**–**	–		**(90,578)**	(20)
Reversal of impairment loss on inventories	**–**	571	**–**	–	**–**	–	**–**	–		**–**	571
Reversal of impairment loss on property, plant and equipment	**–**	–	**7,717**	–	**–**	–	**–**	–		**7,717**	–
Share of profit from associates and joint ventures	**–**	–	**–**	–	**15,440**	14,640	**83,298**	65,230	(ii)	**98,738**	79,870
Depreciation	**(6,409)**	(10,149)	**(50,627)**	(43,887)	**(3,222)**	(1,363)	**–**	–		**(60,258)**	(55,399)
Segment profit/(loss)	**137,625**	152,315	**32,580**	(14,047)	**(133,486)**	84,137	**(28,816)**	(61,692)	(ii)	**7,903**	160,713
Assets and liabilities											
Investments in associates and joint ventures	**–**	–	**–**	–	**1,250,934**	1,367,145	**–**	–		**1,250,934**	1,367,145
Additions to non-current assets*	**68,639**	375,172	**171,022**	25,094	**116,360**	5,442	**–**	–		**356,021**	405,708
Segment assets	**1,549,412**	1,180,535	**1,307,471**	1,170,311	**5,144,158**	4,680,111	**(2,267,873)**	(1,898,454)	(iii)	**5,733,168**	5,132,503
Segment liabilities	**965,803**	731,792	**370,070**	250,791	**4,147,784**	3,922,604	**(2,728,105)**	(2,341,674)	(iii)	**2,755,552**	2,563,513

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

Notes to The Financial Statements (cont'd)

31. Operating segments (cont'd)

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

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

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

	2016 RM'000	2015 RM'000
Share of results of associates and joint ventures	**83,298**	65,230
Unallocated corporate expenses and finance costs	**(112,114)**	(126,922)
	(28,816)	(61,692)

iii) 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 two main geographical areas in the Asia Pacific region.

Australia - mainly property development and investments and hotels.
Malaysia - property development and investments, licensed money lending and investments in securities.

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

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Australia	**1,251,818**	868,747	**2,309,209**	1,887,176
Malaysia	**24,707**	19,892	**406,834**	265,868
	1,276,525	888,639	**2,716,043**	2,153,044

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

	2016 RM'000	2015 RM'000
Property, plant and equipment	**1,160,661**	1,087,824
Investment properties	**813,098**	416,938
Goodwill	**2,731**	2,722
Inventories	**739,553**	645,560
	2,716,043	2,153,044

Notes to The Financial Statements (cont'd)

32. Financial instruments

32.1 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) Financial liabilities measured at amortised cost ("FL").

2016	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DIUR RM'000	AFS RM'000
Financial assets				
Group				
Investment securities	363,926	–	2,765	361,161
Trade and other receivables	246,851	246,851	–	–
Cash and cash equivalents	365,017	365,017	–	–
	975,794	611,868	2,765	361,161
Company				
Investment securities	1,043	–	–	1,043
Trade and other receivables	1,610,614	1,610,614	–	–
Cash and cash equivalents	41,861	41,861	–	–
	1,653,518	1,652,475	–	1,043
Financial liabilities				
Group				
Loans and borrowings	(2,414,138)	(2,414,138)	–	–
Trade and other payables	(310,887)	(310,887)	–	–
	(2,725,025)	(2,725,025)	–	–
Company				
Loans and borrowings	(75,508)	(75,508)	–	–
Trade and other payables	(2,303)	(2,303)	–	–
	(77,811)	(77,811)	–	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.1 Categories of financial instruments (cont'd)

2015	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DIUR RM'000	AFS RM'000
Financial assets				
Group				
Investment securities	3,672	–	2,516	1,156
Trade and other receivables	233,570	233,570	–	–
Cash and cash equivalents	539,900	539,900	–	–
	777,142	773,470	2,516	1,156
Company				
Investment securities	1,043	–	–	1,043
Trade and other receivables	1,251,656	1,251,656	–	–
Cash and cash equivalents	16	16	–	–
	1,252,715	1,251,672	–	1,043
Financial liabilities				
Group				
Loans and borrowings	(2,247,024)	(2,247,024)	–	–
Trade and other payables	(277,874)	(277,874)	–	–
	(2,524,898)	(2,524,898)	–	–
Company				
Loans and borrowings	(81,174)	(81,174)	–	–
Trade and other payables	(2,087)	(2,087)	–	–
	(83,261)	(83,261)	–	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.2 Net gains and losses arising from financial instruments

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	**404**	1,610	**–**	–
- Derivatives	**(2,963)**	(5,056)	**(2,092)**	–
Available-for-sale financial assets				
- Recognised in other comprehensive income	**(9,431)**	(8,080)	**–**	–
- Recognised in profit or loss, net	**(943)**	4,489	**–**	–
Loans and receivables				
- Receivables, net	**4,242**	4,204	**62,394**	148,900
- Cash and cash equivalents	**(7,435)**	97,801	**1,595**	73
Financial liabilities measured at amortised cost	**(103,232)**	(159,051)	**(4,039)**	(2,860)
	(119,358)	(64,083)	**57,858**	146,113

32.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

32.4 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.

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.4 Credit risk (cont'd)

Receivables (cont'd)

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 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group has credit risk concentration of 63% (2015: 66%) arising from the exposure to two debtors in the outstanding amount of trade and other receivables. Management constantly monitors the recovery of these outstanding balances and is confident of its recoverability as the said amounts are fully secured.

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
2016			
Not past due	**33,820**	**–**	**33,820**
Past due 1 - 30 days	**6,392**	**–**	**6,392**
Past due 31 - 60 days	**5,409**	**–**	**5,409**
Past due more than 60 days	**56,502**	**(1,249)**	**55,253**
	102,123	**(1,249)**	**100,874**
2015			
Not past due	23,912	–	23,912
Past due 1 - 30 days	29,842	–	29,842
Past due 31 - 60 days	2,001	–	2,001
Past due more than 60 days	30,239	(1,405)	28,834
	85,994	(1,405)	84,589

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

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

	Group	
	2016 RM'000	**2015 RM'000**
At 1 January	**1,405**	5,389
Impairment loss recognised	**725**	1,155
Impairment loss reversed	**(15)**	(193)
Impairment loss written off	**(957)**	(343)
Disposal of a subsidiary	**–**	(4,742)
Exchange adjustment	**91**	139
At 31 December	**1,249**	1,405

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.

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.

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.4 Credit risk (cont'd)

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.

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM558,906,000 (2015: RM799,902,000) representing the outstanding banking facilities of the subsidiaries and guarantee given to a third party as at end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

As at reporting date, no values are ascribed on corporate guarantees provided by 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 12. 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.

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.5 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.

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:

	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
Group						
2016						
Non-derivative financial liabilities						
Bank overdraft - secured	378	8.35 - 8.65	378	378	–	–
Bills payable	58,124	2.87	59,792	2,229	57,563	–
Bonds - secured	510,174	6.00 - 8.20	645,706	38,494	510,448	96,764
Revolving credit	85,480	4.50 - 5.22	85,840	85,840	–	–
Term loans	1,750,869	1.07 - 4.23	1,834,071	104,583	1,671,702	57,786
Finance lease liabilities	9,113	5.49 - 7.00	12,268	722	2,543	9,003
Trade and other payables	310,887	–	310,887	292,668	–	18,219
	2,725,025		2,948,942	524,914	2,242,256	181,772
Company						
2016						
Bank overdraft - secured	28	8.65	28	28	–	–
Revolving credit	75,480	4.50 - 5.22	75,797	75,797	–	–
Other payables	2,303	–	2,303	2,303	–	–
Financial guarantees	–	–	558,906	558,906	–	–
	77,811		637,034	637,034	–	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	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
Group						
2015						
Non-derivative financial liabilities						
Bank overdraft - secured	1,422	8.60 - 8.85	1,422	1,422	–	–
Bonds - secured	749,109	8.00 - 8.50	877,151	707,220	62,214	107,717
Revolving credit	226,483	3.00 - 5.42	227,186	227,186	–	–
Term loans	1,261,085	1.91 - 4.98	1,301,836	452,707	849,129	–
Finance lease liabilities	8,925	5.49 - 8.60	8,948	168	110	8,670
Trade and other payables	277,874	–	277,874	264,443	–	13,431
	2,524,898		2,694,417	1,653,146	911,453	129,818
Company						
2015						
Bank overdraft - secured	174	8.85	174	174	–	–
Revolving credit	81,000	4.65 - 5.42	81,000	81,000	–	–
Other payables	2,087	–	2,087	2,087	–	–
Financial guarantees	–	–	799,902	799,902	–	–
	83,261		883,163	883,163	–	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.6 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.

32.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases, cash and cash equivalents 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), U.S. Dollar (USD), Singapore Dollar (SGD) and Chinese Yuan Renminbi (CNY).

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 in						
Group	**HKD RM'000**	**JPY RM'000**	**AUD RM'000**	**USD RM'000**	**GBP RM'000**	**SGD RM'000**	**CNY RM'000**
2016							
Bank loans	**(215,524)**	**(10,072)**	**–**	**–**	**–**	**–**	**–**
Other payables	**(225)**	**–**	**–**	**(316)**	**–**	**–**	**(96)**
Short term deposits	**26,696**	**–**	**794**	**35,152**	**20,676**	**932**	**–**
Trade receivables	**–**	**–**	**–**	**7,024**	**–**	**–**	**–**
Bank balances	**23**	**–**	**–**	**146**	**7**	**173**	**–**
	(189,030)	**(10,072)**	**794**	**42,006**	**20,683**	**1,105**	**(96)**
2015							
Bank loans	–	(108,124)	(222,613)	–	–	–	–
Other payables	(1,061)	–	–	(757)	–	–	–
Short term deposits	66,087	–	–	200,924	18,191	–	–
Trade receivables	–	–	–	5,889	–	–	–
Bank balances	162	–	6	137,744	–	–	–
	65,188	(108,124)	(222,607)	343,800	18,191	–	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.6 Market risk (cont'd)

32.6.1 Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

	Denominated in				
Company	**HKD RM'000**	**AUD RM'000**	**USD RM'000**	**GBP RM'000**	**SGD RM'000**
2016					
Short term deposits	**–**	**–**	**–**	**–**	**932**
Amounts due from subsidiaries	**208,095**	**296,349**	**347,394**	**60,131**	**–**
Bank balances	**–**	**–**	**–**	**–**	**173**
	208,095	**296,349**	**347,394**	**60,131**	**1,105**
2015					
Amounts due from subsidiaries	382,633	367,208	126,820	69,297	–

Currency risk sensitivity analysis

A 5% (2015: 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	
	2016 RM'000	**2015 RM'000**
Group		
HKD	**7,183**	(2,445)
JPY	**383**	4,055
AUD	**(30)**	8,348
USD	**(1,596)**	(12,893)
GBP	**(786)**	(682)
SGD	**(42)**	–
CNY	**4**	–
Company		
HKD	**(7,908)**	(14,349)
AUD	**(11,261)**	(13,770)
USD	**(13,201)**	(4,756)
GBP	**(2,285)**	(2,599)
SGD	**(42)**	–

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.6 Market risk (cont'd)

32.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

A 5% (2015: 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.

32.6.2 Interest rate risk

The Group's placement of fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's placement of variable rate deposits with licensed banks and its variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Company's exposure to interest rate risk arises principally from its amounts due from subsidiaries. Short term receivables and payables are not significantly exposed to interest rate risk.

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	**49,540**	9,916	**550,455**	452,397
Financial liabilities	**(519,287)**	(758,034)	**–**	–
	(469,747)	(748,118)	**550,455**	452,397
Floating rate instruments				
Financial assets	**122,719**	285,202	**40,195**	–
Financial liabilities	**(1,894,851)**	(1,488,990)	**(75,508)**	(81,174)
	(1,772,132)	(1,203,788)	**(35,313)**	(81,174)

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.6 Market risk (cont'd)

32.6.2 Interest rate risk (cont'd)

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.

(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.

	Group		Company	
	Profit or Loss			
	50bp increase RM'000	50bp decrease RM'000	50bp increase RM'000	50bp decrease RM'000
Group				
2016				
Floating rate instruments	**(6,734)**	**6,734**	**(134)**	**134**
2015				
Floating rate instruments	(5,584)	5,584	(304)	304

32.6.3 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% (2015: 10%) increase in equity and debt securities market prices at the end of the reporting period would have increased equity by RM36,011,600 (2015: RM11,200) for investment classified as available-for-sale and post-tax profit or loss by RM210,140 (2015: RM188,700) for investments classified as fair value through profit or loss. A 10% (2015: 10%) weakening in equity and debt securities market prices would have had equal but opposite effect on equity and profit or loss respectively.

32.7 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.

32. Financial instruments (cont'd)

32.7 Fair value information (cont'd)

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 statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2016										
Financial assets										
Quoted shares	94,081	–	–	94,081	–	–	–	–	94,081	94,081
Quoted bond	–	268,800	–	268,800	–	–	–	–	268,800	268,800
	94,081	268,800	–	362,881	–	–	–	–	362,881	362,881
Financial liabilities										
Forward exchange contracts	–	(835)	–	(835)	–	–	–	–	(835)	(835)
Currency options contracts	–	(228)	–	(228)	–	–	–	–	(228)	(228)
Loans and borrowings	–	–	–	–	–	–	(1,767,194)	(1,767,194)	(1,767,194)	(2,414,138)
	–	(1,063)	–	(1,063)	–	–	(1,767,194)	(1,767,194)	(1,768,257)	(2,415,201)
Company										
2016										
Financial liabilities										
Loans and borrowings	–	–	–	–	–	–	(72,209)	(72,209)	(72,209)	(75,508)

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2015										
Financial assets										
Quoted shares	2,628	–	–	2,628	–	–	–	–	2,628	2,628
Financial liabilities										
Loans and borrowings	–	–	–	–	–	–	(1,928,422)	(1,928,422)	(1,928,422)	(2,247,024)
Company										
2015										
Financial liabilities										
Loans and borrowings	–	–	–	–	–	–	(77,248)	(77,248)	(77,248)	(81,174)

Notes to The Financial Statements (cont'd)

32. Financial instruments (cont'd)

32.7 Fair value information (cont'd)

Level 2 fair value

Derivatives

The fair value of bond is estimated based on the inputs that are observable from the market for the asset. The fair value of forward exchange contracts is estimated by computing the difference between the contractual forward price and the current forward price whereas the fair value of currency option contracts is estimated based on the value given by the 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 (2015: no transfer in either directions).

Level 3 fair value

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	Description of valuation technique and inputs used
Loans and borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

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.

Notes to The Financial Statements (cont'd)

33. 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.

	Note	2016 RM'000	2015 RM'000
Group			
Loans and borrowings	19	**2,414,138**	2,247,024
Trade and other payables	20	**310,887**	277,874
Less: Cash and cash equivalents	16	**(365,017)**	(539,900)
Net debt		**2,360,008**	1,984,998
Equity attributable to the owners of the Company		**2,977,616**	2,568,990
Less: Capital reserves		**(215,037)**	(101,763)
Total capital		**2,762,579**	2,467,227
Capital and net debt		**5,122,587**	4,452,225
Gearing ratio		**46%**	45%

There was no change in the Group's approach to capital management during the financial year.

Notes to The Financial Statements (cont'd)

34. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2016 RM'000	Group 2015 RM'000
Not later than 1 year	**8,289**	29,410
Later than 1 year but not later than 5 years	**22,170**	119,191
Later than 5 years	**12,060**	9,378
	42,519	157,979

The Group leases various assets under operating leases. The leases will run for a period between 1 and 11.5 years, with an option to renew certain leases after that date.

In the previous financial year, included in the total payable amount was an amount of RM122.42 million which was severally and jointly guaranteed by the Company and one of its subsidiaries.

Leases as lessor

The Group lease out their property, plant and equipment (see Note 3) and investment properties (see Note 4) under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Not later than 1 year	**47,910**	45,751
Later than 1 year but not later than 5 years	**144,083**	134,998
Later than 5 years	**76,520**	68,717
	268,513	249,466

35. Capital commitments

	Group 2016 RM'000	Group 2015 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	**8,011**	11,855
Approved but not contracted for	**9,331**	9,658
Investment properties		
Contracted but not provided for	**–**	64,912
	17,342	86,425

Notes to The Financial Statements (cont'd)

36. 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. 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 subsidiaries, associates, joint ventures, other related parties and key management personnel.

Significant related party transactions

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 12 and Note 20.

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
A.	**Subsidiaries**				
	Interest income	**–**	–	**18,282**	7,088
	Dividend income	**–**	–	**91,802**	26,581
	Rental expense	**–**	–	**70**	79
	Rendering of services	**–**	–	**–**	338
	Management fee expense	**–**	–	**2,648**	1,581
B.	**Associates**				
	Agency fee refunded	**–**	1,327	**–**	–
	Asset management service income	**1,969**	–	**–**	–
	Dividend income	**39,159**	38,340	**–**	–
	Director fees	**266**	254	**–**	–
	Interest expense	**–**	240	**–**	–
	Management fees	**–**	266	**–**	–
	Project management fee	**–**	20	**–**	–
	Rental income	**2,962**	1,545	**–**	–
	Rental expense	**570**	729	**–**	–
	Rendering of services	**–**	1,097	**–**	–
	Share service (expense)/income	**(924)**	620	**–**	–
C.	**Joint ventures**				
	Dividend income	**6,288**	146	**–**	–

Notes to The Financial Statements (cont'd)

36. Related parties (cont'd)

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
D.	**Other related parties**				
	Non-controlling interests of a subsidiary:				
	- Interest expense	**–**	29	**–**	–
	Companies related to a director:				
	- Director fees income	**–**	112	**–**	–
	- Loan drawdown	**215,524**	–	**–**	–
	- Rental (expense)/income	**(24)**	129	**–**	–
	- Share service income	**686**	1,250	**–**	–
	- Rendering of services	**6,117**	4,650	**–**	–
	- Others	**246**	210	**–**	–
	Companies related to a person connected to a director:				
	- Interest expense	**–**	50	**–**	–
	- Rental income	**835**	687	**–**	–
	- Rendering of services	**2,562**	3,290	**–**	–
	- Sale proceeds from disposal of investment securities	**–**	54,674	**–**	–
	- Share service income	**212**	–	**–**	–
E.	**Key management personnel**				
	Directors				
	- Remuneration	**1,882**	1,492	**657**	536
	- Fees	**390**	390	**390**	390
	- Defined contribution plans	**106**	109	**77**	61
	- Estimated money value of benefits-in-kind	**24**	26	**–**	1
		2,402	2,017	**1,124**	988
	Other key management personnel				
	- Remuneration	**36,503**	29,196	**–**	–
	- Defined contribution plans	**2,561**	2,315	**–**	–
		39,064	31,511	**–**	–

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.

Notes to The Financial Statements (cont'd)

37. Acquisition of hotel business

On 7 September 2016, the Group entered a put and call option contract for the acquisition the property and business assets ("hotel business") of Rydges Cairns Esplanade Hotel for a consideration of AUD39,984,000 (equivalent to RM129,950,000) subject to achieve of certain conditions precedent. The acquisition was completed in December 2016.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Group 2016 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	**129,950**
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**130,000**
Inventories	**421**
Trade and other receivables	**–**
Cash and cash equivalents	**48**
Trade and other payables	**(519)**
Total identifiable net assets	**129,950**
Net cash outflow arising from acquisition of hotel business	
Purchase consideration settled in cash and cash equivalents	**(129,950)**
Cash and cash equivalents acquired	**48**
Total cash flows	**(129,902)**
Goodwill	
Total consideration transferred	**129,950**
Fair value of identifiable assets	**(129,950)**
Goodwill	**–**

38. Interest in joint operations

The Group has 57% (2015: 57%) and 51% (2015: 51%) ownership interest in joint operations, The Hotel School Sydney and The Hotel School Melbourne respectively. Both entities are principally engaged in providing education.

Notes to The Financial Statements (cont'd)

39. Significant events

i) **Renounceable two-call rights issue**

On 14 June 2016, the Company completed its rights issue exercise with the listing of 1,066,826,679 new ordinary shares of RM 0.50 each on the Main Market of Bursa Malaysia Securities Berhad. The rights issue exercise has raised gross proceeds of RM266.71 million, which have been utilised as at 31 December 2016 in the following manner:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation	Deviation Amount RM'000	Deviation %	Explanation
Repayment of borrowing	200,000	200,000	July 2016	N/A	–	
Working capital	65,626	30,799	June 2018	N/A	–	
Estimated expenses	1,080	1,803	June 2016	723	66.9%	See Note 1

Note 1: Disbursement expenses exceeded estimated cost was borne by the Company's internally generated funds.

ii) **Investment in a joint venture and disposal of development lands**

Leisure Farm Corporation Sdn. Bhd. ("LFC"), a wholly-owned subsidiary of the Company has on 16 February 2016, entered into a Joint Venture cum Shareholders' Agreement ("JVA") with UEM Land Berhad ("UEML"), a wholly-owned subsidiary of UEM Sunrise Berhad ("UEMS") and JV Axis Sdn. Bhd. ("JVASB"), the intended joint venture company for the proposed collaboration between LFC and UEML.

Both LFC and UEML wish to work together as strategic joint development partners to jointly develop and optimise the value of 38 parcels of freehold lands located in Gerbang Nusajaya and near the Leisure Farm Resort within Mukim Pulai, District of Johor Bahru, Johor ("JV Lands").

On even date, LFC also entered into a Master Agreement with Nusajaya Seaview Sdn Bhd ("NSSB") and Nusajaya Rise Sdn. Bhd. ("NRSB"), both being indirect wholly-owned subsidiaries of UEMS, and JVASB to record the agreed framework and parameters for the disposal of the JV Lands by LFC, NSSB and NRSB to JVASB and subject to terms and conditions in the JVA and Master Agreement.

40. Subsequent events

i) On 20 February 2017, the Group entered an arrangement to provide a loan to BCP Funds Management Pty Ltd ATF BCP FM Unit Trust ("BCP") of AUD17.96 million (equivalent to approximately RM58.36 million). The funds have been used by BCP to invest in the Duke First Mortgage Trust, exercisable once approval is received from the foreign investment review board. The Duke First Mortgage Trust is providing financing for development projects in Brisbane, Queensland. The project is expected to be completed by December 2017. Mulpha also intends to acquire a 33% interest in the trustee company. Both investments will be held as investments in an associate as Mulpha will not have control of the Trust.

ii) On 21 March 2017, the Company announced its proposal to undertake a share consolidation involving the consolidation of every 10 existing ordinary shares of the Company into 1 ordinary share ("Proposal"). The Proposal is conditional upon approvals being obtained from the following parties:

a) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the consolidated shares on the Main Market of Bursa Securities;

b) The shareholders of the Company at an extraordinary general meeting of the Company to be convened; and

c) Any other relevant authority, if required.

The Proposal is not conditional upon any other proposals undertaken or to be undertaken by the Company.

Notes to The Financial Statements (cont'd)

40. Subsequent events (cont'd)

iii) On 28 March 2017, the Group's hotel resort & development property, One&Only Hayman Island on the Great Barrier Reef in Australia has incurred significant damage as a result of wind and water damage from Cyclone Debbie. The full extent of the damage will be assessed by the expert project team after inspecting the property. The initial assessments have determined that the damage across the resort is sufficiently extensive to require the closure of the resort for rectification works until mid 2018. The property is covered under a property insurance policy subject to a deductible of up to AUD10 million (equivalent to approximately RM32.5 million) as well as business interruption cover to protect the impact on trading results for a period of up to 24 months.

41. Material litigation

In September 2012, the Company disposed of the entire equity interest in its wholly-owned subsidiary, Bestari Sepang Sdn Bhd ("Bestari") for a cash consideration of RM1.0 million to Mula Holdings Sdn Bhd ("Mula"). As part of this transaction, the Company also entered into a Settlement Agreement with Mula whereby Mula shall pay a settlement sum ("Settlement Sum") of RM104.0 million on or before 15 December 2012, as full and final settlement of the advances that the Company had previously made to Bestari and its subsidiaries, Spanstead Sdn Bhd ("Spanstead") and Seri Ehsan (Sepang) Sdn Bhd ("Seri Ehsan"), failing which, additional payments will apply until the final settlement date of 15 December 2013 ("final settlement date").

Mula failed to pay the Settlement Sum on the final settlement date. Accordingly, the Settlement Agreement automatically terminated and the Company's right to receive payment of the full amount of RM301,506,429 as at 30 June 2012 ("Full Outstanding Amount") that the Company had previously advanced to Bestari, Spanstead and Seri Ehsan (collectively "Bestari Group") was reinstated, the Full Outstanding Amount is secured by land titles belonging to Seri Ehsan ("the Land") and an irrevocable Power of Attorney to deal with the Land.

As Bestari Group failed to settle the Full Outstanding Amount, the Company filed a Writ of Summons and Statement of Claim against Mula and Bestari Group on 30 January 2015 claiming for, amongst others, a declaration that the Full Outstanding Amount of RM301,506,429 as at 30 June 2012 together with interest thereon is due and owing by Bestari Group.

Mula and Bestari Group then filed their Defence and Counterclaim on 9 February 2015. Thereafter, the Company filed its Reply and Defence to Counterclaim on 18 February 2015. The Trial commenced on 15 February 2016 until 17 February 2016 with the Company's witnesses giving evidence in Court. The Judge then vacated the Trial date on 18 February 2016 and has fixed on 17 and 18 August 2016 for continuation for the Trial. Subsequently, the Court vacated the Trial date on 17 August 2016, 18 August 2016 and 26 October 2016. The Trial will be continued at a new date to be fixed by the Court.

The outcome of this litigation is not expected to have any material financial and operational impact on the Group as the net receivables in the Group's accounts of RM103 million is below 5% of the net assets of the Group. Furthermore, the net receivables are secured by the Land. The Company is pursuing the Full Outstanding Amount of RM301,506,429 as at 30 June 2012 and if successful, the Company expects to be able to recover substantially more than the net receivables of RM103 million. The net receivables recognised in the Company's accounts have been reduced to RM103 million, mainly due to past impairments and the loss incurred upon disposal of Bestari Sepang Sdn Bhd.

The Company's solicitors have advised that the Group has a strong case based on contemporaneous documentary evidence and the express terms of the documents with Mula and Bestari Group. Accordingly, it will be forcefully argued that the counterclaim filed by Mula and Bestari Group is without merit.

Notes to The Financial Statements (cont'd)

42. 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses)				
- realised	**1,126,442**	993,111	**96,086**	(111,879)
- unrealised	**32,569**	64,192	**62,661**	136,470
Total share of retained earnings/(accumulated losses) from associates				
- realised	**(1,050)**	180,468	**–**	–
- unrealised	**323**	2,623	**–**	–
- breakdown unavailable*	**(451,879)**	(554,247)	**–**	–
Total share of retained earnings from joint ventures				
- breakdown unavailable*	**3,408**	9,145	**–**	–
	709,813	695,292	**158,747**	24,591
Less: Consolidation adjustments	**(95,314)**	(97,593)	**–**	–
Total retained earnings	**614,499**	597,699	**158,747**	24,591

* There is no separate disclosure shown between the realised and unrealised profits or losses components for the Group's associates, AVEO Group and New Pegasus Holdings Limited, and joint ventures 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

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 66 to 161 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 2016 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 42 on page 162 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
Director

Law Chin Wat
Director

Date: 12 April 2017

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

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 66 to 162 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the State of Selangor Darul Ehsan on 12 April 2017.

Lee Eng Leong

Before me:

Lawrence Low
No: B484
Commissioner for Oaths

Independent Auditors' Report to the Members of Mulpha International Bhd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mulpha International Bhd., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics* for *Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment

Refer to Note 2(d) - Significant accounting policy: Property, plant and equipment and Note 3 - Property, plant and equipment.

The key audit matter

The Group's property, plant and equipment are predominantly hotels across Australia, which form a significant component of property, plant and equipment with a total carrying amount of RM1,160,661,000 as at 31 December 2016.

An assessment of the carrying value of these assets compared against its recoverable amount is required to be performed where indications of impairment exist. The Directors and management performed a value-in-use calculation and/or obtained a valuation from an external independent expert to support the recoverable amounts of the assets.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the appropriate key underlying assumptions to be applied.

Independent Auditors' Report to the Members of Mulpha International Bhd. (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

For property, plant and equipment valued by external experts engaged by the Group:
- Assessed the competence and objectivity of external independent experts engaged by the Directors and management;
- Assessed whether the valuation methodology was appropriate and in accordance with the requirements of accounting standards; and
- Corroborated key assumptions, such as forecast cash flows, discount rate and growth rate with available market data and our knowledge of historical performance of the asset, adjusted for expected market conditions.

For internally valued property, plant and equipment:
- Evaluated Directors' and management's processes and controls for preparing, reviewing and approving the Group's valuations based on Group policies;
- Assessed whether the underlying calculation methodology was performed in accordance with the requirements of the accounting standards; and
- Benchmarked key assumptions used in the discounted cash flows, such as revenue growth, capital expenditure and discount rate, against external market data and the historical performance of the asset, adjusted for expected market conditions.

Recoverability of development inventory

Refer to Note 2(i) - Significant accounting policy: Inventories and Note 11 - Inventories.

The key audit matter

The Group capitalises development costs into inventory over the life of its projects including the purchase of land, site infrastructure costs, construction costs and borrowing costs. Development inventory is carried at the lower of cost and net realisable value.

Recoverability of development inventory is identified as a key audit matter because of the significant judgement involved in applying the key underlying assumptions on which the feasibility of the projects are premised upon.

Accordingly, a change in the key underlying assumptions of Group's project feasibility could have a material impact on the carrying value of development inventory in the Group's financial statements.

How the matter was addressed in our audit

We performed the following audit procedures, among others:
- Selected sample of development projects based on quantitative and qualitative factors such as size and risk.
- For the sample selected, depending on the size and risk of the project, we performed some or all of the following procedures in relation to the key judgements in Group's assessment of development inventory recoverability:
  – made an independent assessment of expected sales prices using benchmarking to external data sources and actual results in the period;
  – made an assessment of expected sales volumes by benchmarking to historical sales rates; and
  – tested forecast costs to complete the development project to underlying supplier contracts and/or historical experience of similar costs.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report to the Members of Mulpha International Bhd. (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report to the Members of Mulpha International Bhd. (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 42 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and it is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirem ents, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chew Beng Hong
Approval Number: 2920/02/18(J)
Chartered Accountant

Date: 12 April 2017

Petaling Jaya, Selangor

Material Properties of The Group

as at 31 December 2016

	Location/ Address	Year of Acquisition/ Completion/ Revaluation (R)	Tenure	Year Lease Expiring	Age of Building	Land Area/ Built Up Area	Description/ Existing Use	Net Book Value RM'000
1.	117, Macquarie Street Sydney New South Wales Australia	2004	Freehold	N/A	31 years	3,909.00 sq. metres	5-star hotel	590,270
2.	Lot 679, 7, 8, 1141 and 1514 Mukim Pulai and Tanjung Kupang Daerah Johor Bahru	1991	Freehold	N/A	N/A	372.67 hectares	Land being used for a resort & recreation, residential and commercial developments	530,123
3.	Norwest Marketown Norwest Boulevard Baulkham Hills New South Wales Australia	2015 2016 (R)	Freehold	N/A	17 years	4.40 hectares	Commercial property development	416,889
4.	Sanctuary Cove Gold Coast, Brisbane Queensland, Australia	2002 2016 (R)	Freehold	N/A	N/A	72.59 hectares	Integrated resort with hotel, clubs & marina and residential development	358,850*
5.	Hayman Island Great Barrier Reef Queensland, Australia	2004	Leasehold	Perpetuity	28 years	291.48 hectares	5-star island resort and residential development	327,915
6.	99-113, Macquarie Street Sydney New South Wales Australia	2004 2016 (R)	Freehold	N/A	78 years	1,600.00 sq. metres	Commercial property	227,793
7.	Bella Vista Waters and Circa Bella Vista New South Wales Australia	2014	Freehold	N/A	N/A	14.60 hectares	Residential and commercial developments	136,655
8.	The Greens, Watermark and Haven Baulkham Hills New South Wales Australia	2014	Freehold	N/A	N/A	4.68 hectares	High density residential development	129,234
9.	209-217, Abbott Street Cairns, Queensland Australia	2016	Freehold	N/A	18 years	8,140.00 sq. metres	4-star resort	127,803
10.	23a-29, Fairway Drive Kellyville New South Wales Australia	2016	Freehold	N/A	N/A	6.26 hectares	Medium density residential development	120,308

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.

* Included an investment property carried at fair value.

Analysis of Shareholdings

as at 20 March 2017

Total Number of Issued Shares	: 3,196,192,137 ordinary shares (including 1,322,100 treasury shares)
Class of Shares	: Ordinary shares
Voting Rights	: 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	769	2.98	23,503	0.00
100 – 1,000	4,239	16.42	3,916,049	0.12
1,001 – 10,000	12,991	50.31	62,163,804	1.95
10,001 – 100,000	6,565	25.43	222,890,202	6.98
100,001 – 159,743,500 (Less than 5% of issued shares)	1,253	4.85	1,650,606,996	51.66
159,743,501 (5%) and above	2	0.01	1,255,269,483	39.29
Total	25,819	100.00	3,194,870,037*	100.00

* Excludes 1,322,100 treasury shares retained by the Company as per the Record of Depositors.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	% *
1.	Nautical Investments Limited	755,070,000	23.63
2.	Magic Unicorn Limited	500,199,483	15.66
3.	Alliancegroup Nominees (Asing) Sdn Bhd - Sun Hung Kai Investment Services Limited for Honest Opportunity Limited	125,000,000	3.91
4.	Alliancegroup Nominees (Asing) Sdn Bhd - Exempt AN for Sun Hung Kai Investment Services Limited	110,494,800	3.46
5.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Paramjit Singh Gill (Margin)	82,174,000	2.57
6.	Klang Enterprise Sendirian Berhad	66,906,600	2.09
7.	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Vista Power Sdn Bhd	64,638,333	2.02
8.	HSBC Nominees (Tempatan) Sdn Bhd - Exempt AN for Credit Suisse AG (HK-CLT-T-OS PR)	60,000,000	1.88
9.	Jimmy Thomas @ James Abraham Thomas	56,000,000	1.75
10.	Yong Pit Chin	48,153,000	1.51

Analysis of Shareholdings (cont'd)

as at 20 March 2017

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% *
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Sun Hung Kai Investment Services Limited (A/C Client)	40,000,000	1.25
12.	First Positive Sdn Bhd	37,143,450	1.16
13.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Bank Julius Baer & Co. Ltd (Singapore Bch)	27,919,100	0.87
14.	Nautical Investments Limited	26,172,000	0.82
15.	Vista Power Sdn Bhd	25,363,700	0.79
16.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	22,576,600	0.71
17.	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	22,348,975	0.70
18.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	20,292,200	0.64
19.	HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	18,779,500	0.59
20.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Chang Joon	16,000,000	0.50
21.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	15,986,900	0.50
22.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	14,626,600	0.46
23.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Siew Wah (021)	14,550,000	0.46
24.	Citigroup Nominees (Asing) Sdn Bhd - UBS AG for CGO Fund	14,486,750	0.45
25.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	13,237,344	0.41
26.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	13,050,000	0.41
27.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	11,591,033	0.36
28.	RHB Nominees (Asing) Sdn Bhd - Pledged Securities Account for Lee Sui Hee	10,140,350	0.32
29.	Citigroup Nominees (Asing) Sdn Bhd - CGML IPB for ASM Co-Investment Opportunity Trust II LP	10,116,800	0.32
30.	Ong Ngoh Ing @ Ong Chong Oon	10,000,000	0.31

* Excludes 1,322,100 treasury shares retained by the Company as per the Record of Depositors.

Analysis of Shareholdings (cont'd)

as at 20 March 2017

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct No. of Shares	Direct %*	Indirect No. of Shares	Indirect %*
Nautical Investments Limited	781,242,000	24.45	–	–
Magic Unicorn Limited	500,199,483	15.66	–	–
Mountbatten Corporation	–	–	781,242,000 [a]	24.45
Mount Glory Investments Limited	–	–	1,281,441,483 [b]	40.11
Yong Pit Chin	88,153,000	2.76	1,348,348,083 [c]	42.20
Lee Seng Huang	60,000,000	1.88	1,436,501,083 [d]	44.96

DIRECTOR'S SHAREHOLDING IN MULPHA INTERNATIONAL BHD

Name of Director	Direct No. of Shares	Direct %*	Indirect No. of Shares	Indirect %*
Lee Seng Huang	60,000,000	1.88	1,436,501,083 [d]	44.96

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 8 of the Companies Act 2016 by virtue of its shareholding in Nautical Investments Limited.

[b] Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of its shareholdings in Mountbatten Corporation and Magic Unicorn Limited.

[c] Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of her shareholdings in Mount Glory Investments Limited and Klang Enterprise Sdn Bhd.

[d] Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his family relationship with Yong Pit Chin and his shareholding in Klang Enterprise Sdn Bhd.

* Excludes 1,322,100 treasury shares retained by the Company as per the Record of Depositors.

Notice of 43rd Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting ("AGM") 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, 8 June 2017 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 2016 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note 1)*

2. To approve the payment of Directors' fees amounting to RM390,000 for the financial year ended 31 December 2016. *(Ordinary Resolution 1)*

3. To approve the payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors from 31 January 2017 until the next AGM of the Company. *(Ordinary Resolution 2)*

4. To re-appoint Messrs KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 3)*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:-

5. **ORDINARY RESOLUTION:**
Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

"THAT subject always to the Companies Act 2016 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act 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 number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Securities 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 AGM of the Company." *(Ordinary Resolution 4)*

6. **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 and renewed at the AGM held on 9 June 2016, the Directors be and are hereby authorised 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 AGM 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 5)*

Notice of 43rd Annual General Meeting (cont'd)

7. **ORDINARY RESOLUTION:**
Proposed Renewal of Authority for the Purchase by the Company of its Own Shares

"THAT subject to compliance with the Act, the Company's Constitution, the Main Market Listing Requirements of 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 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 total number of issued shares 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 audited retained profits and/or share premium account of the Company.

THAT such authority shall commence upon the passing of this ordinary resolution and shall remain in force until:-

i) the conclusion of the next AGM 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 AGM 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 or such other manner as allowed under the Act.

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 6)*

8. **ORDINARY RESOLUTION:**
Continuing in Office as Independent Non-Executive Director

"THAT approval be and is hereby given to Mr 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 7)*

Notice of 43rd Annual General Meeting (cont'd)

9. **ORDINARY RESOLUTION:**
Continuing in Office as Independent Non-Executive Director

"THAT approval be and is hereby given to Mr Chew Hoy Ping, 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 8)*

By Order of the Board

LEE ENG LEONG (MIA 7313)
LEE SUAN CHOO (MAICSA 7017562)
Company Secretaries

Petaling Jaya
28 April 2017

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 Depository Sdn Bhd to issue a Record of Depositors as at **31 May 2017** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notice of 43rd Annual General Meeting (cont'd)

EXPLANATORY NOTES:

1. **Audited Financial Statements for the financial year ended 31 December 2016**

   This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act requires the Audited Financial Statements to be laid at the AGM. As such, this agenda item does not require shareholders' approval and hence, is not put forward for voting.

2. **Retirement of Directors**

   Article 101 of the Company's Articles of Association provides that one-third of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company and be eligible for re-election. Mr Law Chin Wat, Mr Chung Tze Hien and Dato' Lim Say Chong, the Directors retiring pursuant to this Article 101, do not wish to seek for re-election at the 43rd AGM. Accordingly, they will retire at the conclusion of the 43rd AGM.

3. **Directors' Fees and Benefits**

   For Ordinary Resolution 1, it is proposed that the Directors' fees of RM390,000 for the financial year 2016 payable to the Non-Executive Directors be maintained as per the previous financial year 2015.

   Ordinary Resolution 2 relates to the payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors, which comprise meeting attendance allowance of RM1,000 per meeting of the Board and Board Committees, from 31 January 2017 until the next AGM of the Company.

4. **Re-Appointment of Auditors**

   The Audit Committee has considered the re-appointment of Messrs KPMG PLT as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities. Both the Audit Committee and the Board have recommended the re-appointment of Messrs KPMG PLT as Auditors of the Company.

5. **Authority to Issue Shares pursuant to Sections 75 and 76 of the Act**

   The proposed Ordinary Resolution 4 is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares 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 AGM 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.

6. **Proposed Renewal of Authority to Allot and Issue Shares pursuant to the Company's Dividend Reinvestment Plan**

   The proposed Ordinary Resolution 5 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 AGM of the Company. A renewal of this authority will be sought at the subsequent AGM.

7. **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 28 April 2017.

8. **Continuing in Office as Independent Non-Executive Directors**

   The proposed Ordinary Resolutions 7 and 8 are to seek the shareholders' approval to retain Mr Kong Wah Sang and Mr Chew Hoy Ping as Independent Non-Executive Directors of the Company. Mr Kong Wah Sang and Mr Chew Hoy Ping have served on the Board for a cumulative term of more than 9 years.

   The Board has via the Nomination Committee, assessed the independence of Mr Kong Wah Sang and Mr Chew Hoy Ping and recommended them to continue to serve as Independent Non-Executive Directors based on the following justifications:-

Notice of 43rd Annual General Meeting (cont'd)

Ordinary Resolution 7: Mr Kong Wah Sang

a) Mr Kong fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Securities 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 judgement 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.

Ordinary Resolution 8: Mr Chew Hoy Ping

a) Mr Chew fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Securities and thus, he would be able to function as a check and balance to the Board.

b) Mr Chew performed his duties diligently and in the best interest of the Company and brings an element of objectivity and independent judgement to the Board without being subject to influence of the management.

c) Based on the Director's Peer Evaluation undertaken by the Board, Mr Chew 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.

d) Mr Chew, who is Chairman of the Audit Committee, has vast experience in the accounting and audit industry, which enabled him to provide constructive advice, expertise and independent judgement.

STATEMENT ACCOMPANYING NOTICE OF 43RD ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of persons who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking for election as a Director at the 43rd Annual General Meeting of the Company.

2. A statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The proposed Ordinary Resolution 4 for the general mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares were issued pursuant to the said mandate granted to the Directors at the last Annual General Meeting held on 9 June 2016.

MULPHA INTERNATIONAL BHD (19764-T)
INCORPORATED IN MALAYSIA

No. of Shares held	
CDS Account No.	

PROXY FORM

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 43rd 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, 8 June 2017 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	Approval of the payment of Directors' fees		
Resolution 2	Approval of the payment of Directors' benefits		
Resolution 3	Re-appointment of KPMG PLT as Auditors		
Resolution 4	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 5	Proposed renewal of authority to allot and issue shares pursuant to the Company's Dividend Reinvestment Plan		
Resolution 6	Proposed renewal of authority for the purchase by the Company of its own shares		
Resolution 7	Continuing in office as Independent Non-Executive Director – Mr Kong Wah Sang		
Resolution 8	Continuing in office as Independent Non-Executive Director – Mr Chew Hoy Ping		

Dated this________day of _______________ 2017

____
Signature of Member

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%

Common Seal
(for Corporate Members)

NOTES:

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Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of Annual General Meeting dated 28 April 2017.

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

1ST FOLD HERE

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. Leisure Farm Resort
D'Rimbunan Sales and Information Centre
No. 8, Jalan Peranginan, Leisure Farm
81560 Gelang Patah, Johor
Malaysia

T: (+607) 556 3003
www.leisurefarm.com.my

3. Mulpha Australia Limited
L5, 99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9239 5500
www.mulpha.com.au

4. Mulpha Sanctuary Cove Pty Ltd.
PO Box 199
Sanctuary Cove, Queensland 4212
Australia

T: (+617) 5577 6500
www.sanctuarycove.com

5. Norwest Business Park
L5, 99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9270 6100
www.norwestbusinesspark.com.au

6. One&Only Hayman Island
Great Barrier Reef
Queensland 4801
Australia

T: (+617) 4940 1838
www.oneandonlyhaymanisland.com.au

7. InterContinental Sydney
117, Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9253 9000
www.sydney.intercontinental.com

8. InterContinental Sanctuary Cove Resort
Manor Circle, Sanctuary Cove
Queensland 4212
Australia

T: (+617) 5530 1234
www.intercontinentalsanctuarycove.com

9. Bimbadgen
790 McDonalds Road
Pokolbin New South Wales 2320
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T: (+612) 4998 4600
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10. 99 Macquarie Street
99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9239 5500
www.99macquariestreet.com.au

11. The Hotel School Sydney
60 Philip St
Sydney, New South Wales 2000
Australia

T: (+612) 8249 3200
www.hotelschool.scu.edu.au

12. Marritz Hotel
12 Porcupine Road
Perisher Valley
New South Wales 2624
Australia

T: (+612) 6457 5220
www.marritzalpine.com.au

13. Salzburg Apartment
24 Porcupine Road
Perisher Valley
New South Wales 2624
Australia

T: (+612) 6457 5220
www.salzburg.com.au

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PH1, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara,
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