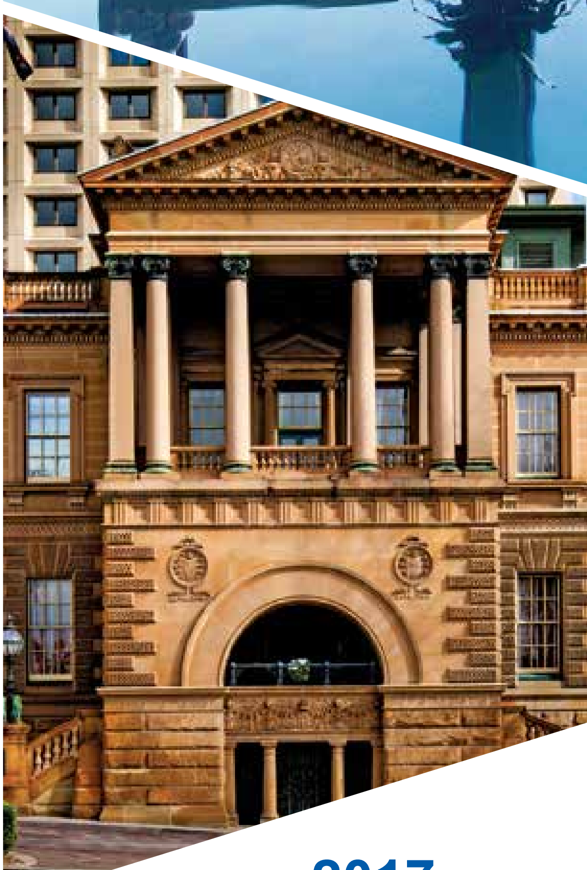
MULPHA



2017
ANNUAL REPORT

Contents

Sydney, Australia

Norwest Business Park

Spread over 377 hectares in Sydney, Norwest Business Park provides a highly desirable and sustainable work and living environment. It accommodates more than 800 leading national and international companies and provides more than 30,000 jobs, which is projected to grow to 40,000 on completion of the new Circa development. It is also home to over 5,000 residents, a number which is expected to increase to 10,000 residents on completion of its residential developments.

www.mulphanorwest.com.au

Corporate Profile

Bimbadgen Estate, New South Wales, Australia.

MULPHA INTERNATIONAL BHD

Mulpha International Bhd ("Mulpha" or "the Company") 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, education, healthcare, infrastructure and civil construction. It invests in some of the fastest-growing and most vibrant economies in the region, including Malaysia, Australia, United Kingdom, New Zealand, Indonesia and India.

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 on the Gold Coast; Norwest Business Park, Sydney; InterContinental Sydney Hotel and Transport House, Sydney. Mulpha also holds a strategic stake in 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 RM5.86 billion, with shareholders' funds in excess of RM3.31 billion.

www.mulpha.com.my

Corporate Information

BOARD OF DIRECTORS

Non-Independent Executive Chairman
- Lee Seng Huang

Non-Independent Executive Director
- Lee Eng Leong

Senior Independent Non-Executive Director
- Kong Wah Sang

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

AUDIT COMMITTEE
- Chew Hoy Ping *(Chairman)*
- Kong Wah Sang
- Dato' Yusli Bin Mohamed Yusoff

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

REMUNERATION COMMITTEE
- Dato' Yusli Bin Mohamed Yusoff *(Chairman)*
- Kong Wah Sang
- Loong Caesar

COMPANY SECRETARIES
- Lee Eng Leong (MIA 7313)
- Lee Suan Choo (MAICSA 7017562)

REGISTERED OFFICE
D'Rimbunan
No. 8, Jalan Peranginan
Leisure Farm
81560 Gelang Patah
Johor Darul Takzim
Malaysia
Tel No: (607) 556 3003
Fax No: (607) 556 3160

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
Email: ssr.helpdesk@symphony.com.my

AUDITORS
KPMG PLT
Chartered Accountants

PRINCIPAL BANKERS
- Alliance Bank Malaysia Berhad
- 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 2017

INTERCONTINENTAL SANCTUARY COVE RESORT

- Brides Choice Awards - Gold Coast & Hinterland
  - Best of the Best
  - #1 Wedding Planner - David Carlo
  - #1 Wedding Venue - Five Star Hotel
  - #1 Wedding Chapel - Location
  - Top 5 Wedding Chapel
- Fireplace Restaurant received two glasses at the Australian Wine List of the Year Awards
- HM Awards – Meeting and Conferencing Property – Finalist
- IHG Commercial Team of the Year – Internal Award for performance in 2016 (awarded in 2017)
- IHG Finance Award for Best Operating Hotel TGOP – Internal Award for performance in 2016 (awarded in 2017)

SANCTUARY COVE DEVELOPMENTS

- Urban Development Institute of Australia Queensland Excellence Awards – Winner of Masterplanned Development category
- Urban Development Institute of Australia Queensland Excellence Awards – Finalist of President's Award category

BIMBADGEN, HUNTER VALLEY

- Restaurant and Catering Awards – Best Restaurant in a winery (NSW and National Award)
- NSW Wine Awards – Trophy for best Young Semillon

LEISURE FARM RESORT

- The Iskandar Malaysia Accolades 2016/2017 (TIMA) Awards – Silver in Most Liveable Residence category

INTERCONTINENTAL SYDNEY

- World Travel Awards – Australia's Leading Hotel
- World Travel Awards – Australasia's Leading Business Hotel (fourth consecutive year)
- World Travel Awards - Winner – World's Leading Executive Club Lounge
- World Travel Awards – Australasia's Leading Executive Club Lounge (third consecutive year)
- World Luxury Restaurant Awards, Best Luxury Hotel restaurant (117 dining)
- Gault Millau, Two Hats (117 dining)
- Tourism Accommodation Association (TAA) NSW Awards for Excellence:
  - Engineer of the Year, Andy Goonesekera, InterContinental Sydney
  - Food & Beverage Employee of the Year, Libby Jaeger, InterContinental Sydney (Highly Commended)
- World Luxury Restaurant Awards for Australasia's Luxury Hotel Restaurant – 117 dining (second consecutive year)
- International Tasty Anti Additive Award for 117 Dining
- Conde Nast Traveller Readers' Choice Awards
- Commercial Team of the Year for IHG Australasia

Financial Calendar

ANNOUNCEMENT OF QUARTERLY RESULTS

30
MAY 2017

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2017

29
AUG 2017

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2017

29
NOV 2017

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2017

28
FEB 2018

Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2017

ANNUAL REPORT & ANNUAL GENERAL MEETING

30
APR 2018

Notice of 44th Annual General Meeting and issuance of Annual Report 2017

7
JUN 2018

44th Annual General Meeting

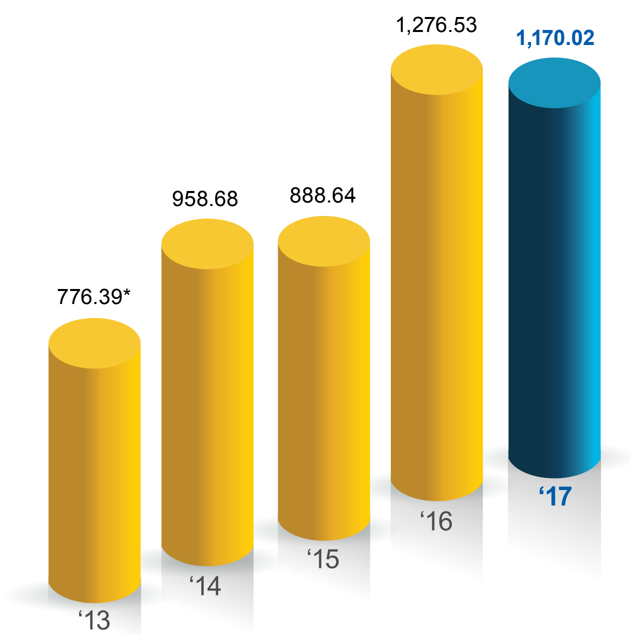
Group's 5-Year Financial Highlights

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non-Current Assets	**4,377,789**	4,388,552	3,600,923	3,205,704	2,788,996
Current Assets	**1,484,774**	1,344,616	1,531,580	1,490,370	1,469,086
Total Assets	**5,862,563**	5,733,168	5,132,503	4,696,074	4,258,082
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	**2,037,459**	1,598,096	1,177,957	1,177,957	1,177,957
Reserves	**1,277,593**	1,379,520	1,391,033	1,181,256	1,107,454
Equity attributable to Owners of the Company	**3,315,052**	2,977,616	2,568,990	2,359,213	2,285,411
Non-Controlling Interests	**(120)**	–	–	44,346	52,130
Total Equity	**3,314,932**	2,977,616	2,568,990	2,403,559	2,337,541
Liabilities					
Non-Current Liabilities	**1,360,210**	2,258,521	947,997	810,318	832,135
Current Liabilities	**1,187,421**	497,031	1,615,516	1,482,197	1,088,406
Total Liabilities	**2,547,631**	2,755,552	2,563,513	2,292,515	1,920,541
Total Equity and Liabilities	**5,862,563**	5,733,168	5,132,503	4,696,074	4,258,082
GROUP RESULTS					
Profit/(Loss) before Tax	**452,215**	7,903	160,713	141,463	(43,451)
Tax (expense)/benefit	**(83,026)**	8,897	2,569	(16,904)	15,692
Profit/(Loss) after Tax	**369,189**	16,800	163,282	124,559	(27,759)
Non-Controlling Interests	**126**	–	1,841	(411)	(4,497)
Net Profit/(Loss) attributable to Owners of the Company	**369,315**	16,800	165,123	124,148	(32,256)
SELECTED RATIOS					
Earnings/(Loss) Per Share (Sen)^	**115.60**	6.29	77.07#	58.18	(14.93)
Net Assets Per Share (RM)^	**10.38**	9.32	12.04	11.06	10.71
SHARE PERFORMANCE					
Year high (RM)^*	**3.05**	3.10	4.15	5.50	4.95
Year low (RM)^*	**2.09**	1.95	2.50	3.35	3.65
Year close (RM)^*	**2.59**	2.25	2.60	3.70	4.10
Trading volume ('000)^*	**61,880**	63,500	51,030	78,850	109,090
Market capitalisation as at 31 December (RM'000)*	**827,418**	718,846	554,750	789,474	874,884

Comparatives for 2015 have been restated to reflect the rights issue implemented in year 2016.
^ Comparatives from year 2013 to 2016 have been restated to reflect the share consolidation implemented in year 2017.
* Source: Bloomberg

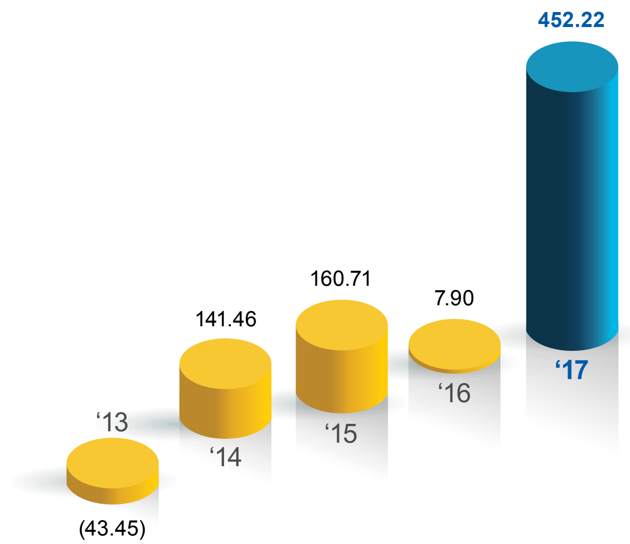
Group's 5-Year Financial Highlights (cont'd)

Revenue RM Million

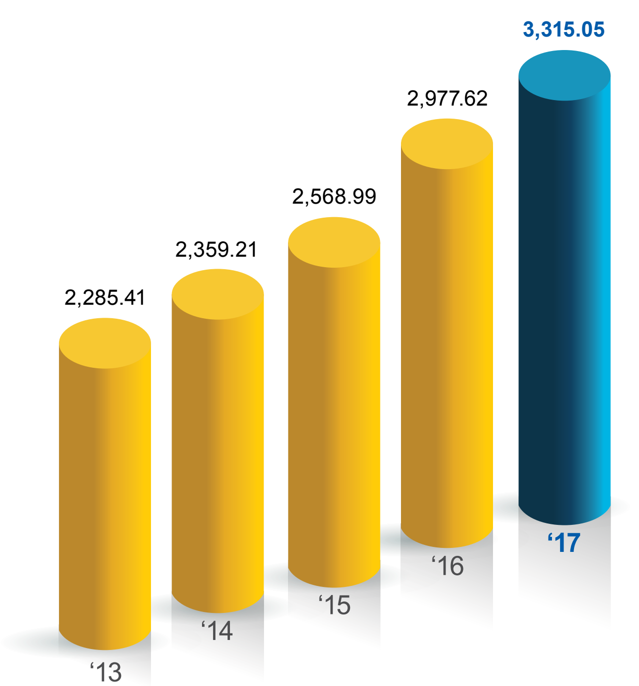


* Restated due to discontinued operations.

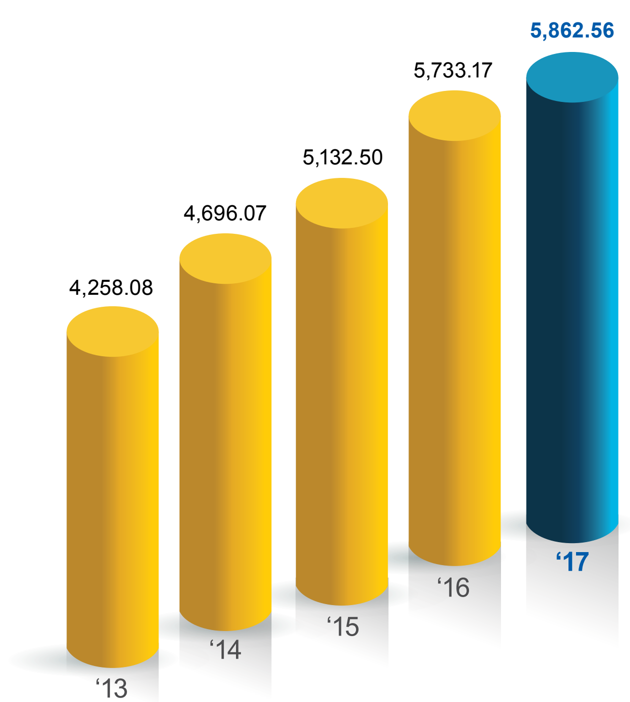
Profit/(Loss) Before Tax RM Million



Shareholders' Funds RM Million



Total Assets RM Million



Sydney,
Australia

InterContinental Sydney Hotel

The InterContinental Sydney Hotel with its 1851 grand heritage façade has held a special place in the city since its opening in 1985. This Sydney icon presents the utmost in luxury with spacious guest rooms and suites with views of Sydney Harbour, the Royal Botanical Gardens, Circular Quay and the city skyline. The stunning setting, chic lounge bar and dining areas and spectacular views from the rooftop executive club lounge makes the hotel the epitome of experience.

www.icsydney.com.au

Profile of Board of Directors

Lee Seng Huang
Non-Independent
Executive Chairman

Lee Eng Leong
Non-Independent
Executive Director

Kong Wah Sang
Senior Independent
Non-Executive Director

Chew Hoy Ping
Independent
Non-Executive Director

Dato' Yusli Bin Mohamed Yusoff
Independent
Non-Executive Director

Loong Caesar
Independent
Non-Executive Director

Profile of Board of Directors (cont'd)

Lee Seng Huang

Non-Independent Executive Chairman
Male, Malaysian

Mr Lee, aged 43, 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.

Lee Eng Leong

Non-Independent Executive Director
Male, Malaysian

Mr Lee, aged 50, is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public 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. Prior to Mr Lee's appointment as Executive Director of the Company, he was the Group Chief Financial Officer since 3 October 2012.

Mr Lee was appointed to the Board as Executive Director on 3 July 2017.

Mr Lee's directorships in other 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.

Kong Wah Sang

Senior Independent Non-Executive Director
Male, Malaysian

Mr Kong, aged 59, 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 60, is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Chew had a professional career with PricewaterhouseCoopers ("PwC") commencing in 1976 and spanning 30 years, including 15 years as a partner of the firm. Whilst at PwC, he was engaged in a diverse range of professional services encompassing auditing, corporate finance and business recovery. He held various leadership roles in PwC including the Asia Pacific Chairman of Financial Advisory Services, Risk Management & Independence Leader, Deputy Chairman of the Governance Board and a member of the Country Management Team. Mr Chew also served work experiences with PwC Houston, Texas (1982-1984) and Bank Negara Malaysia (1986-1988). After PwC, he was the Chief Financial Officer for Southern Bank Berhad (subsequently acquired by CIMB) for about a year until 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 of Mulpha Australia Limited, a wholly-owned subsidiary of the Company.

Mr Chew is also currently an Independent Non-Executive Director of Carlsberg Brewery Malaysia Berhad and Mudajaya Group Berhad where he is the Chair of their respective Audit Committees. He also sits on the Board of GE-Shen Corporation Berhad where he is a member of its Audit Committee. He has no other directorships in public companies in Malaysia.

Dato' Yusli Bin Mohamed Yusoff

Independent Non-Executive Director
Male, Malaysian

Dato' Yusli, aged 59, graduated with a Bachelor of Economics Degree from University of Essex, England and qualified as a member of the Institute of Chartered Accountants in England & Wales. He is a member of the Malaysian Institute of 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 as well as a member of the Audit 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 58, 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 sits on its Nomination and Audit Committees. 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 and Remuneration Committees.

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.

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.

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 2017 is disclosed in the Corporate Governance Overview Statement.

Profile of Key Senior Management

Gregory David Shaw

Chief Executive Officer
Male, Australian

Mr Shaw, aged 58, 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.

Winson Chow

Chief Operating Officer
Male, Australian

Mr Chow, aged 55, 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.

Lim Say Kien

Head of Finance
Female, Malaysian

Madam Lim, aged 50, graduated with a Master Degree in Business Administration from University of Strathclyde Graduate School of Business, Scotland and a Bachelor of Commerce (double major in Accounting & Finance) from University of New South Wales, Australia. She is a fellow member of the Certified Practising Accountants (CPA) Australia and a member of the Malaysian Institute of Accountants.

Madam Lim started her career in audit with one of the Big Four accounting firms from 1992 to 1995. She then joined Magnum Corporation Berhad, a Malaysian public listed company from November 1995 to November 2008 as Assistant Manager, Treasury where she managed all aspects of treasury and finance management for Magnum Group. In December 2008, she joined Mulpha International Bhd and her main roles include financial and management reporting, treasury operations, taxation, audit and reporting compliance.

Madam Lim was appointed as Head of Finance of the Company on 3 July 2017.

Madam Lim's directorship in public company is Leisure Farm Polo Club Berhad. She has no directorships in any listed issuers.

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

Mulgoa Rise, Sydney, located at the foothills of the Blue Mountains is a contemporary lifestyle village with all the conveniences of nearby amenities.

The Hotel School Sydney and Hotel School Melbourne deliver educational excellence in the hospitality industry.

Marritz Hotel, Perisher Valley, New South Wales, Australia.

Great Barrier Reef,
Australia

Hayman Island

Management Discussion & Analysis

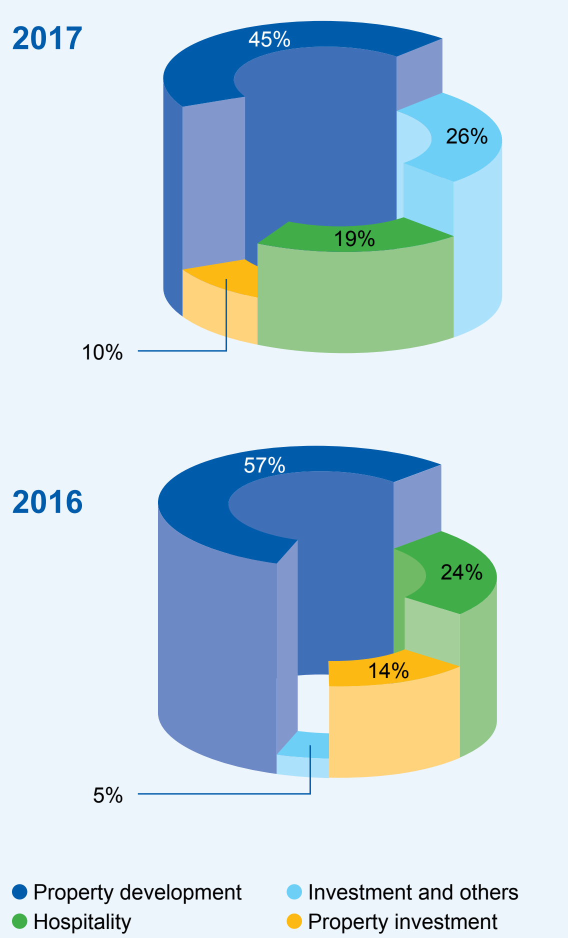
OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

I am very pleased to report that the Group delivered strong results for the financial year ended December 2017 following a difficult year in 2016. Profits after tax increased many fold to RM369.19 million from the prior year of RM16.80 million despite a fall in revenue. Overall revenue fell by 8% to RM1.17 billion, impacted by the closure of our Hayman Island resort due to damage caused by Tropical Cyclone Debbie. The higher profits resulted from higher prices achieved in our property sales and strong cost controls undertaken by management.

The Group remains committed to creating long term value for shareholders. Our vision and strategy is centered around the acquisition, development and management of a range of hospitality and lifestyle real estate and other strategic investments.

In recent years, we have started diversifying our investments and earnings in order to reduce our reliance on real estate and to act as a form of protection against a downturn in this sector. As part of this strategy, the Group established a commercial property lending business to leverage on our inherent strengths in property development and our wide network of Asian based investors. We also ventured further into the education sector by making a strategic investment in Education Perfect, an online learning platform established in Australia and New Zealand with significant growth potential in the coming years.

Source of earnings 2016 and 2017



The change of comparative figures has resulted from a change in the structure of our internal organisation in a manner that causes the composition of our reporting segments to change.

> ***The Group reported a significant increase in profit before tax from RM7.9 million in 2016 to RM452.2 million in 2017 due to higher gross margins in the property segment and higher contributions from associates and joint ventures.***

FINANCING PORTFOLIO
reduce **11.3%**
to **RM2.1 billion**
(FY2017)

The recently completed Bayou Creek bungalows in Leisure Farm feature a contemporary design nestled amidst lush green landscapes.

Successful execution of this diversification strategy and a strong financial position coupled with an appropriate level of risk management will position the Group to continue to deliver attractive returns over the years to come.

This year, I am also pleased to present Sustainability as a strategic priority for us. Sustainability encompasses the risks and organisational responsibilities in relation to the environment, social and governance ("ESG") impacts.

We contribute to society through the development and management of properties to house families, businesses and individuals and provide a suitable environment in which they can live, work and play. It is our duty to identify and implement innovative initiatives that ensure our business models and properties will contribute to a sustainable society.

REVIEW OF OPERATING ACTIVITIES

Mulpha International Bhd is very well established in the activities of high end property development and investment, hospitality, retirement and leisure. While its assets are predominantly in Australia and Malaysia, the Group has diversified its investments and operations globally, with interests in the United Kingdom and New Zealand. It also holds a strategic stake of 22.70% in the Australian Stock Exchange listed AVEO Group ("AVEO"), one of Australia's largest operators and developers of retirement homes and communities.

HOSPITALITY

With the exception of Hayman Island, our hotel portfolio achieved a solid performance in 2017, reflecting the buoyant Sydney hotel market and recovering visitations in the Gold Coast and Cairns.

Sanctuary Cove, Gold Coast is Australia's leading integrated residential community and winner of the Best Masterplan Community Award in Australia 2018.

AUSTRALIA

InterContinental Sydney Hotel

Our flagship hotel, the 5-star InterContinental Sydney Hotel, is situated in a prime location overlooking the Sydney Harbour, Opera House, Harbour Bridge, Royal Botanic Garden and Circular Quay.

The hotel again performed strongly in 2017, benefiting from the increasing business and leisure travel demand in Australia which enabled it to achieve higher revenue and profit compared to the previous year.

During the year, the hotel's conference and function facilities were refurbished enabling the hotel to compete more aggressively in the smaller sized meetings market. While the Sydney hotel market remains buoyant with healthy economic conditions, the outlook is more challenging with the recent opening of a new competitor in late 2017 and the expected re-opening in 2018 of two competitors that were closed for refurbishment.

InterContinental Sanctuary Cove Resort

The InterContinental Sanctuary Cove Resort, experienced difficult trading conditions during most of 2017, due to a significant downturn in corporate group business on the Gold Coast. However, due to the implementation of effective revenue and cost management initiatives, the resort managed to perform reasonably well in 2017. These restructuring initiatives undertaken in 2017 will provide the asset a solid foundation for growth in 2018.

Hayman Island

Located off the coast of Queensland on the Great Barrier Reef, Hayman Island is Australia's most iconic private island resort. Unfortunately, the resort incurred severe wind and water damage on 28 March 2017 when Tropical Cyclone Debbie passed over the island forcing it to cease operations. The closure is expected to have a minimal impact on the Group as the property is covered under a property insurance policy subject to a deductible of AUD10 million as well as business interruption coverage to protect the impact on trading results for a period of up to 24 months. We expect the reconstruction works to be completed and the resort to be operating once again in early 2019.

Rydges Esplanade Resort Cairns

The Rydges Esplanade Resort Cairns was acquired in December 2016 to take advantage of Cairns' improving hotel market and this strategy has proven successful with higher occupancies and average room rates achieved in 2017 compared to the previous year.

While the entire Cairns market enjoyed an exceptional year, the resort managed to substantially outperform its competitors with almost double the revenue growth rate achieved by its competitors. The solid performance is partly attributed to the implementation of new revenue management systems and improved labour management at the hotel.

While bookings remain healthy and this market trend is expected to continue in 2018, the resort's performance may be impacted by the increase in supply of hotel rooms expected from the re-opening this year of a competitor that was closed for refurbishment and a number of new hotels opening in future years.

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

UNITED KINGDOM

London Marriott Hotel Grosvenor Square

The London Marriott Hotel Grosvenor Square is located in Mayfair, one of the most sought after locations in London, nearby Park Lane and Oxford Street. The hotel features the well acclaimed Maze Restaurant operated by the world famous chef, Gordon Ramsay.

2017 proved to be a very good year for the UK hotel market, with the industry recovering strongly from challenging conditions in 2016 caused by the uncertainty of Brexit. The London market was particularly strong, helped by a weaker sterling which incentivised overseas visitors to travel to the capital.

During the year, the hotel achieved higher occupancy and average room rates compared to the previous years, outperforming the industry despite two major competitors recommencing operations following refurbishment. The better performance was achieved by focusing on advance purchases, corporate and Marriot Rewards bookings, driving room rate growth during large business events and driving increased leisure segment business during holiday periods.

In 2018, the London hotel market is expected to continue to grow albeit at a slower pace compared to 2017 as Brexit concerns resurface in view of the impending exit deadline in 2019. Whilst the hotel continues to build on the solid revenue base established in 2017, it will also focus on marketing its newly refurbished ballroom which has already attracted a number of bookings from high profile international corporates.

PROPERTY DEVELOPMENT

Last year was a challenging year for the real estate industry. In both our key markets of Australia and Malaysia, tighter bank lending practices continued to limit foreign and investor activity while in Malaysia, weak demand for higher end properties continued to dampen our sales.

Despite the challenges it faced, 2017 was a record year for the Group's development business in Australia. Our strategy of small releases with consistent price increases resulted in a notable improvement in gross margins. While the tighter lending conditions caused the Sydney market to show signs of more subdued demand from foreign and investor interest, it had less of an effect on property conditions in the Gold Coast, Queensland which remained stable.

In Iskandar Malaysia, the persistent weak demand in 2017 especially for higher density condominium projects, led to new project launches being deferred whilst developers cleared existing stock by offering attractive rebates and incentives.

AUSTRALIA

Sanctuary Cove

Situated on the Gold Coast of Queensland, Sanctuary Cove has become Australia's premier golfing and marina resort community. It provides a completely self-contained residential environment with its own shopping and dining precinct, entertainment facilities and 24-hour land and water security. This iconic master-planned estate offers a variety of home site options ranging from stunning waterfront land to panoramic hillside locations. The premium position of Sanctuary Cove was recently recognized by the Urban Development Institute of Australia awarding Sanctuary Cove the Best Master-planned Community Award 2018 for Australia.

Sanctuary Cove had an outstanding year in 2017, with final settlement numbers totalling 43 lots. While the number of lots sold was lower than the previous year, higher profits were recorded reflecting the higher transacted prices of 8 prime golf front lots in Sanctuary Pines and 16 prime waterfront lots in Sanctuary Point which resulted in record gross margins. Indeed, the strong sales of waterfront lots in the first half of the year prompted us to further develop an additional 10 waterfront lots in the second half of the year of which 7 lots were pre-sold while still under development.

Mainland Chinese buyers were the primary purchasers of the larger waterfront land while local and interstate buyers dominated the purchase of the golf front land. Notably, mainland Chinese sales slowed during the year, due to restrictions on the remittance of funds for foreign property investment by authorities in China, more stringent loan approvals by lenders in Australia and higher property taxes being applied to offshore owners. These market dampening factors are expected to impact mainland Chinese and other foreign interest this year.

In 2018, we will continue to shift the focus of our marketing activities to local and interstate buyers and the very high end segment of the international market where buyers tend to have the ability to fund their purchases despite the restrictions on the flow of funds.

The innovative T1 building is a mixed office, high tech and light industrial development in Norwest Business Park, Sydney.

Mulpha Norwest

Mulpha Norwest is a diverse portfolio of valuable property assets located in the north west of Sydney, strategically located in one of Sydney's vital economic corridors. It will be a direct beneficiary of the AUD8 billlion Sydney Metro North West Rail project, served by two new Metro stations upon completion of the rail project in 2019. The Norwest portfolio comprises the award winning integrated commercial and residential estate, Norwest Business Park, Watermark and Haven at the Lakes apartments, Bella Vista Waters and the adjacent Edgewater land subdivision as well as Mulgoa Rise land estate in the foothills of the Blue Mountains.

The final release of 9 lots at Bella Vista Waters saw a record pricing of AUD1.55 million achieved on 4 sales. We also sold the remaining 3 penthouses in our Watermark apartments development at strong prices.

Haven at the Lakes, an apartment building comprising 80 units and 4 retail outlets over 12 floors was launched in late 2016. During the year we saw continued interest and 38 units have been presold. Construction on the building is due for completion in September 2018 with settlements scheduled for November and December.

Continued interest was also seen at our Mulgoa Rise development. A total of 109 properties were settled consisting of 78 land lots and 31 townhouses. Higher prices with each release and lower costs resulted in higher profits being generated. However, we have reached a level where there is resistance against further price increases, while competition has also increased.

Mulpha Norwest still has a substantial remaining pipeline of well-located development projects including Fairway Drive, Edgewater Estate, The Greens, Norwest City and Circa all of which are currently undergoing various stages of planning approval.

MALAYSIA

Leisure Farm

Established in 1992, Leisure Farm is an award-winning township development in Iskander Malaysia covering 1,765 acres of prime, freehold land. Its close proximity to the Malaysia-Singapore Second Link and connectivity to an extensive network of highways provide easy access to Singapore and Johor Bahru City in Johor. Leisure Farm's unique feature is its offering of a wide range of well-designed estates and residences within gated communities, supported by great amenities, particularly reputable international schools such as Marlborough College and Raffles American School which are in close proximity. It is also Iskandar Malaysia's first Green Building Index ("GBI") certified development.

Leisure Farm continued to face difficult market conditions in 2017 with interest mainly coming from foreign purchasers, particularly the mainland Chinese. Despite the introduction of stricter capital controls by the China government, demand from the mainland Chinese continued at the same pace as the previous year, mainly with the intention of relocating to Iskandar Malaysia to provide their children with a world class education. This is consistent with the fact that a large number of Marlborough College students are already staying in Leisure Farm. We continue to increase our efforts on this niche market by working closely with agents who promote Iskandar Malaysia as an educational destination.

Leisure Farm at Iskandar Malaysia, Johor offers world-class facilities such as this airy and spacious clubhouse in Residensi Bayou, the latest development in Leisure Farm.

During the second half of 2017, Leisure Farm also embarked on an operational cost restructuring exercise to streamline its operations and improve its efficiency. The full benefit of this cost restructuring should be realised this year. Due to the substantial oversupply of land, villa and apartment stock in the Iskandar region we expect property sales to remain subdued for some years to come.

PROPERTY INVESTMENT

AUSTRALIA

The Group's portfolio of commercial and retail properties, which consists primarily of Norwest City and Transport House in Sydney and the Sanctuary Cove Marine Village and Marina, generally performed well in 2017.

Operationally, our properties enjoyed high occupation rates of between 88% to 100% during the year with positive rent reversions being achieved. Within our retail portfolio of Norwest City and the Marine Village, we managed to achieve income growth through higher occupancies, replacement of underperforming retailers and improvements in tenant quality. At the same time, expense controls were a key focus in 2017 and will continue to be a key focus for the year ahead.

Going forward, we also expect Norwest City, which has an underground passenger link direct to the new Norwest Station on the Sydney Metro North West Rail project, to experience an increase in footfall upon commencement of services on the new rail project in 2019.

EDUCATION

AUSTRALIA

The Hotel School Sydney & Melbourne

The Hotel School is a unique educational partnership between Mulpha and Southern Cross University, an Australian public university that was established in 1994. The combination of industry connectivity from Mulpha and educational excellence

Aveo Live Well retirement villages redefine what it means to 'live well' in retirement.

from Southern Cross University creates an innovative learning environment at the Hotel School.

Following the appointment of a new management team to the Hotel School, greater emphasis was placed on improving the overall student experience, creating stronger engagement within the campus and enhancing and further developing the Hotel School's industry connections. New marketing initiatives implemented in 2017 such as a comprehensive digital marketing strategy and increasing direct engagement with potential students by organizing events such as discovery days and workshops contributed towards a significant growth in student enrolments for the first session of 2018.

As both the Sydney and Melbourne campuses are now operating strongly under the guidance of an excellent management team, we are starting to explore further expansion into other major cities as well as potential acquisitions in the education sector.

AUSTRALIA

NEW ZEALAND

Education Perfect

In December 2017, the Group completed its acquisition of a 40% equity interest in Education Perfect for RM46.36 million. The remaining interest is held by another private equity investor group (40%) and the two founders (10% each). Education Perfect is an established online learning platform which improves student learning outcomes, teacher productivity and student engagement. Established in 2009 with the roll-out of foreign languages, the business has since introduced core subjects such as English, Mathematics and Science.

Education Perfect has captured a large share of the Australian and New Zealand secondary school market and was used by over 400,000 students last year. Significant growth in student numbers is expected in 2018 from the introduction of new schools to the platform and from an increase in the number of subjects being offered. The introduction of new subjects is also expected to provide a further boost to student numbers. New subjects are currently in development for further expansion of the product offering.

COMMERCIAL PROPERTY LENDING

AUSTRALIA

In late 2016, as part of its revenue diversification strategy, the Group decided to establish a commercial property lending business when it became apparent that there was a dislocation in the banking sector whereby financial institutions were not funding quality development projects in good locations despite a significant amount of product having been presold. This commercial lending business is leveraging on our in-house development expertise and market intelligence of the property sector to assess the project risk of each transaction and access our strong network of overseas investors to co-invest with us.

With a strong management team in place, the commercial lending business has gained significant traction since establishment with 8 transactions already entered into, of which 2 have been fully repaid. In view of the strong pipeline of transactions in hand, we expect to see further growth in this business in 2018.

RETIREMENT

AUSTRALIA

AVEO

AVEO, which is listed on the Australian Stock Exchange, is one of the largest operators and developers of retirement homes in Australia, operating 91 retirement communities across Australia where over 13,000 residents live. AVEO also provides aged care and support services to its residents. In line with the country's ageing population, the retirement and age care industry is expected to grow steadily over the longer term.

Conditions were extremely challenging for AVEO in 2017 due to the negative media coverage on AVEO that surfaced in the middle of the year. Underlying profit was impacted by reduced sales of retirement homes compared to the previous year. However, after AVEO responded by implementing a package of new initiatives, a recovery was seen towards the end of the year and sales momentum started returning to more normalised levels.

In the meantime, in line with AVEO's plan to become a pure play retirement business, AVEO continued to dispose of its non-core, non-retirement assets with the sale of 2 components of its Gasworks development project in Brisbane which was settled in February 2018. Following the sale, AVEO's retirement assets now comprise 95% of its total divisional assets.

SUSTAINABILITY REPORT

Sustainability is a strategic priority for our Group. Our holistic approach to sustainability looks at opportunities across an Environmental, Social and Governance ("ESG") framework. Integrating environmental, social, governance and ethical goals into our business strategies, allows us to deliver stakeholder value across all ESG dimensions. All areas are covered from conserving energy to enhancing community wellness, and from building resilient operations to ensuring adherence to the highest ethical standards.

Our corporate-wide sustainability programme achieves even greater success through partnering with key stakeholders to achieve common goals. Together, we are recognised for our health and safety performance, certified green buildings and contribution to stronger communities.

You may refer to the full Sustainability Statement in this Annual Report for more details.

SIGNIFICANT EVENTS

Share Consolidation

On 21 March 2017, the Company announced a share consolidation exercise involving the consolidation of every 10 existing ordinary shares in the Company into 1 ordinary share ("Share Consolidation"). Based on the issued share capital of the Company on 30 June 2017 (i.e. the entitlement date), 3,196,192,137 ordinary shares were consolidated into 319,618,640 ordinary shares ("Consolidated Shares"). The Share Consolidation was completed on 3 July 2017 following the listing of and quotation for the Consolidated Shares on the Main Market of Bursa Malaysia Securities Berhad.

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

PROFIT AND LOSS ANALYSIS

	2017 RM'000	2016 RM'000	Change RM'000	% Change
Revenue	**1,170,015**	1,276,525	(106,510)	(8%)
Profit from operations	**318,955**	12,246	306,709	2,505%
Profit before interest and tax	**551,947**	110,984	440,963	397%
Profit before tax	**452,215**	7,903	444,312	5,622%
Profit after tax	**369,189**	16,800	352,389	2,098%
Profit attributable to Owners of the Company	**369,315**	16,800	352,515	2,098%

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION OF THE GROUP (CONT'D)

Revenue by Business Segment	2017 RM'000	2016 RM'000 (Restated)	% Change
Property	**658,052**	719,122	(8%)
Hospitality	**451,107**	504,901	(11%)
Investment & other activities	**60,856**	52,502	16%
Total	**1,170,015**	**1,276,525**	**(8%)**

Profit Before Tax by Business Segment	2017 RM'000	2016 RM'000 (Restated)	% Change
Property	**345,607**	148,201	133%
Hospitality	**31,849**	27,701	15%
Investment & other activities	**(58,501)**	(163,656)	64%
Results from operating activities	**318,955**	12,246	2,505%
Finance cost	**(99,732)**	(103,081)	3%
Profit/(Loss) after interest before tax	**219,223**	(90,835)	341%
Share of results of associates and joint ventures	**232,992**	98,738	136%
Total	**452,215**	**7,903**	**5,622%**

The change of comparative figures has resulted from a change in the structure of our internal organisation in a manner that causes the composition of our reporting segments to change.

Group Results

During the financial year ended 31 December 2017, profit after tax increased significantly to RM369.18 million, an increase of RM352.38 million from the previous year of RM16.80 million. The significant increase in profits was due to higher gross margins recorded in the property segment, reduced losses in investments and other activities and higher contributions from associates and joint ventures.

Property Segment

The property segment recorded revenue of RM658.05 million and pre-tax profit of RM345.61 million for the year ended 31 December 2017 compared with RM719.12 million and RM148.20 million respectively in the previous year. The fall in revenue reflects lower sales in the Mulpha Norwest and Sanctuary Cove developments but this was more than offset by higher gross margins earned on the sold properties and a fair value gain (non-cash) of RM152.35 million on our commercial properties.

Hospitality Segment

The hospitality segment recorded revenue of RM451.11 million and pre-tax profit of RM31.85 million in 2017 compared with RM504.90 million and RM27.70 million in 2016 respectively. The decline in revenue reflects primarily the closure of Hayman Island Resort which was hit by the Tropical Cyclone Debbie. This was offset by an excellent performance of the InterContinental Sydney Hotel which saw improved room rates accompanied by higher occupancy rates. The Rydges Esplanade Resort Cairns which was acquired in December 2016 was also a positive contributor to pre-tax profit. Insurance recoveries relating to Hayman Island Resort additionally helped to mitigate the loss in income.

Investment and Other Activities Segment

The investment and other activities segment recorded a pre-tax loss of RM58.50 million for the year ended 31 December 2017 as compared to a loss of RM163.66 million in 2016. The lower pre-tax loss was mainly attributed to the loss on disposal of associated companies of RM108.92 million recognised in the previous year which arose mainly from the derecognition of Mudajaya Group Berhad from an associate company to investment securities.

FINANCIAL POSITION ANALYSIS

Total Assets	2017 RM'000	2016 RM'000
Property, plant and equipment	**955,760**	1,160,661
Investments in associates	**1,427,056**	1,243,438
Inventories	**1,380,273**	1,462,635
Investment properties	**941,078**	813,098
Investment securities	**331,834**	363,926
Cash and cash equivalents	**488,350**	365,017
Others	**338,212**	324,393
Total Assets	**5,862,563**	**5,733,168**

Total assets increased by 2% to RM5.86 billion from RM5.73 billion, mainly attributable to increases in investment properties and associated company investments, but partially offset by decreases in property, plant and equipment and inventories.

The increase in investment properties was mainly due to a revaluation gain of RM152.35 million of the Group's investment properties in Australia due to strong growth in the rental market for commercial properties. The increase in investment in associates was due to a higher share of associated company profits of RM214.03 million recognised in the current year.

The decrease in property, plant and equipment was attributed to an impairment loss and assets written off totalling RM163.07 million on Hayman Island Resort. In addition, RM73.14 million was recognised as depreciation during the year. Additions of property, plant and equipment amounted to RM64.40 million. The fall in inventories was due to a write-off on inventories on Hayman Island amounting to RM81.08 million.

Total Liabilities	2017 RM'000	2016 RM'000
Loans and borrowings	**2,141,513**	2,414,138
Others	**406,118**	341,414
Total	**2,547,631**	**2,755,552**

The Group's total liabilities decreased by 8% to RM2.55 billion in FY2017 due primarily to the Group paying down debt during the year. As a result, the debt-to-equity ratio fell to 0.65 times in FY2017 from 0.81 times in FY2016.

Total Equity	2017 RM'000	2016 RM'000
Share capital	**2,037,459**	1,598,096
Share premium	**–**	217,861
Treasury shares	**(318)**	(266)
Reserves	**301,868**	547,426
Retained earnings	**976,043**	614,499
Total equity attributable to the owners of the Company	**3,315,052**	2,977,616
Non-controlling interests	**(120)**	–
Total	**3,314,932**	2,977,616

The Group's total equity increased by 11% to RM3.32 billion as at 31 December 2017 mainly due to profit recognised for the year amounting to RM369.32 million. The increase in share capital was due to the transfer from share premium and capital reserves of RM217.86 million and RM221.50 million respectively in compliance with Section 618(2) of the Companies Act 2016, which stipulates that any amounts standing to the credit of the share premium account and capital redemption reserve become part of the Company's share capital.

CASH FLOW ANALYSIS

	2017 RM'000	2016 RM'000	% Change
Net cash generated from operating activities	**358,355**	3,442	103%
Net cash used in investing activities	**(42,070)**	(560,813)	(92%)
Net cash (used in)/generated from financing activities	**(306,174)**	710,315	(143%)
Net increase in cash and cash equivalents	**10,111**	152,944	(93%)
Effect of exchange rate fluctuations on cash held	**18,222**	47,939	(62%)
Cash and cash equivalents* at 1 January	**355,506**	154,623	130%
Cash and cash equivalents* at 31 December	**383,839**	355,506	8%

**represents cash and deposits with licensed banks, overdraft and cash and deposits pledged.*

Cash and cash equivalents increased by 8% to RM383.84 million as at 31 December 2017. Net cash generated from operating activities increased substantially to RM358.35 million in FY2017 due to higher net cashflow generated by both the property development and hospitality divisions and the receipt of insurance recoveries relating to the damage to Hayman Island Resort caused by Tropical Cyclone Debbie.

Net cash used in investing activities fell by 92% to RM42.07 million in FY2017 as there were 2 large investments in FY2016 namely the investment in USD60.00 million (equivalent to RM268.80 million) Medium Term Notes issued by Mudajaya Group Berhad and the acquisition of Rydges Esplanade Cairns Resort for AUD40.00 million (equivalent to RM129.95 million). The investing activities for FY2017 included the purchase of property, plant and equipment mainly for hotel refurbishment amounting to RM64.40 million and investments in associates and joint ventures of RM50.19 million. This was offset by dividends received from associates and joint ventures amounting to RM53.23 million and proceeds from the disposal of investment securities amounting to RM10.98 million.

Net cash used in financing activities increased to RM306.17 million in FY2017 mainly due to a higher placement of pledged cash and deposits of RM94.58 million as well as a repayment of RM211.45 million of borrowings in the current year as compared to proceeds received from a rights issue of RM266.71 million and the withdrawal of pledged cash and deposits of RM374.72 million in the previous year.

ANTICIPATED OR KNOWN RISKS

Property Development

The performance of the property industry is cyclical and may be significantly affected by changes in general and local economic conditions. The risks faced in the property industry 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, 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, failure or postponement of issuance or grant of licenses, permits and approvals, unforeseen engineering and environmental problems and changes in the legal and environmental framework governing the industry. 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.

The Malaysian Government continues to maintain its measures to control and restrict speculative activities in the property industry. The perceived oversupply of high end property, increasing cost of living and unaffordability of house prices compared to the median annual household income could result in more cautious spending among home buyers and investors. The increase in the overnight policy rate by Bank Negara Malaysia of 25 basis points to 3.25 percent on 25 January 2018 and expectations of further increases going forward could also affect the demand for our properties as higher interest rates will increase the cost of borrowing and affect the capacity of prospective buyers to obtain financing.

Similarly in Australia, the Australian Prudential Regulation Authority ("APRA"), which is the banking regulator in Australia continues to maintain the tighter lending measures announced in 2017 and the resultant cooling of credit growth could impact the demand for our properties that are popular with investors and foreign buyers.

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 always put us in a good position to minimise the risks mentioned above. In addition, we also carry out a continuous review of our operations and strategy, monitor the changing market demands, retain key personnel, implement prudent cost control measures, acquire land banks in strategic areas, focus on property development in prime areas, place emphasis on product quality as well as after-sales service, maintain good relationships with our business partners, maintain a pool of qualified consultants and/or contractors and use a rigorous selection process which covers their experience, track record, qualifications and financial resources and constantly monitor project progress and timelines.

Hospitality

The risks faced in the hospitality sector may include, amongst others, seasonality, international and domestic tourism demand, geopolitical uncertainties such as the Brexit event, immigration policies, health scares, terrorism threats, impact to our reputation including compensation claims caused by incidents or injuries to guests and/or employees, the global economic environment and outlook, fluctuations in the exchange rate of the Australian Dollar and British Pound against other foreign currencies, adverse weather conditions and natural disasters such as the Tropical Cyclone Debbie that affected Hayman Island in 2017. Furthermore, the Group's hospitality businesses are subject to the recurring need for refurbishments and improvements and increases in operating costs arising from inflation. Any changes in the aforementioned factors could have an adverse effect on our Group's businesses, financial condition and results of operations.

The hospitality business is competitive and the entry of new players and upgrading of hotels 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 the services and attractiveness of the pricing and marketing strategies are amongst the pertinent factors which affect the market position of a player in the hospitality industry.

<u>Mitigation</u>
Nevertheless, we believe that each of the hotels and resorts in Australia and the United Kingdom under the Group's portfolio have their own set of key competitive advantages in terms of location and branding and marketing strategies and we are well placed to optimise the operations and maximise the value of the hotels and resorts with our strong, experienced management team working closely with the hotel or resort operator. We will also continue to set aside sufficient allocations for maintenance and to refurbish/upgrade our hotels and resorts where necessary. 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.

Property 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 in the event of expiry or termination of a lease.

<u>Mitigation</u>
We seek to mitigate these risks by constantly reassessing our retail and office tenant mix to select tenants which meet our stringent criteria. We will also consider tenant needs and preferences to estimate demand when acquiring new investment properties or redesigning existing space. We will also continue to set aside sufficient allocations for the maintenance and refurbishment of our investment properties, where necessary.

Financing and Foreign Exchange Risk

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

<u>Mitigation</u>
In mitigating this risk, the Group actively monitors and reviews our cost of borrowings and actively searches for options to refinance our borrowings at lower costs after taking into consideration the nature and purpose of the borrowings. We also continuously monitor the fluctuations in interest rates and foreign exchange rates.

GENERAL PROSPECTS AND OUTLOOK OF THE GROUP

Global economic growth is expected to be stable in 2018, assisted by the ongoing recovery in USA and Europe. Nonetheless, inflation remains a risk in many countries which could result in interest rates rising higher than expected. The move away from a hyper low interest rate environment which has been conducive for rising asset prices will prove challenging for the property industry.

The Australian hospitality sector is expected to continue to remain buoyant in 2018, as Australia is increasingly a desired destination for tourists and business travelers due to the weak Australian Dollar. Our portfolio of hotels and resorts are well positioned to benefit from this buoyant market despite the expected medium-term increase in the supply of rooms in the Sydney and Cairns markets which may place pressure on room rates and occupancy levels in our hotels in these locations.

Management Discussion & Analysis (cont'd)

Transport House, Sydney was named the Winner of the Heritage Preservation Award in the prestigious Urban Taskforce Australia Development Excellence Awards in 2010.

The Australian residential property development market has seen some slowing in demand and a moderation in prices in certain locations due to greater lending restrictions, increased taxes on foreign purchasers and greater fears of oversupply in Sydney. While these pressures have not had any material impact on the Group's results to date, they may cause future sales to foreign purchasers to slow down. Accordingly, greater emphasis is being placed on attracting local purchasers.

Demand for high end property in Iskandar Malaysia is expected to continue to remain weak due to a general oversupply in this sector, particularly in the higher density condominium market, as well as continuing tight restrictions on overseas investments by the China government. We expect this weak demand to continue to affect Leisure Farm's sales in the coming year.

We expect our investment properties to continue to benefit from solid underlying fundamentals and deliver consistent results supported by strong existing tenant leases. The Group remains cautious on further acquisitions of investment properties in Australia for the short term given the historically high transaction prices being achieved at present.

Nonetheless, we enter 2018 with a stronger and healthier balance sheet. Given the stronger operating performance this year, we have reduced our debt levels and improved our financial flexibility which will allow the Group to continue to capitalise on any growth opportunities that may arise. We have also continued to diversify our portfolio of assets and investments to enable the Group to weather any particular sector adversities in the future.

GREGORY DAVID SHAW
Chief Executive Officer

30 March 2018

Australia

Aveo Retirement Living

AVEO Live Well is Australia's leading and most innovative provider of retirement lifestyle. With 13,000 residents in 91 retirement communities across Australia, AVEO's philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices.

www.aveo.com.au

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Mulpha (or "the Company") is pleased to provide an overview of the Company's corporate governance practices during the financial year ended 31 December 2017 with reference to the 3 key Principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The Company's application of each Practice set out in MCCG 2017 during the financial year 2017 is disclosed in the Company's Corporate Governance Report ("CG Report") which is available on the Company's website at *www.mulpha.com.my* as well as via the Company's announcement made to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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"). 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.

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 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.

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.

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 active participation and 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.

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 fulfil 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 also oversee the adherence to Board policies and procedures.

Board Meetings and 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 5 business days 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. 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.

Board Charter

The Board has a formalised Board Charter which sets out inter alia, the roles and responsibilities of the Board, Board Committees, individual Directors and Management in upholding sound corporate governance standards and practices. The Board Charter also covers the composition of the Board, procedures for convening Board meetings, Directors' remuneration and training, financial reporting, investor relations and shareholder communication. The Board Charter is made available on Mulpha's website at *www.mulpha.com.my.*

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 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 behaviour or misconduct relating to fraud, corrupt practices and/or abuse, for investigation and Management's action. 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*.

II. Board Composition

The Board currently has 6 members, comprising the Executive Chairman, Executive Director and 4 Independent Non-Executive Directors. A majority of the Board members consists of Independent Non-Executive 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 section 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.

Nomination Committee

The Nomination Committee comprises all Independent Non-Executive Directors. In observance with MCCG 2017, the Nomination Committee is chaired by the Senior Independent Non-Executive Director, Mr Kong Wah Sang.

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

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.

e) Reviewed and recommended 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.

g) Reviewed and recommended for the Board's approval, the appointment of Mr Lee Eng Leong as Executive Director of the Company.

The Nomination Committee reports its proceedings and recommendations to the Board for its consideration and approval.

Appointment 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.

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 appointment processes in a manner that promotes gender diversity pursuant to the recommendation stated in MCCG 2017. The Nomination Committee will endeavour to consider women candidates in the recruitment exercise, when the need arises.

Tenure of Independent Directors and 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.

In its annual assessment, the Nomination Committee reviewed the independence of Independent Directors. 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.

Re-election 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 Annual General Meeting ("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.

The performance of those Directors who are subject to re-election 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 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 Evaluation 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 performance and effectiveness of the Board, Board Committees and the contribution of each Director based on a set of pre-determined criteria.

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.

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.

To facilitate the Directors' time planning, a schedule of meetings comprising the dates of Board and Board Committees' 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 2017 and the record of attendance of the Directors is as follows:

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Lee Seng Huang	2/4	50%
Kong Wah Sang	4/4	100%
Chew Hoy Ping	4/4	100%
Dato' Yusli Bin Mohamed Yusoff	4/4	100%
Loong Caesar	3/4	75%
Lee Eng Leong *(Appointed on 3 July 2017)*	2/2*	100%
Law Chin Wat *(Retired on 8 June 2017)*	2/2*	100%
Dato' Lim Say Chong *(Retired on 8 June 2017)*	2/2*	100%
Chung Tze Hien *(Retired on 8 June 2017)*	2/2*	100%

** Based on the number of meetings attended during the time the Director held office.*

All the Directors have complied with the minimum requirement of at least 50% on attendance of Board meetings during the financial year as stipulated in the Main Market Listing Requirements of Bursa 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.

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 2017 are as follows:

Corporate Governance Overview Statement (cont'd)

Name of Directors	Title	Organiser	Date
Lee Seng Huang	Update of Listing Rules and Corporate Governance Code	The Hong Kong Institute of Directors	26 May 2017
Lee Eng Leong	1) Sustainability Engagement Series for Chief Financial Officers & Chief Sustainability Officers	Bursa Malaysia Berhad & Ernst & Young	12 April 2017
	2) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	27 September 2017
	3) CFO Dialogue 2017: The New Business As Usual – Globalisation, Digitalisation & Disruption	Malaysian Institute of Accountants	31 October 2017
	4) MIA International Accountants Conference 2017	Malaysian Institute of Accountants	7 & 8 November 2017
	5) Corporate Governance Breakfast Series: Leading Change @ The Brain	Bursa Malaysia Berhad & The Iclif Leadership and Governance Centre	5 December 2017
Kong Wah Sang	Highlights of the Companies Act 2016 – Changes & Implications	Bursatra Sdn Bhd	7 December 2017
Chew Hoy Ping	1) Audit Committee Conference 2017	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	5 April 2017
	2) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	3 October 2017
	3) Implementing the Companies Act 2016 & Malaysian Code on Corporate Governance 2017 – What every Director needs to know	Bursatra Sdn Bhd	5 December 2017

Corporate Governance Overview Statement (cont'd)

Name of Directors	Title	Organiser	Date
Dato' Yusli Bin Mohamed Yusoff	1) Audit Committee Institute Breakfast Roundtable 2017	KPMG	28 April 2017
	2) Current Issues in Corporate Governance	The Iclif Leadership and Governance Centre	14 & 15 August 2017
	3) Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers: Corporate Disclosure Framework and Directors' Disclosure Obligations under the Listing Requirements	Bursa Malaysia Berhad	3 October 2017
	4) Audit Committee Leadership Track: Effective Oversight of Internal Audit Functions – Are Boards in Sync with Regulatory Expectations?	The Institute of Internal Auditors Malaysia	9 October 2017
	5) Corporate Governance Breakfast Series: Leading Change @ The Brain	Bursa Malaysia Berhad & The Iclif Leadership and Governance Centre	5 December 2017
Loong Caesar	1) Financial Institution Directors Education Programme	The Iclif Leadership and Governance Centre	7 - 10 March 2017
	2) Compliance Conference 2017	Bank Negara Malaysia	18 May 2017
	3) Corporate Governance Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous World	Bursa Malaysia Berhad & The Iclif Leadership and Governance Centre	13 October 2017

III. Remuneration

Remuneration Policies and Procedures

The objective of Mulpha's remuneration policies is to attract and retain Directors and key senior management 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. For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned.

Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Directors and key senior management.

Remuneration Committee

The role of the Remuneration Committee is to assist the Board in overseeing the remuneration policies of the Group. The Remuneration Committee consists of all Independent Non-Executive Directors.

The written terms of reference of the Remuneration Committee which deals with its authority, duties and responsibilities, are available on Mulpha's website at *www.mulpha.com.my*. The Remuneration Committee is authorised to commission independent advice for the purpose of discharging its duties and responsibilities.

Corporate Governance Overview Statement (cont'd)

During the financial year, the Remuneration Committee evaluated the Executive Chairman and Executive Director against the set performance criteria, and reviewed and recommended their compensation packages for the Board's approval, with the Directors concerned abstaining from deliberation and voting on the same. The Remuneration Committee also considered and reviewed the proposed Long-Term Incentive ("LTI") Scheme for senior management of the Group. This LTI Scheme was established with the objective of attracting, retaining and motivating the senior management to drive the Group's performance and long-term objectives. In November 2017, the Board, upon recommendation of the Remuneration Committee, approved the LTI Scheme.

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 and benefits payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM.

Details of Directors' Remuneration

Details of remunerations of the Directors of Mulpha (received or to be received from the Company and on a group basis respectively) for the financial year ended 31 December 2017 are as follows:

Name of Directors	Directors' Fees RM'000	Salaries RM'000	Bonuses RM'000	Defined Contribution Plan RM'000	Meeting Attendance Allowances RM'000	Estimated monetary value of benefits-in-kind RM'000	Total RM'000
Executive Director							
Lee Seng Huang	-	533	212	89	-	-	834
Non-Executive Directors							
Kong Wah Sang	60	-	-	-	12	-	72
Chew Hoy Ping	90	-	-	-	11	-	101
Dato' Yusli Bin Mohamed Yusoff	60	-	-	-	8	-	68
Loong Caesar	60	-	-	-	6	-	66
Dato' Lim Say Chong *(Retired on 8 June 2017)*	30	-	-	-	4	-	34
Chung Tze Hien *(Retired on 8 June 2017)*	30	-	-	-	2	-	32
Received or to be received from the Company	**330**	**533**	**212**	**89**	**43**	**-**	**1,207**
Executive Directors							
Lee Seng Huang	-	793	306	10	-	-	1,109
Lee Eng Leong *(Appointed on 3 July 2017)*	-	483	-	58	-	9	550
Law Chin Wat *(Retired on 8 June 2017)*	-	163	52	11	-	9	235
Received from a subsidiary	**-**	**1,439**	**358**	**79**	**-**	**18**	**1,894**
Total Group	**330**	**1,972**	**570**	**168**	**43**	**18**	**3,101**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

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 comprises 3 members, all of whom are Independent Non-Executive Directors. The AC is chaired by Mr Chew Hoy Ping, an Independent Non-Executive Director, who is not the Chairman of the Board. 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. They also have sufficient understanding of the Company's businesses.

In 2017, the AC members had attended seminars, conferences and workshops to keep themselves abreast of the latest developments in accounting/auditing standards, regulatory requirements and corporate governance.

The AC Report as set out in this Annual Report, provides the details of the AC's activities which among others, include the annual assessment on the suitability, objectivity and independence of the external auditors.

II. Risk Management and Internal Control Framework

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 (a Management-level 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.

Internal Audit and Risk Management Functions

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 internal audit and risk management functions are outsourced to the Internal Audit and Risk Management Department ("IARMD") of Aveo Group, an associated company of the Group. To ensure independence from Management, the IARMD has a direct reporting line to the AC. The main role of the IARMD is to undertake regular reviews of Mulpha Group's systems of internal control, risk management and governance so as to provide assurance to the AC that the internal control system is sound, adequate and operating effectively in all material respects.

The AC Report as set out in this Annual Report, outlines the details of the activities of the internal audit function.

Directors' Responsibilities Statement in respect of the Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements which are in accordance with applicable approved accounting 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 2016, 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.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Periodic and Continuous Disclosure

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 also available to shareholders and the market on the Investor Relations section of Mulpha's website.

The Corporate Communication Department of Mulpha 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.

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 dedicated section on investor relations and corporate governance which contains announcements to Bursa Securities, quarterly financial results, annual reports and stock information, among others.

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 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

II. Conduct of General Meetings

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 2017, the notice of AGM with sufficient information of businesses to be dealt with thereat, was sent to shareholders more than 28 days ahead of the meeting date together with the Annual Report. The notice of AGM was 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 were contained in the Annual Report, were posted on the websites of Mulpha and Bursa Securities.

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

Notice of the forthcoming AGM which will be held on 7 June 2018, will also be given to shareholders more than 28 days prior to the meeting.

Effective Communication and Proactive Engagements with Shareholders

At the general meetings, shareholders have direct access to the Board and senior management, and they are encouraged to participate in the question and answer session.

At the 2017 AGM, all the Directors save for 3 Directors who had conveyed their leave of absence, were present in person to engage directly with shareholders. Amongst them, Mr Chew Hoy Ping, Mr Kong Wah Sang and Dato' Yusli Bin Mohamed Yusoff who are the Chairmen of the AC, Nomination Committee and Remuneration Committee respectively, were present at the AGM to provide responses to questions addressed to them by shareholders. In addition, the external auditors, KPMG PLT were in attendance to answer questions from shareholders on the audited financial statements. The senior management of the Company were also present to respond to any enquiries from shareholders.

At the said AGM, the CEO, Mr Gregory David Shaw presented an overview of the Group's performance and strategies to the shareholders. He provided explanations to questions raised by shareholders.

Electronic Poll Voting

All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at general meetings.

The voting at the 2017 AGM was conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities by way of electronic voting.

This Corporate Governance Overview Statement was approved by the Board on 16 April 2018.

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 fully utilised as at 30 March 2018 in the following manner:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation	
			Amount RM'000	%
Repayment of borrowing	200,000	200,000	N/A	–
Working capital	65,626	65,626	N/A	–
Estimated expenses	1,080	1,803	723	*66.9%
Total	**266,706**	**267,429**		

* *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 2017 are as follows:

	Group RM'000	Company RM'000
Audit fees		
– KPMG in Malaysia	298	136
– Overseas affiliates of KPMG in Malaysia	1,525	–
– Other auditors	85	–
Subtotal	**1,908**	**136**
Non-audit fees		
– KPMG in Malaysia	14	12
– Overseas affiliates of KPMG in Malaysia	177	–
Subtotal	**191**	**12**
Total	**2,099**	**148**

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 2017.

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)
   (Senior Independent Non-Executive Director)

3. Dato' Yusli Bin Mohamed Yusoff (Member) – Appointed on 8 June 2017
   (Independent Non-Executive Director)

4. Dato' Lim Say Chong (Member) – Retired on 8 June 2017
   (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 of this Annual Report.

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 2017, 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	4/5
Dato' Yusli Bin Mohamed Yusoff	2/2*
Dato' Lim Say Chong	3/3*

** Based on the number of meetings attended during the time the Director held office.*

The Executive Director, CEO, Head of Finance and Head of Internal Audit & Risk 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 meetings held. The AC also met with the external auditors without the presence of the executive board member and Management at 2 of these 3 meetings attended by the external auditors.

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 up to the issuance date of this Annual Report, 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 24 February 2017, 26 May 2017, 28 August 2017, 28 November 2017 and 27 February 2018. The financial and cash flows reports were also tabled to the Board for notation.

- Reviewed the quarterly financial results for the 4th quarter 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, at the AC meetings held on 24 February 2017 and 29 March 2017 respectively.

Audit Committee Report (cont'd)

- Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2017, and the annual audited financial statements of 2017 for recommendation to the Board for approval and release to Bursa Securities and Securities Commission, focusing particularly on:

  - compliance with accounting and financial reporting standards, legal and other regulatory requirements;
  - changes in or adoption of accounting policies and practices changes;
  - significant matters including financial reporting issues, significant judgements made by Management, as well as significant and unusual events or transactions including the latest status of the ongoing material litigation;
  - the outlook and prospects of the Group;
  - cash flow, financing and going concern assumptions; and
  - significant audit issues and adjustments arising from audit

  at the AC meetings held on 26 May 2017, 28 August 2017, 28 November 2017, 27 February 2018 and 30 March 2018 respectively.

- Reviewed and discussed with Management at the AC meeting held on 28 August 2017, the new disclosure items which have been incorporated in the 2nd Quarter Report, proposed changes to be considered in the 3rd Quarter Report as well as changes that were not applicable/not feasible to be adopted pursuant to the Issuer Communication No. 1/2017 – Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017"), which was issued by Bursa Securities on 31 July 2017.

- Reviewed and discussed with Management at the AC meeting held on 28 November 2017, the new disclosure items which have been incorporated in the 3rd Quarter Report pursuant to the ICN 1/2017.

- Reviewed and discussed with Management on its preliminary assessment on the new Malaysian Financial Reporting Standards ("MFRS") 9 and 15, which are applicable for the financial year beginning on or after 1 January 2018, at the AC meeting held on 28 November 2017. The AC also considered the key changes and potential impact of these new accounting standards on the Group.

2. Annual Report Requirements

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2016 Annual Report, 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 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 2016 Annual Report, at the AC meeting held on 29 March 2017.

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, at the AC meeting held on 27 February 2018.

  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 2017 Annual Report, at the AC meeting held on 30 March 2018.

3. Internal Audit

- Reviewed the internal audit reports presented by the IARMD that detailed the audit findings and recommended corrective actions, as well as Management's responses and action plans in addressing the identified risks and internal control deficiencies, at the AC meetings held on 24 February 2017, 26 May 2017, 28 August 2017, 28 November 2017 and 27 February 2018. A total of 10 audit engagements were completed in 2017.

  Risk-based audits were performed on selected business units within the Group, as included in the approved internal audit plan and encompassing an assessment of the system of internal control, risk management and governance pertaining to the Group's sales activities; workplace health and safety processes; human resources and payroll; information technology general controls; accounts payable; cash control; finance system migration and other operational controls. All internal audit reports were tabled to the Board for notation in addition to being discussed at the AC.

At each AC meeting, the IARMD provided an update on audit activities and progress against the 2017 internal audit plan. Where appropriate, the AC was also apprised of key initiatives and continuous improvement activities being undertaken by the IARMD.

- Reviewed and approved the Group's revised 3-year rolling audit plan for the 2017-2019 triennium, at the AC meetings held on 26 May 2017 and 28 August 2017. The revised 2017-2019 audit plan consolidated assurance activity across the Group into a single team and resulted in the development of an integrated audit universe and plan that included audit coverage across the Group's assets portfolio, strategic initiatives, business processes and external auditors' focus areas.

- Reviewed and approved the internal audit plan for 2018 to ensure adequacy of the scope and coverage of key business and operational units within the Group, at the AC meeting held on 28 November 2017. The 2018 audit plan addressed the key themes of cyber risk, cost control, operational efficiency, procurement governance, and internal control and compliance.

  The AC also reviewed and approved the updated 3-year rolling internal audit plan which provided an indication of those key risk areas and business operations to be reviewed by the IARMD in the 2018-2020 triennium.

- Reviewed and considered the proposed amendments to the Internal Audit and Risk Charter, AC Charter (terms of reference) and Whistleblower Policy and Procedure, at the AC meeting held on 27 February 2018.

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 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 and audit findings.

- Reviewed with the external auditors on 24 February 2017, 28 November 2017 and 27 February 2018 without the presence of the executive board member and Management, the extent of assistance rendered by Management and issues arising from their audit. The AC was satisfied with the openness in communication and interaction with the engagement partner and his team, which demonstrated their independence and professionalism.

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

- In February 2017, 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 2017 AGM, which included a structured evaluation questionnaire 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 24 February 2017. The external auditors have also provided written confirmation on their independence in accordance with the terms of the relevant professional and regulatory requirements. The AC was satisfied with the suitability and independence

Audit Committee Report (cont'd)

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 27 February 2017 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 8 June 2017.

- 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.

- 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 2016, at the AC meeting held on 26 May 2017.

  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. In this respect, 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 potential key audit matters and other significant audit matters prior to the commencement of audit of the financial statements for the year ended 31 December 2017, at the AC meeting held on 28 November 2017.

- 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 2017, at the AC meeting held on 27 February 2018.

  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) and audit findings.

  Pursuant to the new and revised Auditor Reporting Standards which took effect from 16 December 2016, the AC reviewed the 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 3 key audit matters which were highlighted to the AC (to be disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) were:

  a) Valuation of investment properties;
  b) Valuation of property, plant and equipment; and
  c) Recoverability of development inventory.

- In February 2018, the AC also assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2018 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 27 February 2018, 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 the relevant professional and regulatory requirements.

  The Board at its meeting held on 28 February 2018 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 30 March 2018, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2017, 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 2017, at the AC meeting held on 30 March 2018.

  The non-audit fees comprised the review of the Statement on Risk Management and Internal Control. The amount of non-audit fees was not significant as compared to the amount of audit fees. In this respect, 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.

5. Risk Management

- Reviewed Mulpha Group's updated risk registers, at the AC meeting held on 24 February 2017.

- Reviewed and adopted the consolidated Mulpha Group Enterprise Risk Register and revised Risk Profile (risk heat map), at the AC meeting held on 28 August 2017.

  Consolidation of the Malaysian and Australian business' risk registers resulted in the creation of a single 'Mulpha Group Top 15 Enterprise Risk Register'. The Group's risks were merged on the basis of shared risk categories, risk impact and root cause. Each item's rating was also reviewed to ensure the residual rating assigned reflected group materiality levels.

- Reviewed and approved the risk management plan for 2018 at the AC meeting held on 28 November 2017. The risk management activities to be undertaken in 2018 include ongoing management and reporting of operational, financial and strategic risks; a desktop review of divisional risk registers maintained by Management; analysis, trending and reporting of material business risks and the Group's risk profile; and the provision of assurance over the Group's operational activities from a risk management perspective.

- Reviewed the updated Mulpha Group Top 15 Enterprise Risk Register and Risk Profile, at the AC meeting held on 27 February 2018. 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 24 February 2017, 26 May 2017, 28 August 2017, 28 November 2017 and 27 February 2018.

7. Other Matters

- Reviewed and noted the Governance, Risk & Compliance Report which was tabled at the AC meetings held on 28 November 2017 and 27 February 2018, to update the AC on the relevant governance, risk and compliance matters affecting the Group.

- Reported to the Board at its quarterly meetings 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 which were aimed at obtaining a better understanding of business operations and risks related issues, and the resolution of issues.

INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

The internal audit and risk management functions are outsourced to the IARMD of Aveo Group, an associated company of the Group. To ensure independence from Management, the IARMD has a direct reporting line to the AC.

The main role of the IARMD is to undertake regular reviews of Mulpha Group's systems of internal control, risk management and governance so as to provide assurance to the AC that the internal control system is sound, adequate and operating effectively in all material respects. The IARMD adopts a risk-based approach in developing the annual 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 also responsible for facilitating and assisting Management in maintaining a structured risk management framework to identify, evaluate and manage material risks facing the Group. The IARMD also monitors the effectiveness of the Group's risk management processes and reports semi-annually to the AC on the risk management activities of the Group.

Audit Committee Report (cont'd)

The IARMD's scope of responsibilities extends to all business and operational units within the Group. In fulfilling its mandate, the IARMD conducted the following activities during the financial year up to the issuance date of this Annual Report:

a) Performed and completed 10 risk-based audits on selected business units within the Group as included in the AC approved internal audit plan. Audit projects completed during the year encompassed an assessment of the internal control, risk management and governance processes pertaining to sales activities; workplace health and safety processes; human resources and payroll; information technology general controls; accounts payable; cash control; finance system migration and other operational controls.

b) Tabled the completed audit reports to the AC at its quarterly meetings, detailing the audit findings, audit recommendations and Management responses. As per IARMD's methodology, follow-up activities were also undertaken to ascertain the implementation status of agreed action plans; the results of which were reported to the AC.

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

d) Prepared and tabled the updated Top 15 Enterprise Risk Register and Risk Profile at the AC meeting held on 24 February 2017.

e) Prepared and tabled for approval, the Group's revised 3-year rolling audit plan (2017-2019) at the AC meetings held on 26 May 2017 and 28 August 2017. The revised audit plan detailed those audit engagements to be undertaken and outlined audit coverage across the Group's assets portfolio, strategic initiatives, business processes and external auditors' focus areas.

f) Prepared and tabled for the AC's adoption, the consolidated Mulpha Group Risk Register and revised Risk Profile Heat Map, at the AC meeting held on 28 August 2017.

g) Prepared and tabled for approval, the internal audit plan for 2018 which covered key business and operational units within the Group, at the AC meeting held on 28 November 2017. The 2018 audit plan addressed the key themes of cyber risk, cost control, operational efficiency, procurement governance, and internal control and compliance.

   The 3-year rolling internal audit plan which provided an indication of those key risk areas and business operations to be reviewed by the IARMD in the 2018-2020 triennium, was also tabled for the AC's approval.

h) Prepared and tabled for approval, the risk management plan for 2018 at the AC meeting held on 28 November 2017. The risk management activities to be undertaken in 2018 included the ongoing management and reporting of operational, financial and strategic risks; a desktop review of divisional risk registers maintained by Management; and the analysis, trending and reporting of material business risks comprising the Group's risk profile.

i) Prepared and tabled the updated Top 15 Enterprise Risk Register and Risk Profile, and a new divisional risk register, at the AC meeting held on 27 February 2018. Possible future/emerging risks, trends and mitigating actions were also highlighted and deliberated with the AC.

j) Prepared and tabled the proposed amendments to the Internal Audit and Risk Charter, AC Charter (terms of reference) and Whistleblower Policy and Procedure, at the AC meeting held on 27 February 2018.

k) Prepared and tabled the Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, at the AC meeting held on 27 February 2018.

In February 2017, the AC carried out an evaluation of the effectiveness of the internal audit function in respect of financial year 2016. The appraisal covered the adequacy of IARMD's scope, its functions, resources, authority and independence, as well as the competency of internal audit staff. The results of the 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.

In February 2018, the AC also undertook an evaluation of the effectiveness of the internal audit function for financial year 2017, which covered the areas mentioned above. The results of the evaluation were tabled at the AC meeting held on 27 February 2018. The AC was satisfied that the IARMD continues to operate satisfactorily.

The costs incurred by IARMD in discharging its functions and responsibilities during the financial year ended 31 December 2017 amounted to RM686,265.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to the Main Market Listing Requirements of Bursa Securities and Principle B of the MCCG 2017, the Board affirms its commitment to maintaining a sound risk management framework and internal control system that safeguards shareholders' investment and the Group's assets.

Having regard to this, and the requirements included in the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, the Board makes the following disclosures in accordance with Paragraph 15.26(b) of the Listing Requirements for the financial year ended 31 December 2017:

PURPOSE, RESPONSIBILITY AND MONITORING

The Board acknowledges its responsibility for establishing and maintaining a sound system of risk management and internal control. This encompasses the approval and review of the Group's risk management strategy, risk appetite and policy, and internal audit programme. The Board is assisted in this function by the AC, as a delegated sub-committee.

The Group's system of risk management and internal control comprises key control activities and oversight mechanisms concerning governance, risk management, financial, operational, strategic, compliance and regulatory matters. At all times, the Group conducts its operations in accordance with the Board's mandate for effective and efficient management of risk in the pursuit of organisational strategy and achievement of business objectives.

To this end, the system of risk management and internal control acts to protect shareholders' investment, the Group's assets and reputation, and the health and safety of workers and customers, as well as safeguarding against material misstatement, loss and fraud.

Senior management and the AC review the adequacy, appropriateness and integrity of the system of risk management and internal control employed across the Group on an annual basis. During the financial year, the AC concluded that the Group's risk management and internal control activities remain appropriate, and that suitable and sufficient information is provided to those charged with governance, and that the Group's material business risks are being properly managed.

All internal control and risk management matters that warrant further scrutiny or the attention of the Board are escalated as and when appropriate by the Chairman of the AC and/or executive management. Minutes of all AC meetings are circulated to the full Board, and the Chairman of the AC reports to the Board after each AC meeting.

RISK MANAGEMENT

Risk management is considered an integral part of the Group's business operations and a key management capability.

In pursuing its strategy, the Group has established an Enterprise Risk Management ("ERM") Framework encompassing a group-wide risk policy and appetite statement, roles and responsibilities for the oversight and management of risk, and formalised risk management and reporting processes.

The Group's ERM Framework aligns with Malaysian Standard ISO 31000:2010 – Risk Management Principles and Guidelines.

The Group has adopted a decentralised approach to risk management, whereby individual Risk Management Units ("RMUs") led by a Head of Department are responsible for the systematic identification, assessment and management of risk within their respective business units. The identification, assessment, management and monitoring of risk is conducted in accordance with the Group's risk management methodology, as approved by the Board.

In addition to the day-to-day management of risk as part of business as usual activities, RMUs are required to formally profile their risk environment on a semi-annual basis. This is achieved through the completion of a detailed risk register that captures risk items, their classification and description, risk ratings, mitigating controls and any action plans and responsible owner(s).

RMU risk registers are consolidated and reviewed by the IARMD, which produces an Enterprise Risk Report articulating the Group's material business risks and risk profile (heat map), including trends in risk ratings and any new or emergent exposures.

The Enterprise Risk Report is tabled at the Mulpha Group Risk Management Committee, a management committee chaired by the Chief Executive Officer, for discussion prior to being escalated to the AC and Board.

In November 2017, the Mulpha Group Head of Audit & Risk commenced a review of the Group's ERM Framework to identify potential improvement opportunities and to align existing commentary with the new Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia in April 2017. The results of this review are expected to be reported to the AC in the first quarter of 2018 for discussion and action.

INTERNAL AUDIT

The IARMD is responsible for the independent appraisal of the Group's system of risk management and internal control.

Led by the Mulpha Group Head of Audit & Risk, the IARMD reports to the AC Chairman and provides the Board with assurance over the adequacy, effectiveness and efficiency of risk management, control and governance processes employed across the Group. To assist Management, the IARMD also provides insight and recommendations on business process improvement and the management of material business risks.

The IARMD conducts audit engagements as part of a Board approved programme of work, comprising risk advisory and assurance services. The primary responsibility of the IARMD is to provide the Board with assurance that the internal control system and risk management framework of the Group are sound, adequate and operating satisfactorily. Where improvement opportunities are identified, the IARMD agrees corrective actions with Management and tracks these through the completion. The outcome of each audit engagement and the status of corrective actions are reported to the AC regularly.

In financial year 2017, the IARMD completed 10 audit engagements in line with its risk-based annual audit plan. Areas of focus included human resources and payroll; Hayman Island operations; sales and cash processes across various operating businesses; accounts payable; workplace health and safety; information technology general controls and key financial and operating controls for Leisure Farm.

KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the Group's internal control system include:

- Clearly defined roles and responsibilities, organisation structure and appropriate delegated authority limits approved by the Board for both the Board sub-committees and Management.
- Operational policies and procedures, which are updated as and when required.
- Whistleblowing Policy and Procedures are in place to provide employees and stakeholders with confidential reporting channels to escalate suspected inappropriate behaviour or misconduct relating to fraud, bribery and/or corruption.
- A Conflict of Interest Policy is in place to manage, address and report on any actual or potential conflict of interest faced by Management.
- Reporting systems are in place that provide Directors and senior management with suitable, sufficient and regular financial, operational, legal and strategic information. Comprehensive board papers are prepared by senior management and circulated to Directors prior to each Board/Committee meeting; with monthly management meetings held to discuss business performance and to formulate action plans.
- Annual business plans and budgets are prepared by individual entities and business units within the Group. Actual performance is monitored against budget on a monthly basis, with significant variances flagged for investigation and follow-up.
- The design and operating effectiveness of key internal controls is periodically assessed by the IARMD. Where control weaknesses are identified, remedial action plans are developed in consultation with Management.
- Management self-assess the effectiveness of key controls as part of the Group's bi-annual enterprise risk reporting process.
- Sufficient insurance cover is held to reduce the financial impact of any significant insurable losses.

SCOPE AND ATTESTATION

This Statement on Risk Management and Internal Control does not extend to any associated companies, as the Group does not have management control over their operations.

The Board has received assurance from the Chief Executive Officer and the Group General Manager, Finance that the Group's risk management and internal controls system is operating adequately and effectively, in all material aspects.

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2017 Annual Report, and have reported to the Board that nothing came to their attention that would suggest this Statement has not been prepared, in all material aspects, with the disclosures required under paragraphs 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

This Statement on Risk Management and Internal Control was approved by the Board on 28 February 2018.

Iskandar Malaysia,
Johor, Malaysia

Leisure Farm

Leisure Farm is an award-winning gated community at Iskandar Malaysia in Johor. Covering 1,765 acres of prime, freehold land, Leisure Farm was the recipient of the FIABCI World Prix d'Excellence Best Master Plan Development Award in 2006. Its wide range of well-designed estates and world-class amenities, amidst mature landscape and wide open spaces promotes a healthy, natural lifestyle in a safe, secure environment.

www.leisurefarm.com.my

Sustainability Statement

ABOUT OUR REPORTING

Mulpha's annual sustainability statement provides detailed disclosure of our sustainability performance. We are proud to present the results of our corporate sustainability programme for the calendar year ended 31 December 2017.

Discover endless opportunities to delight the senses in Hayman Island.

SCOPE OF THE STATEMENT

This statement provides transparent information on activities and management strategies across Mulpha and its subsidiaries.

REPORTING CYCLE

Annually

REFERENCES AND GUIDELINES

- **Principal Guideline:** Global Reporting Initiative (GRI) Standards
- **Additional Guideline:** Bursa Malaysia's Sustainability Reporting Framework

MATERIALITY AND RELEVANCE OF INFORMATION DISCLOSED

We perform materiality analysis at the corporate level among our key stakeholders in line with our sustainability strategy. This analysis ensures that areas that are of the most interest to our stakeholders and of the highest importance to our business are prioritised.

FEEDBACK

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No. 12A, Jalan PJU7/3,
Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

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E: enquiry@mulpha.com.my

SUSTAINABILITY AT MULPHA: AN INTEGRATED APPROACH

Sustainability is a strategic priority for us. Sustainability encompasses the risks and organisational responsibilities surrounding us across ESG.

Our properties house families and businesses and people will always require buildings in which to live and work. We contribute to society through the development and management of shelter. Our sustainability challenges stem from this foundation. We strive to identify and implement innovative initiatives that ensure our business models and properties will contribute to a sustainable society.

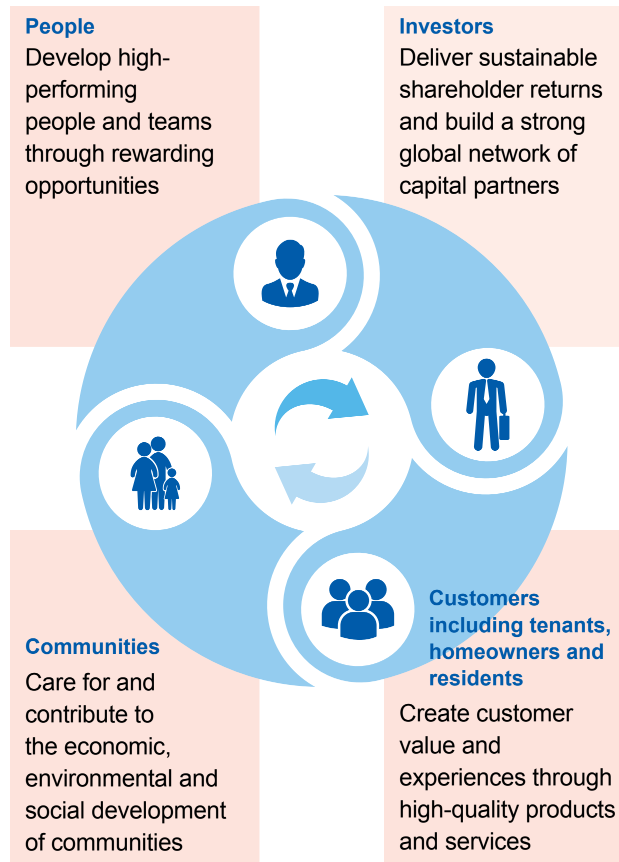
Our corporate-wide sustainability programme achieves even greater success through partnering with key stakeholders to achieve common goals.

Partnering with Key Stakeholders

- Working with clients to validate ESG objectives
- Working with our landlords/tenants to engage in green initiatives
- Working with employees to execute our sustainable programmes
- Working with employees to provide training on best practices

Together, we are recognised for our health and safety performance, certified green buildings and contribution to stronger communities.

Sustainability Value Creation Model



SUSTAINABILITY STRATEGY

Our global footprint gives us the ability and responsibility to approach sustainability in a systemic manner. Wherever we conduct business, we do so responsibly and sustainably.

Our holistic approach to sustainability builds upon the ESG framework. Integrating environmental, social, governance and ethics goals into our business strategies, allows us to deliver stakeholder value across all ESG dimensions. All areas are covered from conserving energy to enhancing community wellness, and from building resilient operations to ensuring adherence to the highest ethical standards.

SUSTAINABILITY GOVERNANCE

Our commitment is shaped by internal policies and procedures that outline our approach to sustainability, external sustainability-related initiatives and regulatory requirements. We work hard to comply with all regulatory requirements in every country of operations and surpass them by committing to voluntary international standards and sustainability-related initiatives.

Sustainability Statement (cont'd)

The Board and the Management Team of Mulpha provide oversight and delegates responsibility for sustainability issues. Our Board of Directors is responsible for the stewardship of our company and ensures that an appropriate sustainability governance structure and system are in place.

Mulpha's Code of Conduct is an important component of the Group's sustainability governance. It forms the basis for the Group's action and behaviour and applies globally to everyone acting on behalf of Mulpha, including third parties.

RISK MANAGEMENT

Risks are systematically identified and assessed in all businesses so that management plans can be developed. Plans encompass major risks that include supply chain, human capital, environmental and financial risks. Sustainability issues addressed within this framework include risks related to natural resources, climate change, employees' rights and regulations related to property and construction.

ETHICS AND COMPLIANCE

Our corporate culture has always promoted the highest level of integrity and ethical conduct. Integrity is one of our most fundamental cultural assets. We will not compromise our integrity or risk damaging our reputation for financial gain or any other reason.

All employees must familiarise themselves with Mulpha's corporate compliance policies and Code of Conduct to ensure they act with integrity at all times. Numerous compliance and regulatory policies have been introduced to ensure that employees act in full accordance with appropriate laws and regulations.

Examples of Topics Covered in Mulpha's Policies

- Child and forced labour
- Environmental matters
- Use of confidential and proprietary business information
- Accurate reporting and record keeping
- Anti-corruption practices

EQUAL RIGHTS FOR ALL

Mulpa is committed to a working environment that is free from discrimination and practises appropriate standards of conduct. Any arising issues must be resolved in a fair and timely manner.

All Forms of Discrimination are not Tolerated

Gender	Pregnancy	Breastfeeding
Age	Disability	Physical characteristics
Parental status	Religion	Social status
Sexual preference	Political beliefs and activity	Trade union activity
Marital status	Race	Irrelevant criminal record
HIV/AIDS status	Gender identity	Family responsibilities

OUR STAKEHOLDERS AND MATERIALITY

We are committed to ongoing stakeholder engagement, which is a core component of our business and sustainability strategies, annual reporting process and other global business activities. As active members of the communities in which we live and work, we aim to strengthen the fabric of society so that we can prosper together.

We engage with our many stakeholder groups in a variety of formal and informal settings. By proactively working together with external stakeholder partners, we are able to identify and address issues by bringing together the expertise, knowledge and passion of many organisations and individuals. This approach helps us exert a far greater positive impact on environmental, social and other issues than if we worked alone.

Stakeholders	Expectations and Interests	Engagement
Employees	• Employee empowerment • Benefits and compensation • Workplace efficiencies	• Employee dialogue • Employee satisfaction surveys
Customers, tenants and residents	• Relationships • Operational efficiency • Quality delivery • Workmanship and design • Facilities management • Customer experience	• Satisfaction surveys • Events and engagement programmes
Investors and Analysts	• Operational efficiency • ESG risks and opportunities • Transparency • High-quality assets	• Annual general meetings • Financial results and announcements • Quarterly reports
Communities	• Local partnerships • Involvement in the community • Infrastructure improvements • Job opportunities	• Community events • Donations and sponsorships
Government	• Compliance • Collaborations • Sustainable building developments	• Regular meetings especially during approval processes
Supply Chain Partners	• Business relationships • Development opportunities	• One-to-one meetings • Supplier briefings • Supplier evaluations including events, meetings and training programmes

MATERIALITY ASSESSMENT

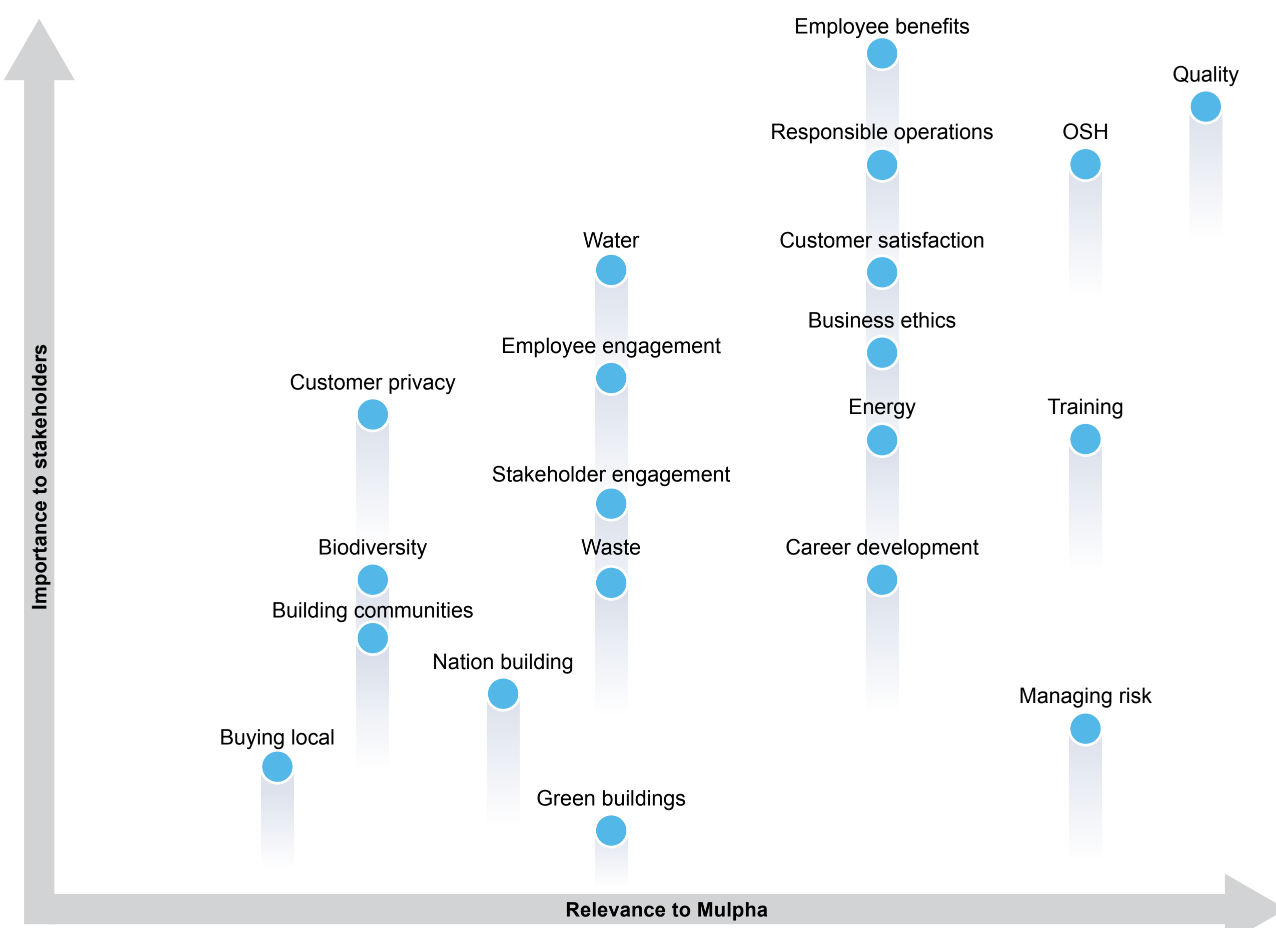
Materiality is a critical component of our corporate sustainability strategy. It helps us provide stakeholders with sustainability information that is most relevant to them. A global materiality assessment is conducted regularly to:

- Evaluate local and international sustainability frameworks, standards and ratings that represent the interests of important stakeholder groups;
- Review the outcomes of stakeholder engagement efforts on sustainability issues; and
- Gather feedback from senior management to clearly understand their points of view on issues relevant to their respective areas.

This process delivers a list of material aspects that guide us in making sustainable business decisions and areas to focus our efforts.

Understanding and prioritising key impacts, risks and opportunities is an ongoing process. We review and analyse our external and internal business context and adjust our materiality assessment accordingly.

We engage with all stakeholders as frequently as possible and use their insight to improve our strategy and reporting approach.



ECONOMIC

We are committed to improving the economic and social well-being of stakeholders by executing development projects and managing operations. In a rapidly changing business landscape, the Company actively embraces innovation to ensure commercial viability without degrading the environment for future generations.

Investments in the infrastructure, hospitality, real estate and education sectors create long-term value for the industry.

In Malaysia
The developer of the award winning 1,765 acre Leisure Farm in Iskandar Malaysia and owner of significant stakes in 2 Bursa Malaysia listed companies involved in infrastructure, construction and property development

In Australia
Malaysia's largest real estate investor and developer and holder of a strategic stake in Australia largest owner, operator and manager of retirement communities which is listed on the Australian Stock Exchange

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

In New Zealand
Mulpha has invested in Education Perfect, a privately owned on-line education content service provider based in New Zealand, with significant market share in both the Australian and New Zealand secondary school markets

BUYING LOCAL

In each of our developments, we ensure that the materials and methods used are functional and visually appealing while exemplifying our commitment to sustainability.

We use locally-sourced materials in the construction of our properties. We strive to work with local and regional contractors as well as partnering with local businesses. We are able to invest in our local communities while reducing the cost of transportation and the associated environmental impact. Local suppliers also tend to have a better understanding of current legislation in the country.

It stimulates the local economy

It helps locals keep their jobs

Local businesses give back locally

It's good for the environment

It promotes a sense of community

INTEGRATING SUSTAINABILITY INTO OUR SUPPLY CHAIN

Mulpha improves efficiency by benefiting from economies of scale. This logic is applied to integrating sustainability into our operations and supply chain.

Direct suppliers must at least follow the labour and environmental laws and regulations of the country and local jurisdictions in which they operate. These laws and regulations address labour abuses and the rights of employees to be treated fairly.

Mulpha endeavours to always choose suppliers who are environmentally and socially responsible. Specific environmental requirements are documented in supplier' contracts performing certain types of activities such as requirements related to materials used, waste management, spill prevention, and health and safety.

ENVIRONMENTAL

Mulpha is committed to minimising its environmental impact as a real estate investor and developer. Lowering the environmental footprint of buildings through innovation creates stakeholder value.

Environmental Sustainability Incorporated into all Stages of Our Lifecycle Management

Environmental monitoring is integral to business operations as the efficient use of environmental resources such as energy and water contributes to operational efficiency and our long-term sustainability. All contractors must comply with:

- The Malaysian Environmental Quality Act 1974
- The Australia Environmental Protection Act 1994 (as amended) including regulations and policies with regards to water, air and noise policies

SUSTAINABLE BY DESIGN

Every home has been designed according to Mulpha International's SEEDS philosophy, which stands for sustainability, energy, environment, design and security.

Our properties and business processes are designed to minimise our environmental impacts. Our buildings allow customers to operate more efficiently and cost-effectively.

We establish goals and objectives that focus on resilient design, invest in energy-efficient projects and work to reduce water usage. We use our scale to drive environmental stewardship throughout the supply chain.

BIODIVERSITY

Nothing is wasted and everything is used during the landscaping phase. Over 100 trees have been transplanted from parts of Leisure Farm into the parks. Earth removed from one site was also used at another site.

Leisure Farm has been facing the constant annoyance of bees and wasps nesting in the resort as much of the land is undeveloped. Recently, we engaged the Bee and Honey Enthusiasts Club to remove the nests. Rather than expelling the bees by burning their nests, the volunteers captured the bees using suction before releasing them into the wild. This approach allows the bee lifecycle to continue and does not contribute to the world's declining bee population.

Sanctuary Cove Marina has achieved the International Clean Marina Level 4 Accreditation. It also commits to supporting the Marine Industries International Environmental Clean Marina Programme.

Leisure Farm Resort has extensive green spaces that cover more than 24% of the site area. These areas consist of parks, camping grounds and both fruit and vegetable orchards. Trees shade 74% of hardscape areas and 20% of green spaces. Also, 15% of open space is occupied by canals and ponds.

Sanctuary Cove works with the community to manage the local kangaroo population and habitat within Sanctuary Cove and the surrounding areas. An environmental consultant guides Mulpha on ways to protect the existing population of kangaroos.

Eight mature fig trees were excavated and transported for a minimum of half a kilometre during the construction of Sanctuary Point residential lots. These trees now form part of an impressive landscaped entry statement.

WASTE MANAGEMENT

Minimising our use of materials and maximising the quantity of materials recycled is an important part of our corporate culture. We use materials that have either been recycled or contain a high proportion of recycled content whenever possible.

The design specifications of the Leisure Farm's Residensi Bayou development stipulate that 20% of recycled content materials and 30% of regional materials by cost must be used.

At Norwest Marketown, we recycle waste such as plastic, cardboard and paper. Biodiesel is also made from used cooking oil.

Our waste management plan is based on reducing the amount of general waste that ends up in a landfill, which costs more than a AUD1 per kg. Reducing the amount of waste disposed of will reduce our overall waste management costs and the environmental footprint of operations.

Our 3 Main Types of Waste

General Waste
Mixed rubbish containing contaminated recyclables, un-recyclable materials and other types of waste material.

Cardboard and Paper Recycling
Mulpha headquarters in Malaysia segregates all newspapers and used papers for recycling.

Commingled Recycling
Aluminum Cans and plastic bottles.

MOVING FORWARD

Mulpha Transport House, which is a subsidiary of Mulpha in Australia that owns an office building called the Transport House in Sydney, aims to reduce general waste by approximately 60% in 2018 and the following action plans have been tabled:

- Thorough training and education of all employees within the premises
- Installation of new clearly-labelled bins
- A reporting and analysis system which informs all parties of the progress
- A quarterly review to ensure that the management system is in tune with operations

The Transport House will no longer use concrete compactors for general waste bins, reducing the time required for waste management.

ENERGY MANAGEMENT

Energy use is a significant environmental issue as it may contribute to climate change. Several energy-conservation efforts have been undertaken such as optimising the operational schedule of air-conditioning systems during peak and off-peak business hours. Other projects include harnessing solar power and upgrading our Building Management System (BMS). All energy use is monitored via the energy accounts.

All shower points in all bathrooms at the Residensi Bayou development in Leisure Farm will be supplied with a roof-mounted solar hot water system.

- Use of LED lightings
- Installation of sensor lightings
- All pole lights controlled by a lux meter
- Mechanical layout with energy efficient chilled beam system
- 6-monthly AHU air filter replacement schedule
- Seasonal schedule for air-conditioning operation

WATER MANAGEMENT

Water is a scarce natural resource. Efficient water use is another key priority and several water-saving features have been introduced across our properties.

General Water-saving Features

- A water-efficient flushing system
- Motion sensor water faucets

Reduced tap flow rate

AAA — All taps at Transport House have been upgraded to AAA standard

Water consumption is tracked at all properties. Water supply facilities are checked periodically to ensure pipes are in good condition and allow leaks to be repaired quickly.

All new bungalows at our P7A and P7B Bayou Creek projects in Leisure Farm, Malaysia come with a rainwater harvesting system to encourage home-owners to reduce their reliance on the municipal supply.

Canals and ponds serving as storm-water retention bodies in Leisure Farm Resort also supply water for landscape irrigation and construction. Weirs across the canals ensure that water is available at all times.

A filtering control system with RPZ protection for the stormwater drain has been installed at our Transport House in Australia.

OZONE-DEPLETING SUBSTANCES

The Montreal Protocol on Substances that Deplete the Ozone Layer is an international treaty designed to protect the ozone layer. It covers phasing out the production of numerous substances that are responsible for ozone depletion.

Mulpha is in the process of replacing old air-conditioning with more environmentally-friendly alternatives. This initiative has started to be implemented at our Norwest Marketown Shopping Centre, Sydney. These older units use R22 gas, which has a high ozone depletion potential and global warming potential. Only compressors and gas are changed to a more environmentally-friendly substitute if the unit is still in good working order.

GREEN BUILDING INDEX

Mulpha's subsidiary, Leisure Farm Corporation Sdn Bhd, has successfully obtained green township and provisional design assessment certifications for their projects in Leisure Farm using the Malaysian Green Building Index (GBI) rating tool. The GBI is Malaysia's industry recognised green rating tool for buildings and townships to promote sustainability in the built environment.

Leisure Farm Resort — GBI township certification on 13 June 2014

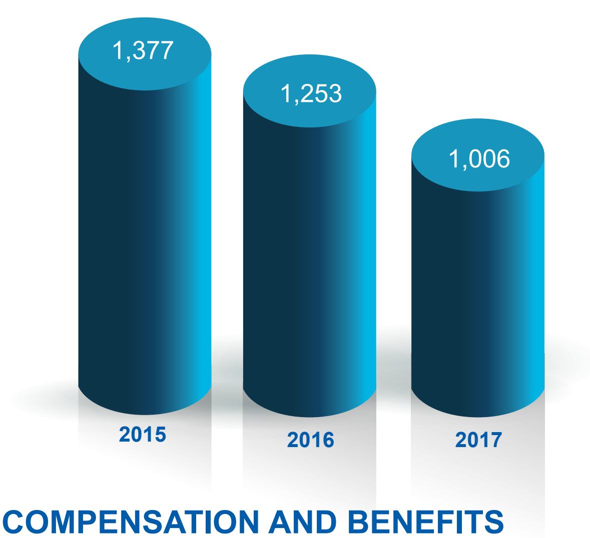
Residensi Bayou — Provisional GBI Design Assessment Certification on 5 January 2015

HUMAN CAPITAL

Investing in our team improves engagement, motivation, teamwork and retention. Our dedicated employees improve Mulpha's reputation as a recognised market leader and execute our bold mission and vision.

We hire people whose values are aligned with ours. Our team receives the necessary coaching, skills development and training so they can deliver exceptional service to our clients. In 2017, we had a total employee strength of 1,006.

Number of Employees



COMPENSATION AND BENEFITS

Mulpha offers a market competitive salary with a wide range of core benefits. Most employee remuneration data is stored and managed in our Comprehensive Human Resource Integrated Solution. Compensation for women and men in comparable roles at Mulpha is consistent.

Some of Mulpha's Core Benefits

- Travel allowance
- Education assistance
- Employee service awards
- Employee discounts
- Health coverage
- Insurance

In Australia, Mulpha complies with the minimum superannuation obligations which are currently in accordance with the Superannuation Guarantee (Administration) Act 1992 (Cth) of 9.5%. In Malaysia, a percentage of an employee's basic salary is remitted to the Employees Provident Fund (EPF), together with the employer's contribution, as per statutory requirements.

Annual Bonus

Employees are rewarded for their performance with annual bonus payments. A bonus is an additional one-off discretionary payment based on the achievement of Key Result Areas. Specific annual employee objectives, set at the beginning of each year, are assessed at the each of that year.

The annual bonus is linked to the successful completion of the Key Result Areas, assessed directly from the Performance Appraisal process, as well as the financial and overall performance of the Company. The quantum is set as an agreed percentage of the employee's total salary package including the base rate, superannuation, allowances and applicable tax deductions.

EMPLOYEE ENGAGEMENT AT THE GRASSROOTS LEVEL

We want our people to feel connected to the company. Successful employees are excited to work, confident in our future and understand our values. Engaged employees help us serve our customers more effectively.

We are developing an environment where employees are empowered to speak up and offer ideas about how to make Mulpha a better place to work.

Employee-led initiatives play an important role in engaging employees. Employees are encouraged to champion departmental activities and gatherings. Employees engage with one another through informal and casual get-together such as weekly evening drinks on a Friday, morning tea and festive celebrations.

TALENT MANAGEMENT

Learning and development is an integral part of Mulpha's strategic planning so that employees can perform their individual jobs effectively to ensure that the organisation achieves its objectives.

The central aim is to provide a supported environment where continuous development can occur to meet the changing demands and priorities of the organisation.

All new employees must complete an induction programme and mandatory work health and safety training.

Additional training and development opportunities and needs are identified and assessed on an individual basis. Training needs are identified according to the corporate, functional and development skills required to achieve planned objectives.

How Each Party Plays its Role in Ensuring Optimum Learning

MULPHA

Employee development is a key element in departmental management plans and budgetary provisions

LINE MANAGERS

Line managers are aware of their responsibilities to identify the development needs of their employees, evaluate their current standards and carry out their role as coaches and developers of the people they manage

INDIVIDUALS

Individuals are encouraged to become committed to their own learning and personal development, seeking opportunities to increase their skills and knowledge

Employees are also given support for professional or accredited qualifications if they are aligned with the organisational goals.

Common Training Programmes Offered to Employees

On-the-job training	Computer-based learning (e-learning)	Government-based Traineeships
Visiting other work sites and shadowing individual employees	Project work	Mentoring and coaching
Formal external study programmes	Multi-skilling	Conference and seminars

Performance Reviews

All eligible employees go through an annual performance review. We foster a culture of responsibility and recognition for the contributions that employees make to achieving business goals. Our employees undergo two types of performance appraisals: probationary and annual.

All new employees must undergo a minimum probationary period of six months upon commencing employment. Prior to the completion of the probationary period, the new employee must undergo a Probationary Appraisal with their direct supervisor.

Components of Probationary Appraisal

Overall qualitative assessment
Standard assessment (appearance, attendance, attitude, skill, people skills, product knowledge and customer service)
Development plan
Key Result Area setting
Overall performance rating

Once the employee passes the probationary period, Key Result Areas are set for the coming year, which form the basis of assessment in the following Performance Appraisal Annual Review.

The Performance Appraisal Annual Review is the formal mechanism to review employee work performance against specified performance criteria. An Annual Review Form is completed by employees and their immediate managers at a specific time in the calendar year. The form assesses the employee's performance against the previous year's Key Result Areas. The employee and employer jointly set Key Result Areas for the following year and an overall performance rating is derived.

EMPLOYEE SATISFACTION

PeopleStreme was introduced in the last quarter of 2017. This system administers Entry, Exit and Engagement Surveys to employees. The Human Resources Administrator invites relevant employees to complete each respective survey. The results are compiled by the Human Resources Administrator for review by the Executive General Manager, Human Resources and relevant General Managers.

Entry Surveys are sent to all employees after approximately six weeks of service. Exit Surveys are sent to all employees leaving Mulpha.

This initiative has been introduced recently and we will report the results of these surveys in our next sustainability statement.

COMMITMENT TO A SAFE AND HEALTHY WORKPLACE

The Occupational Health and Safety (OHS) of our employees, tenants, home-owners, residents, contractors, suppliers and the communities who use our properties is of the utmost importance to us. Effective OHS management is part of risk management and is deemed to improve staff productivity and morale.

Our OHS goals

Reduce occupational injury rates to achieve zero harm
Provide a robust OHS Management System
Meet and exceed OHS legal requirements

Promote a culture of individual ownership and responsibility for OHS management

Drive continuous improvement in OHS performance

All contractors are required to prepare a Health and Safety Plan in compliance with the Occupational Safety and Health Act in each respective country. Safety officers conform to the safety and health policies, rules and regulations in the Site Safety Plan on each project.

WORKPLACE HEALTH & SAFETY MULPHA GROUP POLICY

Mulpha is committed to protecting the health and safety of all persons in the workplace including employees, contractors and other visitors. Mulpha demonstrates this commitment through its health and safety management system and shall, as far as reasonably practicable provide a hazard free workplace.

Mulpha believes that this commitment will benefit all people involved in Group activities and it will only be achieved through the constant promotion and improvement of safe working practices, control of hazards, safety awareness and commitment to safety on the part of each and every person involved, including our contractors.

Mulpha is committed to:

- Complying with all applicable health and safety laws, regulations and standards.
- Providing safe plant and equipment.
- Implementing risk and hazard management systems which are relevant and suitable for the organisation's risk exposure as well as identifying, promoting and continuously improving health and safety performance.
- Ensuring all managers remain directly responsible and accountable for the health, safety and welfare of their employees and providing adequate resources to assist managers in this cause.
- Provision of appropriate health and safety training to all relevant persons.
- Maintaining relevant policies, procedures, systems, information, training and organisational structures to support and communicate effective health and safety practices throughout the Group.
- Utilising appropriate internal and/or external expertise when required in all related activities.
- Establishing clear targets and objectives to improve health and safety in the workplace.
- Effectively disseminating health and safety information to all employees as part of each business unit's consultative process including via forums and publications.
- Maintaining a positive safety culture through encouraging the active participation, consultation and cooperation of all employees, contractors and visitors in promoting and developing measures to improve health and safety at work.
- Actively responding to and investigating all incidents and ensuring injured employees are returned to suitable work at the earliest possible opportunity through equitable claims management and rehabilitation practices.

Mulpha's adherence to this Policy and its supporting documents will be continually monitored, audited and reviewed to ensure that they remain effective and in line with Mulpha's values.

Working at height presents the greatest danger for construction workers. A Permit to Work is required and the relevant party must have completed an approved "Safe Work at Heights" training course. Safe Work Method Statements must also be in place before access is granted. Mulpha has an extensive contractor management policy and procedure which details all mandatory safety requirements for contracted high-risk work.

We are pleased to report that there have been no contractor fatalities or serious bodily injuries during the year. There have also been no identified cases of contractor occupational disease.

SOCIETY WELLBEING

Our commitment to social responsibility extends to all stakeholders including the community. Mulpha has been committed to improving the well-being of the community through its projects since the company was founded. Since then, that social commitment has been incorporated into our day-to-day operations.

This commitment is mainly direct financial support in the form of donations and sponsorships, voluntary participation in humanitarian initiatives and community development programmes.

During 2017, we sponsored Sekolah Kebangsaan Sultan Abu Bakar, Gelang Patah, Johor with football T-Shirts and the police force at Tg Kupang Police Station, Johor.

OPERATING RESPONSIBLY

Sustainability and operations are a team effort. We take a collaborative approach to customer relations from the first property visit, through the signing of documentation and during the day-to-day operations of our properties and the businesses thriving within them.

ENSURING SATISFACTION

Mulpha's key stakeholder relationships are built on trust. In terms of our business of selling land and houses, we measure customer satisfaction through direct contact with buyers from the initial presale stage to the aftersales stage in order to deliver added value to the business relationship. Understanding customer preference is highly important for us to identify areas where we can excel and develop action plans that will deliver better results. Communication is the key.

BUILDING A TRUE COMMUNITY

Apart from building quality developments with convenient infrastructure, Mulpha strives to bring people together from within and around its developments so that communities can live and grow in a friendly, safe and healthy environment. In a bid to create a true community, Mulpha was successful in bringing people together with events throughout 2017 such as the Christmas Bazaar, Leisure Farm Cup, Happy Halloween Trick or Treat Buffet Dinner, New Year's Eve party, Kindizoo nature play and Pilates core fitness.

Regular communication tools are used to engage with our customers and the general public.

Communication Tools Used to Engage with Customers and Public

Website	Social media	Sponsorship
Direct mail	Seminars	Roadshows
Print media including brochures, leaflets, flyers, billboards and newspapers		

For the second year running, the Leisure Farm Cup - English Football School Junior Tournament 2017 was held at Leisure Farm Resort, which saw almost 200 children taking part in competitive football.

Leisure Farm's Halloween Party 2017, where residents of Leisure Farm and neighbouring communities had the opportunity to mingle with each other while the kids experienced Trick-or-Treating around the neighbourhood.

FEATURING THE ARTS FESTIVAL

The Arts Festival introduces visitors to the amazing work of Malaysian artists by getting them involved in hands-on art workshops. The festival was held from 3 to 5 November 2017 at Leisure Farm Malaysia. Visitors included Leisure Farm residents, Marlborough College & Raffles American School's students, Malaysian artists and members of the public.

COMMUNITY PLANNING AND DESIGN

Community planning plays an important role in improving the quality of life of residents. We work together to promote sustainable and inclusive communities and opportunities for all.

KEY FOCUS AREAS

GO GREEN	Including signage for trees and crops in the orchard, rearing of farm animals, provision of bird feeders and reading materials on flora and fauna on site
INCLUSIVITY	Including disabled access and other relevant facilities for people with disabilities in designing all public areas in our developments
SAFETY	Including a jointly designed masterplan with the Crime Prevention Through Environmental Design (CPTED) and multi-coloured pavers with raised and rough surfaces that slow traffic

QUALITY FIRST

All work must at least be performed in accordance with the latest editions and revisions of the relevant standards. The contractor must notify the architect of any conflicts between any of the standards and codes.

Quality assurance is fundamental to all work. Quality work must be practised by all personnel who work systematically to follow published procedures that are designed to minimise problems from occurring.

All functional managers and personnel are responsible for complying, implementing and controlling the application of these procedures and ensuring that all methods used are clearly defined and documented.

All materials must adhere to specifications and samples must be approved by the architect before use. Variations to the materials shown on the drawings or noted in the specifications may be agreed subject to the contractor submitting full details of its proposals in writing to the architect.

The Arts Fest 2017, held in conjunction with the relaunch of Leisure Farm's Bale Club, began with a fusion drum performance which showcased the collaborative sounds of the Japanese Taiko drum, the Indian Tabla drum, the Malay Kompang and the Indian long drum.

Inspection and Testing

The main contractor prepares inspection and test plans that reflect specification requirements, personnel responsibilities and distribution of the results. Inspections and tests are performed when:

- Receiving materials and components
- Work is in progress during construction
- A particular process has been completed and upon partial or full handover

All inspection and test records are kept as quality records.

Ensuring Privacy

Mulpha respects the privacy and confidentiality of information including personal information and sensitive information. We only ask our customers for their personal information that is necessary for us to carry on our business functions. Generally, we will seek consent from our customers in writing before we collect their sensitive information.

We are committed to implementing policies, practices and processes to safeguard the collection, use and disclosure of personal data provided in compliance with the Personal Data Protection Act of Malaysia (PDPA).

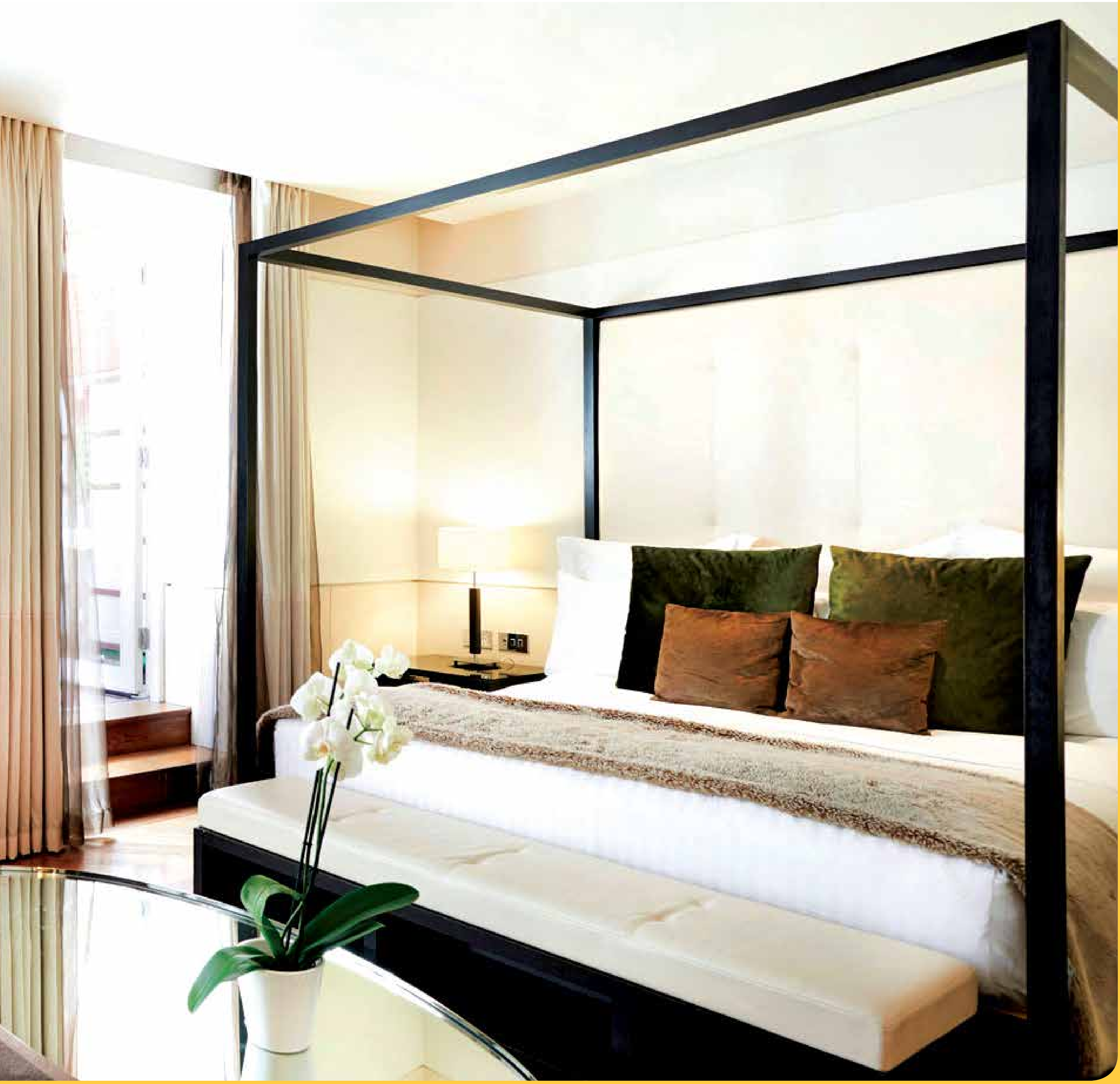
Our goal is to constitute and enforce a sustainable, fundamental regulatory framework that ensures the lawful handling of personal and personally identifiable data across the Mulpha Group's information technology.

London,
United Kingdom

London Marriott Hotel Grosvenor Square

The 5-star London Marriott Hotel Grosvenor Square in fashionable Mayfair, just next to Park Lane and Oxford Street is London's best hospitality address. It offers an experience no other hotel can equal. 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. Its interior exudes contemporary chic with classical luxury.

www.marriottgrosvenorsquare.com



Financial Statements

Directors' Report

for the year ended 31 December 2017

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 2017.

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	369,315	4,691
Non-controlling interests	(126)	–
	369,189	**4,691**

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
Kong Wah Sang
Chew Hoy Ping
Dato' Yusli bin Mohamed Yusoff
Loong Caesar
Lee Eng Leong (appointed on 3.7.2017)
Law Chin Wat (retired on 8.6.2017)
Chung Tze Hien (retired on 8.6.2017)
Dato' Lim Say Chong (retired on 8.6.2017)

Directors' Report (cont'd)
for the year ended 31 December 2017

Directors of the Company (cont'd)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests in shares

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

	Number of ordinary shares				
The Company	**At 1.1.2017**	**Acquired**	**Adjustment for share consolidation***	**Sold**	**At 31.12.2017**
Direct interest					
Lee Seng Huang	60,000,000	60,000,000	(108,000,000)	–	12,000,000
Deemed interest					
Lee Seng Huang	1,436,501,083	–	(1,292,850,975)	–	143,650,108

* Pursuant to share consolidation involving the consolidation of every 10 ordinary shares into 1 ordinary share.

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 2017 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 34 to the financial statements.

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

Issue of shares and debentures

There were no changes in the issued share capital of the Company during the financial year, other than the share consolidation exercise and transfer of share premium to share capital pursuant to Section 618(2) of the Companies Act 2016 as disclosed in Note 17.

There were no debentures issued during the financial year.

Directors' Report (cont'd)
for the year ended 31 December 2017

Treasury shares

On 5 April 2017, the Company purchased an additional 200,000 ordinary shares at an average cost of RM0.26 per share and these shares were retained as treasury shares as at 31 December 2017 in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2017, the total number of ordinary shares in issue (inclusive of treasury shares) is 319,618,640.

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 RM68,820,000 and RM151,260 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 the 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.

Directors' Report (cont'd)
for the year ended 31 December 2017

Other statutory information (cont'd)

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 2017 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 24 and 25 to the financial statements.

Significant events during the year

The significant events during the year are as disclosed in Note 36 to the financial statements.

Subsequent events

The subsequent events are as disclosed in Note 37 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 25 to the financial statements.

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

Lee Seng Huang
Director

Lee Eng Leong
Director

Date: 30 March 2018

Statements of Financial Position

as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	**955,760**	1,160,661	**6**	11
Investment properties	4	**941,078**	813,098	**–**	–
Investments in subsidiaries	5	**–**	–	**1,477,555**	598,817
Investments in associates	6	**1,427,056**	1,243,438	**15,622**	15,656
Investments in joint ventures	7	**20,217**	7,496	**–**	–
Investment securities	8	**328,667**	361,161	**1,043**	1,043
Other investments	9	**5,080**	5,080	**5,051**	5,051
Goodwill	10	**2,725**	2,731	**–**	–
Inventories	11	**665,651**	739,553	**–**	–
Trade and other receivables	12	**10,189**	13,085	**305,161**	401,445
Other non-current assets	13	**8,431**	10,511	**–**	–
Deferred tax assets	14	**12,935**	31,738	**–**	–
Total non-current assets		**4,377,789**	4,388,552	**1,804,438**	1,022,023
Inventories	11	**714,622**	723,082	**–**	–
Trade and other receivables	12	**259,652**	233,766	**443,011**	1,209,169
Other current assets	15	**17,705**	17,972	**10**	–
Investment securities	8	**3,167**	2,765	**–**	–
Current tax assets		**1,278**	2,014	**126**	805
Cash and cash equivalents	16	**488,350**	365,017	**4,470**	41,861
Total current assets		**1,484,774**	1,344,616	**447,617**	1,251,835
Total assets		**5,862,563**	5,733,168	**2,252,055**	2,273,858

Statements of Financial Position (cont'd)

as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Equity					
Share capital	17	**2,037,459**	1,598,096	**2,037,459**	1,598,096
Share premium	17	**–**	217,861	**–**	217,861
Treasury shares	17	**(318)**	(266)	**(318)**	(266)
Reserves	18	**301,868**	547,426	**107**	221,609
Retained earnings		**976,043**	614,499	**163,438**	158,747
Total equity attributable to owners of the Company		**3,315,052**	2,977,616	**2,200,686**	2,196,047
Non-controlling interests		**(120)**	–	**–**	–
Total equity		**3,314,932**	2,977,616	**2,200,686**	2,196,047
Liabilities					
Loans and borrowings	19	**1,313,718**	2,238,583	**–**	–
Trade and other payables	20	**1,923**	18,219	**–**	–
Provision for liabilities	21	**3,429**	1,719	**–**	–
Deferred tax liabilities	14	**41,140**	–	**–**	–
Total non-current liabilities		**1,360,210**	2,258,521	**–**	–
Loans and borrowings	19	**827,795**	175,555	**49,732**	75,508
Trade and other payables	20	**227,174**	292,668	**1,637**	2,303
Current tax liabilities		**19,475**	24	**–**	–
Provision for liabilities	21	**112,977**	27,721	**–**	–
Derivative liabilities	22	**–**	1,063	**–**	–
Total current liabilities		**1,187,421**	497,031	**51,369**	77,811
Total liabilities		**2,547,631**	2,755,552	**51,369**	77,811
Total equity and liabilities		**5,862,563**	5,733,168	**2,252,055**	2,273,858

The notes on pages 90 to 180 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Continuing operations					
Revenue	23	**1,170,015**	1,276,525	**35,178**	91,802
Other income	24	**544,534**	114,143	**25,451**	83,634
Land and property development costs		**(285,025)**	(402,810)	**–**	–
Finished goods and services rendered		**(102,986)**	(132,849)	**–**	–
Employee benefits expenses		**(291,027)**	(282,471)	**(994)**	(815)
Depreciation		**(73,138)**	(60,258)	**(5)**	(4)
Other expenses		**(643,418)**	(500,034)	**(51,349)**	(36,754)
Results from operating activities		**318,955**	12,246	**8,281**	137,863
Finance costs	26	**(99,732)**	(103,081)	**(3,590)**	(4,039)
Share of profit of associates		**214,035**	98,186	**–**	–
Share of profit of joint ventures		**18,957**	552	**–**	–
Profit before tax	25	**452,215**	7,903	**4,691**	133,824
Tax (expense)/benefit	27	**(83,026)**	8,897	**–**	332
Profit for the year		**369,189**	16,800	**4,691**	134,156
Other comprehensive (expense)/income					
Foreign currency translation differences for foreign operations		**(37,662)**	67,546	**–**	–
Fair value movement of available-for-sale financial assets		**2,747**	(9,431)	**–**	–
Share of other comprehensive income of associates		**3,094**	1,546	**–**	–
Reclassification to profit or loss on:					
- dilution of interest in an associate		**–**	(3,326)	**–**	–
- disposal of associates		**–**	5,957	**–**	–
Revaluation of property, plant and equipment upon transfer of properties to investment properties		**–**	66,252	**–**	–
Other comprehensive (expense)/income for the year		**(31,821)**	128,544	**–**	–
Total comprehensive income for the year		**337,368**	145,344	**4,691**	134,156

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

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit attributable to:					
Owners of the Company		**369,315**	16,800	**4,691**	134,156
Non-controlling interests		**(126)**	–	**–**	–
Profit for the year		**369,189**	16,800	**4,691**	134,156
Total comprehensive income attributable to:					
Owners of the Company		**337,488**	145,344	**4,691**	134,156
Non-controlling interests		**(120)**	–	**–**	–
Total comprehensive income for the year		**337,368**	145,344	**4,691**	134,156
Earnings per ordinary share (sen)	28	**115.60**	6.29*		

** Restated*

The notes on pages 90 to 180 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	← 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**
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
Reclassifications 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
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**				

Consolidated Statement of Changes in Equity (cont'd)

for the year ended 31 December 2017

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 2017	**1,598,096**	**217,861**	**278,684**	**215,037**	**66,252**	**(12,547)**	**(266)**	**614,499**	**2,977,616**	**–**	**2,977,616**
Fair value movement of available-for-sale financial assets	–	–	–	–	–	2,747	–	–	2,747	–	2,747
Foreign currency translation differences for foreign operations	–	–	(37,668)	–	–	–	–	–	(37,668)	6	(37,662)
Share of other comprehensive income of associates	–	–	3,094	–	–	–	–	–	3,094	–	3,094
Total other comprehensive (expense)/income for the year	–	–	(34,574)	–	–	2,747	–	–	(31,827)	6	(31,821)
Profit for the year	–	–	–	–	–	–	–	369,315	369,315	(126)	369,189
Total comprehensive (expense)/income for the year	–	–	(34,574)	–	–	2,747	–	369,315	337,488	(120)	337,368
Purchase of treasury shares	–	–	–	–	–	–	(52)	–	(52)	–	(52)
Reclassification	–	–	1,306	6,465	–	–	–	(7,771)	–	–	–
Total transactions with owners of the Company	–	–	1,306	6,465	–	–	(52)	(7,771)	(52)	–	(52)
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016	439,363	(217,861)	–	(221,502)	–	–	–	–	–	–	–
At 31 December 2017	**2,037,459**	**–**	**245,416**	**–**	**66,252**	**(9,800)**	**(318)**	**976,043**	**3,315,052**	**(120)**	**3,314,932**
	Note 17	Note 17	Note 18	Note 18	Note 18	Note 18	Note 17				

The notes on pages 90 to 180 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2017

Company	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
	Non-distributable						
At 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 January 2017	1,598,096	217,861	221,502	107	(266)	158,747	2,196,047
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**4,691**	**4,691**
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016	**439,363**	**(217,861)**	**(221,502)**	**–**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**(52)**	**–**	**(52)**
At 31 December 2017	**2,037,459**	**–**	**–**	**107**	**(318)**	**163,438**	**2,200,686**
	Note 17	**Note 17**	**Note 18**	**Note 18**	**Note 17**		

The notes on pages 90 to 180 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit before tax		**452,215**	7,903	**4,691**	133,824
Adjustments for:					
Bad debts recovered		**(13)**	(37)	**–**	–
Bad debts written off		**61**	15	**–**	–
Dividend income		**(138)**	(23)	**(35,178)**	(91,802)
Change in fair value of investment properties	4	**(152,346)**	(1,162)	**–**	–
Fair value gain on financial assets at fair value through profit or loss		**(588)**	(295)	**–**	–
Gain on dilution of interests in associates		**–**	(41,352)	**–**	–
(Gain)/Loss on disposal of investment securities		**(924)**	696	**–**	–
Gain on partial disposal of an associate		**(25)**	–	**(25)**	–
Gain on waiver of amount due to subsidiaries		**–**	–	**–**	(940)
Gain on disposal of investment properties		**(2,325)**	–	**–**	–
Impairment loss on financial assets:					
- Investment securities		**–**	247	**–**	–
- Trade and other receivables		**1,190**	725	**–**	–
Interest income		**(23,510)**	(5,410)	**(24,525)**	(20,031)
Interest expense		**99,732**	103,081	**3,590**	4,039
Inventories written down		**81,083**	90,578	**–**	–
Impairment loss on investments in associates	6	**–**	17,512	**–**	7,270
Impairment loss on investments in subsidiaries	5	**–**	–	**1,262**	613
Loss on disposal of associates		**–**	108,919	**–**	326
Net unrealised foreign exchange loss/(gain)		**422**	(207)	**(900)**	(62,661)
Property, plant and equipment:					
- Depreciation	3	**73,138**	60,258	**5**	4
- Written off		**29,919**	–	**–**	–
- Loss on disposal		**230**	–	**–**	–
- Impairment loss	3	**133,152**	–	**–**	–
Provision for foreseeable loss on inventories		**2,296**	–	**–**	–
Provision for foreseeable loss on contract		**1,411**	–	**–**	–
Provision for repairs		**98,338**	–	**–**	–
Provision for staff benefits	21	**20,237**	17,365	**–**	–
Reversal of impairment loss on:					
- Property, plant and equipment	3	**–**	(7,717)	**–**	–
- Investments in associates	6	**–**	(5,275)	**–**	–
- Investments securities		**(68)**	–	**–**	–
- Trade and other receivables		**(165)**	(15)	**–**	–
Share of profit of associates	6	**(214,035)**	(98,186)	**–**	–
Share of profit of joint ventures	7	**(18,957)**	(552)	**–**	–
Operating profit/(loss) before changes in working capital		**580,330**	247,068	**(51,080)**	(29,358)

Statements of Cash Flows (cont'd)
for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities (cont'd)					
Changes in working capital					
Inventories		**(18,790)**	(144,737)	**–**	–
Receivables		**(20,052)**	(17,681)	**118**	9
Other current assets		**267**	8,686	**–**	182
Other non-current assets		**(96)**	7,755	**–**	–
Payables		**(86,776)**	11,099	**(303)**	716
Other current liabilities		**(1,063)**	4,273	**–**	–
Intercompany balances		**–**	–	**896,859**	(223,414)
Cash generated from/(used in) operations		**453,820**	116,463	**845,594**	(251,865)
Interest paid		**(100,497)**	(107,065)	**(3,590)**	(4,039)
Interest received		**23,510**	5,410	**24,525**	20,031
Income tax refunded/(paid)		**662**	3,006	**679**	(416)
Staff benefits paid		**(19,140)**	(14,372)	**–**	–
Net cash generated from/(used in) operating activities		**358,355**	3,442	**867,208**	(236,289)
Cash flows from investing activities					
Acquisition of hotel business, net of cash and cash equivalents acquired	3(viii)	**–**	(129,902)	**–**	–
Purchase of investment securities	8(a)	**–**	(268,800)	**–**	–
Purchase of property, plant and equipment	3	**(64,404)**	(158,811)	**–**	(13)
Purchase of investment properties	4	**–**	(67,210)	**–**	–
Proceeds from disposal of:					
- Property, plant and equipment		**5,074**	70	**–**	–
- Investment securities		**10,979**	5,830	**–**	–
- Investment properties		**4,696**	–	**–**	–
Proceeds from disposal of associates		**59**	14,731	**59**	1,181
Capital expenditure of investment properties		**(1,649)**	(12)	**–**	–
Additional investments in subsidiaries	5(a)	**–**	–	**(880,000)**	–
Additional investments in associates		**(50,192)**	(1,883)	–	–
Additional investments in joint ventures		**–**	(296)	–	–
Dividend received		**138**	23	**1,170**	19,350
Dividend received from associates and joint ventures		**53,229**	45,447	**–**	–
Net cash (used in)/generated from investing activities		**(42,070)**	(560,813)	**(878,771)**	20,518

Statements of Cash Flows (cont'd)
for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from financing activities					
Purchase of treasury shares		**(52)**	(1,140)	**(52)**	(1,140)
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		**(90)**	(145)	**–**	–
(Placement)/Withdrawal of pledged deposits		**(94,580)**	374,722	**–**	–
Net (repayment)/drawdown of borrowings		**(211,452)**	72,456	**(26,150)**	(5,520)
Net cash (used in)/generated from financing activities		**(306,174)**	710,315	**(26,202)**	257,762
Net increase/(decrease) in cash and cash equivalents		**10,111**	152,944	**(37,765)**	41,991
Effect of exchange rate fluctuations on cash held		**18,222**	47,939	**–**	–
Cash and cash equivalents at 1 January		**355,506**	154,623	**41,833**	(158)
Cash and cash equivalents at 31 December		**383,839**	355,506	**4,068**	41,833

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 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances	16	**432,677**	196,718	**55**	410
Deposits	16	**55,673**	168,299	**4,415**	41,451
		488,350	365,017	**4,470**	41,861
Less: Pledged bank balances and deposits	16	**(103,713)**	(9,133)	**–**	–
Bank overdraft	19	**(798)**	(378)	**(402)**	(28)
		383,839	355,506	**4,068**	41,833

The notes on pages 90 to 180 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 addresses of the principal place of business and registered office of the Company are as follows:

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

Registered office
No. 8, Jalan Peranginan
Leisure Farm
81560 Gelang Patah
Johor Darul Taksim

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 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 2017 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 30 March 2018.

1. Basis of preparation

a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 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*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

1. Basis of preparation (cont'd)

a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (cont'd)

- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment and Settlement***
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for those marked with "*" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for that marked with "**" which is not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and 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*.

In the implementation of MFRS 15, the Group has established a finance team to manage the implementation of MFRS 15 and has performed the assessment of MFRS 15 to the Group.

1. Basis of preparation (cont'd)

a) Statement of compliance (cont'd)

i) MFRS 15, Revenue from Contracts with Customers (cont'd)

Currently, the Group and Company recognise revenue from contracts with customers on the basis of fair value of the consideration received or receivable when significant risks and rewards of ownership have been transferred to the buyer. Upon adoption of MFRS 15, the Group and Company will recognise the revenue from contracts with customers on the basis of the core principle by applying the 5 steps revenue recognition model. The Group and Company will apply MFRS 15 according to cumulative effect transition approach in initial application of MFRS 15.

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements as at 1 January 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Group	As reported at 31 December 2017 RM'000	Estimated adjustments due to adoption of MFRS 15 Increase/ (Decrease) RM'000	Estimated adjusted opening balance at 1 January 2018 RM'000
Investment in associates	1,427,056	6,469	1,433,525
Deferred revenue	16,560	295	16,855
Retained earnings	976,043	6,174	982,217

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.

In the implementation of MFRS 9, the Group has established a finance team to manage the implementation of MFRS 9 and has performed the assessment of MFRS 9 to the Group.

Currently, the Group classifies and measures financial assets and liabilities based on statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument and impairment of financial assets recognised only when it has been incurred. Upon adoption of MFRS 9, the Group will classify and measure financial assets and liabilities based on the principle-based approach, classification of financial assets are based on the entity's business model for managing the financial assets and the cash flow characteristics of the financial assets and impairment of financial assets based on expected credit loss on its financial assets and commitments to extend its credit. The Group will apply MFRS 9 retrospectively for its initial application.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

1. Basis of preparation (cont'd)

a) Statement of compliance (cont'd)

ii) MFRS 9, Financial Instruments (cont'd)

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Group	As reported at 31 December 2017 RM'000	Estimated adjustments due to adoption of MFRS 9 Increase/ (Decrease) RM'000	Estimated adjusted opening balance at 1 January 2018 RM'000
Trade and other receivables	259,652	(270)	259,382
Retained earnings	976,043	(270)	975,773

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.

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.

1. Basis of preparation (cont'd)

d) Use of estimates and judgements (cont'd)

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 10 - measurement of recoverable amounts of cash generating units
- Note 11 - recoverability of development inventories
- Note 14 - recognition of deferred tax assets/liabilities

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.

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

2. Significant accounting policies (cont'd)

a) Basis of consolidation (cont'd)

ii) Business combinations (cont'd)

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 off 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.

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.

2. Significant accounting policies (cont'd)

a) Basis of consolidation (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

b) Foreign currency (cont'd)

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

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.

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.

2. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

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

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)).

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.

2. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

iii) Financial guarantee contracts (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

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

i) Recognition and measurement (cont'd)

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.

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

• Aircraft	18 years
• Freehold buildings	14 - 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.

2. Significant accounting policies (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

g) Intangible assets (cont'd)

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 changes 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.

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.

2. Significant accounting policies (cont'd)

i) Inventories (cont'd)

i) Properties held for development (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

l) Equity instruments (cont'd)

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.

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;

2. Significant accounting policies (cont'd)

o) Revenue and other income (cont'd)

i) Revenue from property development (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

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 ceased 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.

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.

2. Significant accounting policies (cont'd)

q) Income tax (cont'd)

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 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 Director, Chief Executive Officer, Chief Operating Officer and Head of Finance, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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.

2. Significant accounting policies (cont'd)

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.

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 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	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 2016/1 January 2017	186,995	22,723	886,695	562,170	111,635	36,997	1,807,215
Additions	**1,879**	**3,706**	**3,045**	**8,058**	**–**	**47,716**	**64,404**
Disposals	**–**	**–**	**–**	**(14,860)**	**–**	**–**	**(14,860)**
Written off	**–**	**–**	**(16,355)**	**(65,307)**	**–**	**(99)**	**(81,761)**
Reclassifications	**–**	**–**	**605**	**30,384**	**–**	**(30,989)**	**–**
Effect of movements in exchange rates	**(4,592)**	**(716)**	**(20,824)**	**(11,461)**	**(10,467)**	**(1,621)**	**(49,681)**
At 31 December 2017	**184,282**	**25,713**	**853,166**	**508,984**	**101,168**	**52,004**	**1,725,317**
Depreciation and impairment loss							
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

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
Depreciation and impairment loss (cont'd)							
At 1 January 2017							
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
Depreciation for the year	**–**	**567**	**22,828**	**43,764**	**5,979**	**–**	**73,138**
Impairment for the year	**9,169**	**–**	**34,932**	**63,102**	**–**	**25,949**	**133,152**
Disposals	**–**	**–**	**–**	**(9,556)**	**–**	**–**	**(9,556)**
Written off	**–**	**–**	**(6,415)**	**(45,427)**	**–**	**–**	**(51,842)**
Reclassifications	**–**	**–**	**(74,513)**	**74,513**	**–**	**–**	**–**
Effect of movements in exchange rates	**(388)**	**(259)**	**(7,418)**	**(12,171)**	**(555)**	**(1,098)**	**(21,889)**
At 31 December 2017							
Accumulated depreciation	**–**	**9,838**	**206,963**	**270,514**	**7,508**	**–**	**494,823**
Accumulated impairment losses	**8,781**	**–**	**109,461**	**131,641**	**–**	**24,851**	**274,734**
	8,781	**9,838**	**316,424**	**402,155**	**7,508**	**24,851**	**769,557**
Carrying amounts							
At 1 January 2016	204,168	13,807	594,787	251,642	–	23,420	1,087,824
At 31 December 2016/1 January 2017	186,995	13,193	539,685	274,240	109,551	36,997	1,160,661
At 31 December 2017	**175,501**	**15,875**	**536,742**	**106,829**	**93,660**	**27,153**	**955,760**

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

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

Company	*Plant and equipment RM'000
Cost	
At 1 January 2016	1,618
Additions	13
At 31 December 2016/1 January 2017	1,631
Additions	–
At 31 December 2017	**1,631**
Depreciation	
At 1 January 2016	1,616
Depreciation for the year	4
At 31 December 2016/1 January 2017	1,620
Depreciation for the year	**5**
At 31 December 2017	**1,625**
Carrying amounts	
At 1 January 2016	2
At 31 December 2016/1 January 2017	11
At 31 December 2017	**6**

* 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	
	2017 RM'000	2016 RM'000
Land	**137,580**	154,162
Land improvements	**266**	272
Buildings	**469,973**	471,460
Plant and equipment	**84,507**	231,937
Aircraft	**93,660**	109,551
	785,986	967,382

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

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 in previous financial year.

iii) During the current financial year, the Tropical Cyclone Debbie had caused severe damage on one of the Group's hotel assets, Hayman Island Resort as disclosed in Note 36. As a result, the Group recognised an impairment loss and asset write-off amounting to RM133,152,000 and RM29,919,000 respectively.

iv) 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 32.

Group	Land and buildings RM'000
At 31 December 2017	
Cost	**21,474**
Accumulated depreciation	**(12,072)**
Net carrying amount	**9,402**
At 31 December 2016	
Cost	20,057
Accumulated depreciation	(11,161)
Net carrying amount	8,896

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

	Group	
	2017 RM'000	**2016 RM'000**
Freehold land	**175,501**	177,993
Leasehold land with unexpired lease period of more than 50 years	**8,781**	9,002
Less: Accumulated impairment losses	**(8,781)**	–
	–	9,002
	175,501	186,995

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

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

vii) In the previous financial 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.

viii) In December 2016, the Group acquired the property and business assets ("hotel business") of Rydges Esplanade Resort Cairns for a consideration of RM129,950,000 which includes property, plant and equipment amounting to RM130,000,000. This resulted to the Group cash outflow of RM129,902,000 in the previous financial year.

4. Investment properties

		Group	
	Note	2017 RM'000	2016 RM'000
At 1 January		**813,098**	416,938
Addition	(a)	**–**	67,210
Transfer from property, plant and equipment	(b)	**–**	307,873
Capitalised lease cost		**1,845**	–
Capital expenditure capitalised		**1,649**	12
Change in fair value of investment properties		**152,346**	1,162
Disposal		**(2,469)**	–
Effect of movements in exchange rates		**(25,391)**	19,903
At 31 December		**941,078**	813,098

Included in the above are:

	Group	
	2017 RM'000	2016 RM'000
Freehold land and buildings	**941,078**	813,098

4. Investment properties (cont'd)

Valuation reconciliation:

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

	Group	
	2017 RM'000	**2016 RM'000**
Carrying amount of investment properties	**941,078**	813,098
Add:		
Accrued income	**10,966**	11,964
Deferred lease incentive	**5,409**	6,177
Deferred revenue	**(362)**	(1,263)
Advance deposits	**(850)**	–
Valuation	**956,241**	829,976

Investment properties mainly comprise of commercial properties that leased to third parties (see Note 32). 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 RM938,320,000 (2016: RM811,347,000) is pledged as a security for bank borrowings as disclosed in Note 19.

In the previous financial year, the Group has undertaken the following transactions:

a) 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.

b) As mentioned in Note 3(vii), 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.

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

	Group	
	2017 RM'000	**2016 RM'000**
Rental income	**70,693**	41,332
Direct operating expenses:		
- income generating investment properties	**23,406**	12,219
- non-income generating investment properties	**228**	198

4. Investment properties (cont'd)

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	2017		2016	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Freehold land and buildings	**956,241**	**956,241**	829,976	829,976

Level 3 fair value

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

		Group	
	Note	2017 RM'000	2016 RM'000
At 1 January		**829,976**	402,880
Addition		**–**	67,210
Transfer from property, plant and equipment		**–**	307,873
Capitalised lease cost		**1,845**	–
Capital expenditure capitalised		**1,649**	12
Transfer into Level 3	a	**–**	14,058
Disposal		**(2,469)**	–
Accrued income		**(998)**	11,964
Deferred lease incentive		**(768)**	6,177
Deferred revenue		**901**	(1,263)
Advance deposits		**(850)**	–
Change in fair value of investment properties		**152,346**	1,162
Effect of movements in exchange rates		**(25,391)**	19,903
At 31 December		**956,241**	829,976

Note a - Transfer into Level 3

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 in the previous financial year.

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 range from RM94 to RM1,309 (2016: RM91 to 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 5.1% to 7.5%. (2016: 6.0% to 8.0%)	The estimated fair value would increase/(decrease) if the expected capitalisation rate was lower/(higher).

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.

5. Investment in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
At cost		
Unquoted shares in Malaysia	**1,294,017**	414,017
Foreign unquoted shares	**242,271**	242,271
	1,536,288	656,288
Less: Accumulated impairment losses	**(58,733)**	(57,471)
	1,477,555	598,817

Movement in the accumulated impairment losses are as follows:

	Company 2017 RM'000	Company 2016 RM'000
At 1 January	**57,471**	56,858
Addition	**1,262**	613
At 31 December	**58,733**	57,471

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation/ establishment	Principal activities	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
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

5. Investment 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 2017 %	2016 %
Subsidiaries of Mulpha International Bhd. (cont'd)				
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
Subsidiaries of Leisure Farm Corporation Sdn. Bhd.				
Leisure Farm Horticulture Services Sdn. Bhd.	Malaysia	Dormant	**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
Subsidiary of Mulpha Capital Markets Sdn. Bhd.				
Mulpha Credit Sdn. Bhd.	Malaysia	Investment holding	**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

5. Investment 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 2017 %	Proportion of ownership interest 2016 %
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
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]	Australia	Property development	**100**	100
Cairns Esplanade Operations Pty. Limited [1]	Australia	Hotelier	**100**	100
Mulpha Finance Pty. Limited [1]	Australia	Financial services provider	**100**	100

5. Investment 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 2017 %	Proportion of ownership interest 2016 %
Subsidiaries of Mulpha Australia Limited (cont'd)				
Mulpha Cairns Esplanade Fund [1]	Australia	Property ownership	**100**	100
Mulpha Finance Holdings Pty. Limited [1 2]	Australia	Investment holding	**100**	–
Mulpha MTN Limited [1 2] (formerly known as Market Sino Limited)	British Virgin Islands	Medium term note issuer	**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
Subsidiaries of Mulpha Sanctuary Cove (Developments) Pty. Limited				
Mulpha Sanctuary Cove (Alpinia) Pty. Limited [1]	Australia	Property development	**100**	100
Mulpha SPV 2 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

5. Investment 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 2017 %	2016 %
Subsidiaries of Mulpha Hotel Investments (Australia) Pty. Limited				
Mulpha Hotels Holdings Trust [1]	Australia	Investment holding	**100**	100
Mulpha Hotel 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 Investments 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
Subsidiaries of Mulpha Norwest Pty. Limited				
Norwest Real Estate Pty. Limited [1]	Australia	Dormant	**100**	100
Mulpha SPV 3 Pty. Limited [4]	Australia	Dormant	**–**	100

5. Investment 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 2017 %	2016 %
Subsidiaries of Mulpha Hotel Trust				
Hotel Land Trust [1]	Australia	Property ownership	**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
Subsidiary of Mulpha Finance Holdings Pty. Limited				
Multiple Capital Pty. Limited [1 2]	Australia	Financial services provider	**80**	–
Subsidiaries of Mulpha Strategic Limited				
AFO Assets Limited	Malaysia (Labuan)	Leasing business	**100**	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.
[4] Subsidiary deregistered from the Group during the financial year.

5. Investment in subsidiaries (cont'd)

a) Additional investment in a subsidiary

During the financial year, the Company made an additional investment of redeemable preference shares in a subsidiary amounting to RM880,000,000.

6. Investments in associates

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At cost:				
Quoted shares in Malaysia	**30,779**	30,829	**22,876**	22,926
Foreign quoted shares	**1,232,595**	1,228,758	**–**	–
Foreign unquoted shares	**162,238**	115,883	**–**	–
Exchange difference	**223,157**	260,906	**–**	–
	1,648,769	1,636,376	**22,876**	22,926
Share of post-acquisition reserves	**(204,217)**	(375,426)	**–**	–
	1,444,552	1,260,950	**22,876**	22,926
Less: Accumulated impairment losses	**(17,496)**	(17,512)	**(7,254)**	(7,270)
	1,427,056	1,243,438	**15,622**	15,656
At market value:				
Quoted shares				
- In Malaysia	**19,800**	15,656	**19,800**	15,656
- Foreign	**1,120,299**	1,430,303	–	–
	1,140,099	1,445,959	**19,800**	15,656

Movement in the accumulated impairment losses account is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At 1 January	**17,512**	8,330	**7,270**	20,456
Charge for the year	**–**	17,512	**–**	7,270
Reversal for the year	**–**	(5,275)	**–**	–
Written off	**–**	(55)	**–**	–
Partial disposal/disposal of associates	**(16)**	(3,000)	**(16)**	(20,456)
At 31 December	**17,496**	17,512	**7,254**	7,270

6. Investments in associates (cont'd)

Details of the associates are as follows:

Name of entity	Country of incorporation	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by Mulpha International Bhd.				
Thriven Global Berhad ("Thriven") [1]	Malaysia	Investment holding, property development and property investment	**24.39**	24.45
Held through Mulpha Australia Limited				
AVEO Group ("AVEO") [1]	Australia	Ownership and management of retirement villages and property development	**2.36**	2.35
Held through Rosetec Investments Limited				
AVEO [1]	Australia	Ownership and management of retirement villages and property development	**20.27**	20.25
Held through Mulpha Strategic Limited				
AVEO [1]	Australia	Ownership and management of retirement villages and property development	**0.07**	–
Held through View Link Global Limited				
New Pegasus Holdings Limited ("New Pegasus") [2]	British Virgin Islands	Investment holding	**33.00**	33.00
Held through Mulpha Credit Sdn. Bhd.				
St. Hilda NZ Holdco Limited ("St. Hilda") [1] [3]	New Zealand	Education software business	**40.00**	–

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

[2] Associate audited by other member firms of KPMG International.

[3] Associate acquired during the financial year.

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	Thriven RM'000	AVEO RM'000	St.Hilda RM'000	New Pegasus RM'000
2017				
Summarised financial information as at 31 December				
Non-current assets	56,939	Note 6.1	579	627,962
Current assets	352,537	Note 6.1	144,569	55,409
Total assets	409,476	20,399,267	145,148	683,371
Non-current liabilities	(51,218)	Note 6.1	(22,021)	(322,140)
Current liabilities	(202,008)	Note 6.1	(9,415)	(26,856)
Total liabilities	(253,226)	(13,649,069)	(31,436)	(348,996)
Net assets	156,250	6,750,198	113,712	334,375
Year ended 31 December				
(Loss)/Profit	(10,180)	929,448	(1,775)	22,473
Other comprehensive income	–	6,951	–	–
Total comprehensive (expense)/income	(10,180)	936,399	(1,775)	22,473
Included in the total comprehensive income is:				
Revenue	122,870	1,313,739	–	144,464

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	Thriven RM'000	AVEO RM'000	St.Hilda RM'000	New Pegasus RM'000	Other immaterial associates RM'000	Total RM'000
2017						
Reconciliation of net assets to carrying amount as at 31 December						
Group's share of net assets	11,189	1,260,038	45,485	110,344	–	1,427,056
Group's share of results for the year ended 31 December						
Group's share of (loss)/profit	(4,432)	210,603	(710)	7,416	1,158	214,035
Group's share of other comprehensive income	–	3,094	–	–	–	3,094
Group's share of total comprehensive (expense)/income	(4,432)	213,697	(710)	7,416	1,158	217,129
Other information						
Dividends received	–	39,263	–	7,326	1,158	47,747

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	Thriven RM'000	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000
2016				
Summarised financial information as at 31 December				
Non-current assets	60,331	Note 6.1	–	643,100
Current assets	341,159	Note 6.1	–	61,738
Total Assets	401,490	18,646,550	–	704,838
Non-current liabilities	(85,181)	Note 6.1	–	(341,620)
Current liabilities	(161,289)	Note 6.1	–	(26,052)
Total Liabilities	(246,470)	(12,479,675)	–	(367,672)
Net assets	155,020	6,166,875	–	337,166
Year ended 31 December				
(Loss)/Profit	(7,797)	521,424	–	22,239
Other comprehensive income	–	2,754	–	–
Total comprehensive (expense)/income	(7,797)	524,178	–	22,239
Included in the total comprehensive income is:				
Revenue	66,969	1,876,392	–	140,947

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	Thriven RM'000	AVEO RM'000	Mudajaya RM'000	New Pegasus RM'000	Other immaterial associates RM'000	Total RM'000
2016						
Reconciliation of net assets to carrying amount as at 31 December						
Group's share of net assets	15,656	1,116,517	–	111,265	–	1,243,438
Group's share of results for the year ended 31 December						
Group's share of (loss)/profit	(1,136)	121,713	(29,282)	7,176	(285)	98,186
Group's share of other comprehensive income/(expense)	–	1,688	(142)	–	–	1,546
Group's share of total comprehensive (expense)/income	(1,136)	123,401	(29,424)	7,176	(285)	99,732
Other information						
Dividends received	–	32,112	–	7,047	–	39,159

Note 6.1

In the current financial year, AVEO has adopted the liquidity basis for presenting its balance sheets, under which assets and liabilities are presented in order of their liquidity because AVEO does not have a clearly identified operating cycle and the liquidity basis provides more relevant information that is also reliable.

6. Investments in associates (cont'd)

Note 6.1 (cont'd)

Details of AVEO's total assets and total liabilities are as follows:

	31 December 2017 RM'000	31 December 2016* RM'000
Assets		
Cash and cash equivalents	**150,892**	108,550
Receivables	**530,975**	193,375
Assets held for sale	**695,498**	–
Inventories	**434,290**	736,775
Prepayments	**–**	15,600
Property, plant and equipment	**349,017**	184,925
Investment properties	**18,223,062**	17,263,675
Investments	**–**	87,750
Intangible assets	**15,533**	19,175
Other assets	**–**	36,725
Total assets	**20,399,267**	18,646,550
Liabilities		
Payables	**(625,758)**	(503,750)
Provisions	**(44,063)**	(27,300)
Interest bearing loans and borrowings	**(2,535,366)**	(1,637,025)
Deferred revenue	**(764,604)**	(541,450)
Resident loans	**(9,183,173)**	(9,364,225)
Deferred tax liabilities	**(496,105)**	(405,925)
Total liabilities	**(13,649,069)**	(12,479,675)
Net assets	**6,750,198**	6,166,875

* Additional information presented to conform with the current year presentation.

Note 6.2

On 5 April 2017, the Group and the Company disposed of 0.06% investment in Thriven and this resulted in the Group's and Company's gain on disposal of RM25,000 recognised.

Note 6.3

On 26 and 27 June 2017, the Group acquired 0.07% investment in AVEO at a total consideration of RM3,837,000.

Note 6.4

On 27 December 2017, the Group acquired 16,040,000 ordinary shares of St. Hilda which is principally involved in education software business. The acquisition represents 40% of the issued and paid-up share capital of St. Hilda for a total consideration of RM46,355,000.

Note 6.5

The quoted shares of a foreign associate with a carrying value of RM1,260,038,000 (2016: RM1,116,517,000) are pledged as security for bank borrowings as disclosed in Note 19.

7. Investments in joint ventures

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares at cost	**3,268**	3,336
Add: Share of post-acquisition profit	**16,951**	3,409
Exchange differences	**(2)**	751
	20,217	7,496
The movements of investments in joint ventures are as follows:		
Carrying amount at 1 January	**7,496**	12,798
Addition	**–**	296
Share of net result from investment in joint ventures	**18,957**	552
Dividend received	**(5,482)**	(6,288)
Exchange differences	**(754)**	138
Carrying amount at 31 December	**20,217**	7,496

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Principal activities	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
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. ("Mondrian") [1 2]	Malaysia	Providing real estate project marketing and brokerage services	**–**	45.00
Held through Leisure Farm Corporation Sdn. Bhd.				
Gerbang Leisure Park Sdn. Bhd.	Malaysia	Property development	**50.00**	50.00

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

[2] Joint venture disposed of during the financial year.

7. Investments in joint ventures (cont'd)

The following table summarises 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	
	2017 RM'000	2016 RM'000
Summarised financial information as at 31 December		
Non-current assets	**140**	5,647
Current assets	**43,178**	2,012
Current liabilities	**(15,241)**	(138)
Net assets	**28,077**	7,521
Year ended 31 December		
Total comprehensive income	**31,756**	1,044
Included in the total comprehensive income is:		
Revenue	**51,063**	7,143
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**20,217**	7,496
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	**18,957**	552
Other information		
Dividends received	**5,482**	6,288

On 26 April 2017, the Group fully disposed of its 45% investment in Mondrian and the loss of the disposal is immaterial to the Group.

8. Investment securities

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Available-for-sale financial assets					
Foreign quoted bond	a	**243,600**	268,800	**–**	–
Foreign quoted shares		**18**	18	**–**	–
Quoted shares - In Malaysia		**84,004**	91,298	**–**	–
Unquoted shares					
- In Malaysia		**1,000**	1,000	**1,000**	1,000
- Foreign		**45**	45	**43**	43
		328,667	361,161	**1,043**	1,043
Current					
Financial assets at fair value through profit or loss					
Quoted shares					
- In Malaysia		**328**	275	**–**	–
- Foreign		**2,839**	2,490	**–**	–
		3,167	2,765	**–**	–
		331,834	363,926	**1,043**	1,043
Market value of quoted investments		**330,789**	362,881	**–**	–

The investment securities with a carrying value of RM243,600,000 (2016: RM269,075,000) 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, a wholly-owned subsidiary of Mulpha Group Services Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, had subscribed for Series 1 USD60 million (equivalent to RM243,600,000 and RM268,800,000 in 2017 and 2016 respectively) 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.

9. Other Investments

	Club memberships RM'000	Investment in works of art RM'000	Total RM'000
Group			
At 1 January 2016/31 December 2016/31 December 2017	959	4,121	5,080
Company			
At 1 January 2016/31 December 2016/31 December 2017	930	4,121	5,051

10. Goodwill

Group	Goodwill on consolidation RM'000	Purchased goodwill RM'000	Total RM'000
At 1 January 2016	2,512	210	2,722
Exchange differences	–	9	9
At 31 December 2016/1 January 2017	2,512	219	2,731
Exchange differences	–	(6)	(6)
At 31 December 2017	**2,512**	**213**	**2,725**

Impairment tests for goodwill

Allocation of goodwill

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

	Malaysia RM'000	Australia RM'000	Total RM'000
At 31 December 2017			
Boat show	**–**	**213**	**213**
Investment business	**2,512**	**–**	**2,512**
	2,512	**213**	**2,725**
At 31 December 2016			
Boat show	–	219	219
Investment business	2,512	–	2,512
	2,512	219	2,731

Key assumptions 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 be recognised.

11. Inventories

	Group 2017 RM'000	Group 2016 RM'000
Non-current		
Properties held for development		
- Cost of acquisition for freehold land	**431,532**	568,262
- Capitalised development cost	**234,119**	171,291
Total non-current inventories	**665,651**	739,553
Current		
Properties under development		
- Cost of acquisition for freehold land	**168,723**	169,209
- Capitalised development cost	**399,538**	395,677
	568,261	564,886
Completed properties	**124,417**	134,066
Finished goods	**6,354**	6,051
Work-in-progress	**6,424**	6,665
Other consumables	**9,166**	11,414
	146,361	158,196
Total current inventories	**714,622**	723,082
Total inventories	**1,380,273**	1,462,635

Included in properties under development of the Group is interest capitalised during the financial year amounting to RM765,000 (2016: RM3,984,000).

Certain properties held for development and properties under development amounting to RM806,991,000 (2016: RM919,081,000) are pledged to financial institutions as security for banking facilities granted as disclosed in Note 19.

12. Trade and other receivables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Trade					
Accrued income	12.1	**8,738**	13,085	**–**	–
Non-trade					
Other receivables		**1,451**	–	**–**	–
Amount due from a subsidiary	12.2	**–**	–	**305,161**	401,445
		10,189	13,085	**305,161**	401,445
Current					
Trade					
Trade receivables	12.3	**131,030**	96,136	**–**	–
Less: Allowance for impairment losses		**(660)**	(1,249)	**–**	–
		130,370	94,887	**–**	–
Accrued income	12.1	**2,228**	–	**–**	–
Accrued billings	12.4	**244**	5,987	**–**	–
		132,842	100,874	**–**	–
Non-trade					
Other receivables		**123,928**	129,914	**103,177**	103,306
Deposits		**2,882**	2,978	**40**	39
Amounts due from subsidiaries	12.2	**–**	–	**339,794**	1,105,824
		126,810	132,892	**443,011**	1,209,169
		259,652	233,766	**443,011**	1,209,169
Total trade and other receivables		**269,841**	246,851	**748,172**	1,610,614

12.1 Accrued income

Included in accrued income are rental income of investment properties amounting to RM10,966,000 (2016: RM11,964,000) relates to rental income of investment properties recognised on a straight-line basis over the lease term.

12. Trade and other receivables (cont'd)

12.2 Amounts due from subsidiaries

	Company	
	2017 RM'000	**2016 RM'000**
Bearing interest	**575,759**	549,199
Non-interest bearing	**69,196**	958,070
	644,955	1,507,269

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 RM256,482,000 (2016: RM262,955,000) issued 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 7.50% (2016: 9.50%) per annum;

ii) Unsecured loan owing by MAL amounted to RM38,788,000 (2016: RM44,802,000) is subject to interest of 7.00% (2016: 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 RM17,311,000 (2016: RM19,303,000) and RM263,178,000 (2016: RM222,139,000) which are subject to interest of 4.05% (2016: 4.05%) per annum and 8.15% (2016: 8.50%) per annum respectively.

12.3 Trade receivables

Included in trade receivables of the Group are amounts of RM2,265,000 (2016: RM234,000) due from a company related to a person connected to a director of the Company. The amount was subject to normal credit 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 RM243,600 (2016: RM739,000) due from a company related to a person connected to a director of the Company and an amount of RM4,644,000 due from a company related to a director of the Company in previous financial year.

13. Other non-current assets

	Group 2017 RM'000	Group 2016 RM'000
Deferred lease incentive	**4,164**	6,177
Prepayments and others	**4,267**	4,334
	8,431	10,511

14. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Inventories	**6,781**	12,963	**–**	–	**6,781**	12,963
Provision for liabilities and other payables	**58,354**	78,845	**–**	–	**58,354**	78,845
Unabsorbed capital allowances	**204**	10,705	**–**	–	**204**	10,705
Fair value adjustment	**–**	–	**(44,964)**	(18,184)	**(44,964)**	(18,184)
Utilised tax losses	**4,818**	11,783	**–**	–	**4,818**	11,783
Capital tax losses	**72,363**	–	**–**	–	**72,363**	–
Accelerated capital allowances	**–**	–	**(59,639)**	(31,435)	**(59,639)**	(31,435)
Receivables and others	**–**	–	**(66,122)**	(32,939)	**(66,122)**	(32,939)
Tax assets/(liabilities)	**142,520**	114,296	**(170,725)**	(82,558)	**(28,205)**	31,738
Set off of tax	**(129,585)**	(82,558)	**129,585**	82,558	**–**	–
Net tax assets/(liabilities)	**12,935**	31,738	**(41,140)**	–	**(28,205)**	31,738

Unrecognised deferred tax assets

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Unutilised tax losses	**70,941**	191,074	**335**	335
Unabsorbed capital allowances	**5,768**	7,213	**3,646**	3,646
Other deductible temporary differences	**126,978**	15,134	**–**	–
	203,687	213,421	**3,981**	3,981

14. Deferred tax assets/(liabilities) (cont'd)

Unrecognised deferred tax assets (cont'd)

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

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

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

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	**31,738**	59,756
Recognised in profit or loss	**(62,639)**	1,088
Others	**550**	–
Recognised in other comprehensive income	**–**	(28,393)
Exchange adjustments	**2,146**	(713)
At 31 December	**(28,205)**	31,738

15. Other current assets

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deferred lease incentive	**1,245**	–	**–**	–
Prepayments	**16,460**	17,972	**10**	–
	17,705	17,972	**10**	–

16. Cash and cash equivalents

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash and bank balances	**432,677**	196,718	**55**	410
Deposits with licensed banks	**55,673**	168,299	**4,415**	41,451
	488,350	365,017	**4,470**	41,861

16. Cash and cash equivalents (cont'd)

Included in cash and cash equivalents are deposits amounting to RM103,673,000 (2016: RM7,450,000) and RM40,000 (2016: RM1,683,000) 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 RM13,200 (2016: RM411,000) maintained under the Housing Developers Accounts pursuant to the Housing Developers (HDA) Regulations 1991, which are restricted from use in other operations.

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2017 for the Group and for the Company were 1.4% (2016: 1.5%) and 3.56% (2016: 3.41%) per annum respectively.

The average maturities of deposits with licensed banks for the Group and for the Company as at reporting date was 17 days (2016: 10 days) and 2 days (2016: 1 day) respectively.

17. Share capital, share premium and treasury shares

	Group and Company	
	Number of shares '000	Amount RM'000
Ordinary shares		
Authorised:		
At 31 December 2017	**–**	**–**
At 1 January 2016/31 December 2016/1 January 2017	4,000,000	2,000,000

	Group and Company			
	Number of shares		Amount	
	Share capital '000	Treasury shares '000	Share capital RM'000	Treasury shares RM'000
Ordinary shares				
Issued and fully paid:				
At 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 2016/1 January 2017	3,196,192	(1,322)	1,598,096	(266)
Purchase of treasury shares	**–**	**(200)**	**–**	**(52)**
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016				
- Share premium	**–**	**–**	**217,861**	**–**
- Capital reserve	**–**	**–**	**221,502**	**–**
Share consolidation	**(2,876,573)**	**1,370**	**–**	**–**
At 31 December 2017	**319,619**	**(152)**	**2,037,459**	**(318)**

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

The new Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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 30 June 2017 (i.e. the entitlement date), the Company carried out a share consolidation exercise to consolidate 3,196,192,137 ordinary shares (including 1,522,100 treasury shares) into 319,618,640 ordinary shares (including 152,210 treasury shares) involving the consolidation of every 10 ordinary shares into 1 ordinary share ("Consolidated Shares"). The share consolidation exercise was completed on 3 July 2017 following the listing and quotation of the Consolidated Shares on the Main Market of Bursa Malaysia Securities Berhad, being the next market day immediately after the entitlement date.

Included in share capital is share premium amounting to RM217,861,000 and capital reserve amounting to RM221,502,000 that are available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

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, the share premium account has become part of the Company's share capital pursuant to Section 618 of Companies Act 2016. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the amount standing to the credit of the share premium account.

c) Treasury shares

The purpose of current share buyback scheme is to allow the Company to buy back its shares when the market does not fully reflect the value of its shares.

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

c) Treasury shares (cont'd)

As at 31 December 2017, 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
2017	Purchased	200,000	52	0.260
		1,522,100^	318	0.209

^ Number of treasury shares stands at 152,210 after share consolidation.

During the financial year, the Company purchased 200,000 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
April	200,000	52	0.260	0.260	0.260

* 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 319,618,640 (2016: 3,196,192,137) issued and fully paid up ordinary shares as at 31 December 2017, 152,210 (2016: 1,322,100) are held as treasury shares in accordance with Section 127 of the Companies Act 2016.

18. Reserves

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable				
Exchange reserve	**245,416**	278,684	**–**	–
Capital reserve	**–**	215,037	**–**	221,502
Other reserve	**(9,800)**	(12,547)	**107**	107
Revaluation reserve	**66,252**	66,252	**–**	–
	301,868	547,426	**107**	221,609

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.

During the financial year, the capital redemption reserve account has become part of the Company's share capital pursuant to Section 618 of Companies Act 2016. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the amount standing to the credit of the capital redemption reserve account.

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.

19. Loans and borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Finance lease liabilities - secured	**8,781**	9,025	**–**	–
Bonds - secured	**377,892**	505,969	**–**	–
Bills payable - secured	**52,488**	55,957	**–**	–
Term loans - secured	**874,557**	1,667,632	**–**	–
	1,313,718	2,238,583	**–**	–
Current				
Finance lease liabilities - secured	**22**	88	**–**	–
Bank overdrafts - secured	**798**	378	**402**	28
Bonds - secured	**4,438**	4,205	**–**	–
Bills payable - secured	**2,114**	2,167	**–**	–
Revolving credit - secured	**64,330**	85,480	**49,330**	75,480
Term loans - secured	**756,093**	83,237	**–**	–
	827,795	175,555	**49,732**	75,508
Total borrowings	**2,141,513**	2,414,138	**49,732**	75,508

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% (2016: 5.5% to 7.0%) 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.

19. Loans and borrowings (cont'd)

c) Bonds

i) In September 2016, a subsidiary in Labuan refinanced its medium term notes ("MTN") amounting to USD90 million with interest rate of 6% per annum. The bond is secured by corporate guarantee by the Company.

On 1 December 2017, a foreign subsidiary issued a Nominal Fixed Rate Notes due 2020 amounting to USD70 million with interest rate of 5.75% per annum. The entire proceeds of USD70 million were utilised for the redemption of USD90 million MTN. The remaining USD20 million MTN were redeemed by using internal generating fund of the Group.

ii) In 1999, a subsidiary in Australia issued bonds for a term of 30 years. The bonds have an effective interest rate of 8.06% (2016: 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 2017 RM'000	Interests 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Future minimum lease payments 2016 RM'000	Interests 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Current						
Less than one year	**637**	**615**	**22**	722	634	88
Non-current						
Between one and five years	**2,459**	**2,459**	**–**	2,543	2,521	22
More than five years	**8,781**	**–**	**8,781**	9,003	–	9,003
	11,240	**2,459**	**8,781**	11,546	2,521	9,025
Total	**11,877**	**3,074**	**8,803**	12,268	3,155	9,113

19. Loans and borrowings (cont'd)

e) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2017 RM'000
Group				
Finance lease liabilities - secured	9,113	(90)	(220)	8,803
Bonds - secured	510,174	(98,534)	(29,310)	382,330
Bills payable - secured	58,124	(2,185)	(1,337)	54,602
Term loans - secured	1,750,869	(89,583)	(30,636)	1,630,650
Revolving credit - secured	85,480	(21,150)	–	64,330
Total liabilities from financing activities	2,413,760	(211,542)	(61,503)	2,140,715
Company				
Revolving credit - secured	75,480	(26,150)	–	49,330

20. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Non-trade				
Other payables	**1,923**	18,219	**–**	–
Current				
Trade				
Trade payables	**32,315**	34,433	**–**	–
Non-trade				
Other payables	**178,299**	185,395	**1,258**	1,562
Amounts due to subsidiaries	**–**	–	**379**	741
Deferred revenue	**16,560**	72,840	**–**	–
	227,174	292,668	**1,637**	2,303
Total trade and other payables	**229,097**	310,887	**1,637**	2,303

20. Trade and other payables (cont'd)

a) Trade payables

Trade payables are generally non-interest bearing. The normal credit terms granted to the Group ranges from 30 to 90 days.

b) Amounts due to subsidiaries

The non-trade amounts due to subsidiaries are non-interest bearing, unsecured and repayable on demand.

c) Other payables

The other payables 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 deferred revenue mainly relates to pending delivery of vacant possession for the disposal of development properties to third parties.

21. Provision for liabilities

	Note	Group 2017 RM'000	Group 2016 RM'000
Provision for staff benefits	(a)	**20,505**	20,775
Others	(b)	**95,901**	8,665
		116,406	29,440
Analysed as:			
Current		**112,977**	27,721
Non-current		**3,429**	1,719
		116,406	29,440

a) Provision for staff benefits

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	**20,775**	17,480
Provision for the year	**20,237**	17,365
Payments during the year	**(19,140)**	(14,372)
Exchange adjustments	**(1,367)**	302
At 31 December	**20,505**	20,775

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.

21. Provision for liabilities (cont'd)

	Group 2017 RM'000	Group 2016 RM'000
b) Others		
At 1 January	**8,665**	8,172
Provision for the year	**99,749**	168
Reversal of provision	**(7,977)**	–
Exchange adjustments	**(4,536)**	325
At 31 December	**95,901**	8,665

Others mainly arise from provision of repairs amounting to RM98,338,000 (2016: Nil) related to post Tropical Cyclone Debbie damages on Hayman Island Resort as disclosed in Note 36.

22. Derivative liabilities

	Group 2017 RM'000	Group 2016 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.

23. Revenue

	2017 RM'000	2016 RM'000
Group		
Performance of services	**575,965**	560,843
Sale of properties	**525,317**	678,774
Rental income	**63,860**	36,828
Interest income from money lending activities	**4,873**	80
	1,170,015	1,276,525
Company		
Dividends	**35,178**	91,802

24. Other income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bad debts recovered	**13**	37	**–**	–
Dividend income:				
- Unquoted shares	**138**	17	**–**	–
- Quoted shares	**–**	6	**–**	–
Fair value gain on investment properties	**153,795**	2,102	**–**	–
Fair value gain on financial assets at fair value through profit or loss	**588**	295	**–**	–
Gain on dilution of interests in associates	**–**	41,352	**–**	–
Gain on disposal of investment securities	**924**	–	**–**	–
Gain on disposal of investment properties	**2,325**	–	**–**	–
Gain on foreign exchange:				
- Realised	**248**	3,227	**–**	–
- Unrealised	**11**	279	**900**	62,661
Gain on partial disposal of an associate	**25**	–	**25**	–
Gain on waiver of amount due to subsidiaries	**–**	–	**–**	940
Insurance recoveries	**331,369**	1,837	**–**	–
Interest income:				
- Deposits with licensed banks	**4,219**	4,313	**649**	1,595
- Subsidiaries	**–**	–	**23,876**	18,282
- Others	**19,291**	1,097	**–**	154
Management fees received	**120**	120	**–**	–
Property maintenance and agency fee	**–**	514	**–**	–
Rental income and reimbursable expenses from:				
- Investment properties	**6,833**	4,504	**–**	–
- Land and buildings	**8,377**	26,074	**–**	–
Reversal of impairment loss on:				
- Property, plant and equipment	**–**	7,717	**–**	–
- Investments in associates	**–**	5,275	**–**	–
- Investment securities	**68**	–	**–**	–
- Trade and other receivables	**165**	15	**–**	–
Shared services income	**4,381**	5,304	**–**	–
Miscellaneous income	**11,644**	10,058	**1**	2
	544,534	114,143	**25,451**	83,634

25. Profit before tax

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG in Malaysia	**298**	258	**136**	120
Overseas affiliates of KPMG in Malaysia	**1,525**	1,081	**–**	–
Other auditor	**85**	87	**–**	–
- Non-audit fees				
KPMG in Malaysia	**14**	13	**12**	13
Overseas affiliates of KPMG in Malaysia	**177**	135	**–**	–
Bad debts written off:				
- Trade and other receivables	**61**	15	**–**	–
Fair value loss on investment properties	**1,449**	940	**–**	–
Impairment loss on financial assets:				
- Investment securities	**–**	247	**–**	–
- Trade and other receivables	**1,190**	725	**–**	–
Impairment loss on:				
- investments in associates	**–**	17,512	**–**	7,270
- investments in subsidiaries	**–**	–	**1,262**	613
Inventories written down	**81,083**	90,578	**–**	–
Loss on disposal of investment securities	**–**	696	**–**	–
Loss on disposal of associates	**–**	108,919	**–**	326
Loss on foreign exchange:				
- Realised	**9,463**	11,391	**41,350**	18,703
- Unrealised	**433**	72	**–**	–
Loss on derivatives	**2,512**	2,963	**–**	2,092
Management fee paid	**–**	–	**3,233**	2,648
Minimum operating lease payments:				
- Land and buildings	**15,384**	8,435	**73**	70
- Plant and equipment	**5,703**	16,472	**–**	–
Provision for foreseeable loss on inventories	**2,296**	–	**–**	–
Provision for foreseeable loss on onerous contract	**1,411**	–	**–**	–
Provision for repairs	**98,338**	–	**–**	–
Property, plant and equipment:				
- Depreciation	**73,138**	60,258	**5**	4
- Written off	**29,919**	–	**–**	–
- Loss on disposal	**230**	–	**–**	–
- Impairment loss	**133,152**	–	**–**	–
Employee benefits expenses (including key management personnel):				
- Wages, salaries and others	**257,399**	252,777	**887**	728
- Pension costs - defined contribution plans	**16,585**	15,865	**107**	87
- Short-term accumulating compensated absences	**17,043**	13,829	**–**	–

26. Finance costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
- overdrafts	**79**	43	**59**	26
- revolving loans and term loans	**71,100**	61,060	**3,531**	4,013
- bonds	**28,749**	45,930	**–**	–
- others	**569**	32	**–**	–
	100,497	107,065	**3,590**	4,039
Less: Interest expense capitalised in properties under development (Note 11)	**(765)**	(3,984)	**–**	–
Total finance costs	**99,732**	103,081	**3,590**	4,039

27. Tax expense/(benefit)

Recognised in profit or loss

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian - current year	**55**	43	**–**	–
- prior year	**1**	(7,852)	**–**	(332)
Overseas - current year	**20,331**	–	**–**	–
	20,387	(7,809)	**–**	(332)
Deferred tax expense				
Origination and reversal of temporary differences	**54,828**	(7,113)	**–**	–
Under provision in prior year	**7,811**	6,025	**–**	–
	62,639	(1,088)	**–**	–
Total income tax expense/(benefit)	**83,026**	(8,897)	**–**	(332)

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

Reconciliation of tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	**452,215**	7,903	**4,691**	133,824
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	**108,532**	1,897	**1,126**	32,118
Different tax rates in other countries	**18,280**	4,759	**–**	–
Non-deductible expenses	**7,749**	76,444	**11,845**	4,507
Group relief	**–**	–	**(3,865)**	(2,927)
Income not subject to taxation	**(679)**	(14,720)	**(9,106)**	(33,698)
Effect from previously unrecognised tax losses	**(2,336)**	–	**–**	–
Changes in deductible temporary differences	**(414)**	(73,762)	**–**	–
Deferred tax assets not recognised during the year	**–**	22,009	**–**	–
Under provision of deferred tax in prior year	**7,811**	6,025	**–**	–
Under/(Over) provision of income tax in prior year	**1**	(7,852)	**–**	(332)
Shares of results of associates and joint ventures	**(55,918)**	(23,697)	**–**	–
Income tax expense/(benefit) recognised in profit or loss	**83,026**	(8,897)	**–**	(332)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. The corporate tax rates applicable to subsidiaries located in Australia are 30% (2016: 30%).

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

During the financial year, under the provision of Section 44A of the Malaysia Income Tax Act 1967, the Company has utilised RM3,865,000 (2016: RM2,927,000) of tax losses surrendered from a subsidiary.

28. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
Profit attributable to ordinary shareholders	**369,315**	16,800

28. Earnings per ordinary share (cont'd)

Basic earnings per ordinary share (cont'd)

	Group 2017 '000	Group 2016 '000 (Restated)
Weighted average number of ordinary shares at 31 December		
Issued ordinary shares at 1 January	**3,194,870**	2,133,654
Effect of ordinary share issued on 14 June 2016	**–**	537,856
Effect of share buy back	**(133)**	(576)
Effect of share consolidation	**(2,875,263)**	(2,403,841)
Weighted average number of ordinary shares at 31 December	**319,474**	267,093

	Group 2017 Sen	Group 2016 Sen (Restated)
Basic earnings per ordinary share	**115.60**	6.29

The previous year's basic earnings per ordinary share has been restated to reflect the effect of the share consolidation exercise carried out during the year under review.

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2017 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.

29. 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.

29. 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	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated		2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue											
External customers	**658,052**	719,122	**451,107**	504,901	**60,856**	52,502	**–**	–		**1,170,015**	1,276,525
Inter-segment	**–**	–	**–**	–	**22,386**	8,531	**(22,386)**	(8,531)	(i)	**–**	–
Total revenue	**658,052**	719,122	**451,107**	504,901	**83,242**	61,033	**(22,386)**	(8,531)		**1,170,015**	1,276,525
Results											
Inventories written down	**(81,083)**	(90,578)	**–**	–	**–**	–	**–**	–		**(81,083)**	(90,578)
Property, plant and equipment:											
- Impairment loss	**–**	–	**(133,152)**	–	**–**	–	**–**	–		**(133,152)**	–
- Reversal of impairment loss	**–**	–	**–**	7,717	**–**	–	**–**	–		**–**	7,717
- Written off	**–**	–	**(29,919)**	–	**–**	–	**–**	–		**(29,919)**	–
Share of profit from associates and joint ventures	**–**	–	**–**	–	**42,080**	15,440	**190,912**	83,298	(ii)	**232,992**	98,738
Depreciation	**(4,094)**	(11,359)	**(60,294)**	(44,272)	**(8,750)**	(4,627)	**–**	–		**(73,138)**	(60,258)
Segment profit/(loss)	**345,607**	148,201	**31,849**	27,701	**(13,463)**	(139,183)	**88,222**	(28,816)	(ii)	**452,215**	7,903
Assets and liabilities											
Investments in associates and joint ventures	**–**	–	**–**	–	**1,447,273**	1,250,934	**–**	–		**1,447,273**	1,250,934
Additions to non-current assets*	**5,406**	72,700	**49,647**	176,824	**9,351**	106,497	**–**	–		**64,404**	356,021
Segment assets	**1,549,974**	1,649,608	**815,741**	1,032,083	**4,695,713**	5,319,350	**(1,198,865)**	(2,267,873)	(iii)	**5,862,563**	5,733,168
Segment liabilities	**1,053,142**	947,851	**374,239**	312,108	**2,768,021**	4,223,698	**(1,647,771)**	(2,728,105)	(iii)	**2,547,631**	2,755,552

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

29. 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 income 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:

	2017 RM'000	2016 RM'000
Share of results of associates and joint ventures	**190,912**	83,298
Unallocated corporate expenses and finance costs	**(102,690)**	(112,114)
	88,222	(28,816)

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, hotels and commercial lending.
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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Australia	**1,145,715**	1,251,818	**2,161,155**	2,309,209
Malaysia	**24,300**	24,707	**404,059**	406,834
	1,170,015	1,276,525	**2,565,214**	2,716,043

29. Operating Segments (cont'd)

Geographical segments (cont'd)

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	**955,760**	1,160,661
Investment properties	**941,078**	813,098
Goodwill	**2,725**	2,731
Inventories	**665,651**	739,553
	2,565,214	2,716,043

30. Financial instruments

30.1 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").

30. Financial instruments (cont'd)

30.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	AFS RM'000
2017				
Financial assets				
Group				
Investment securities	331,834	–	3,167	328,667
Trade and other receivables	269,841	269,841	–	–
Cash and cash equivalents	488,350	488,350	–	–
	1,090,025	758,191	3,167	328,667
Company				
Investment securities	1,043	–	–	1,043
Trade and other receivables	748,172	748,172	–	–
Cash and cash equivalents	4,470	4,470	–	–
	753,685	752,642	–	1,043
Financial liabilities				
Group				
Loans and borrowings	(2,141,513)	(2,141,513)	–	–
Trade and other payables	(229,097)	(229,097)	–	–
	(2,370,610)	(2,370,610)	–	–
Company				
Loans and borrowings	(49,732)	(49,732)	–	–
Trade and other payables	(1,637)	(1,637)	–	–
	(51,369)	(51,369)	–	–

30. Financial instruments (cont'd)

30.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -DUIR RM'000	AFS RM'000
2016				
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)	–	–

30. Financial instruments (cont'd)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	**349**	404	**–**	–
- Derivatives	**(2,512)**	(2,963)	**–**	(2,092)
Available-for-sale financial assets				
- Recognised in other comprehensive income	**2,747**	(9,431)	**–**	–
- Recognised in profit or loss, net	**(24,401)**	(943)	**–**	–
Loans and receivables				
- Receivables, net	**17,702**	4,242	**(16,575)**	62,394
- Cash and cash equivalents	**(1,789)**	(7,435)	**649**	1,595
Financial liabilities measured at amortised cost	**(77,213)**	(103,232)	**(3,590)**	(4,039)
	(85,117)	(119,358)	**(19,516)**	57,858

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 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.

30. Financial instruments (cont'd)

30.4 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 58% (2016: 63%) 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:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2017			
Not past due	**64,630**	**–**	**64,630**
Past due 1 - 30 days	**6,922**	**–**	**6,922**
Past due 31 - 60 days	**2,295**	**–**	**2,295**
Past due more than 60 days	**57,427**	**(660)**	**56,767**
	131,274	**(660)**	**130,614**
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

30. Financial instruments (cont'd)

30.4 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	
	2017 **RM'000**	**2016** **RM'000**
At 1 January	**1,249**	1,405
Impairment loss recognised	**1,190**	725
Impairment loss reversed	**(165)**	(15)
Impairment loss written off	**(1,548)**	(957)
Exchange adjustments	**(66)**	91
At 31 December	**660**	1,249

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.

30. Financial instruments (cont'd)

30.4 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 RM186,100,000 (2016: RM558,906,000) representing the outstanding banking facilities of the subsidiaries and guarantee given to a third party by the Company 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 and investment securities 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.

30. Financial instruments (cont'd)

30.5 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						
2017						
Non-derivative financial liabilities						
Bank overdrafts	**798**	**7.85 - 8.65**	**798**	**798**	**–**	**–**
Bills payable	**54,602**	**2.88**	**56,174**	**2,175**	**53,999**	**–**
Bonds	**382,330**	**5.75 - 8.20**	**501,314**	**30,966**	**377,799**	**92,549**
Revolving credit	**64,330**	**4.55 - 5.27**	**64,594**	**64,594**	**–**	**–**
Term loans	**1,630,650**	**1.60 - 4.94**	**1,695,229**	**781,009**	**907,730**	**6,490**
Finance lease liabilities	**8,803**	**5.49 - 7.00**	**11,877**	**637**	**2,459**	**8,781**
Trade and other payables	**229,097**	**–**	**229,097**	**227,174**	**1,923**	**–**
	2,370,610		**2,559,083**	**1,107,353**	**1,343,910**	**107,820**
Company						
2017						
Bank overdrafts	**402**	**7.85 - 8.65**	**402**	**402**	**–**	**–**
Revolving credit	**49,330**	**4.55 - 5.27**	**49,330**	**49,330**	**–**	**–**
Other payables	**1,637**	**–**	**1,637**	**1,637**	**–**	**–**
Financial guarantees	**–**	**–**	**186,100**	**186,100**	**–**	**–**
	51,369		**237,469**	**237,469**	**–**	**–**

30. Financial instruments (cont'd)

30.5 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						
2016						
Non-derivative financial liabilities						
Bank overdrafts	378	8.35 - 8.65	378	378	–	–
Bills payable	58,124	2.87	59,792	2,229	57,563	–
Bonds	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 overdrafts	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	–	–

30.6 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.

30.6.1 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 Hong Kong Dollar ("HKD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), U.S. Dollar ("USD"), Great Britain Pound ("GBP"), 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.

30. Financial instruments (cont'd)

30.6 Market risk (cont'd)

30.6.1 Currency risk (cont'd)

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						
	HKD RM'000	JPY RM'000	AUD RM'000	USD RM'000	GBP RM'000	SGD RM'000	CNY RM'000
Group							
2017							
Bank loans	**(193,722)**	**–**	**–**	**–**	**–**	**–**	**–**
Other payables	**(711)**	**–**	**–**	**(719)**	**–**	**–**	**–**
Short term deposits	**12,197**	**–**	**–**	**6,448**	**7,207**	**213**	**–**
Trade receivables	**–**	**–**	**–**	**2,509**	**–**	**–**	**–**
Bank balances	**7**	**–**	**240**	**1,623**	**6**	**5**	**–**
	(182,229)	**–**	**240**	**9,861**	**7,213**	**218**	**–**
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)

	Denominated in				
	HKD RM'000	AUD RM'000	USD RM'000	GBP RM'000	SGD RM'000
Company					
2017					
Short term deposits	**–**	**–**	**–**	**–**	**213**
Amounts due from subsidiaries	**–**	**109,636**	**–**	**–**	**–**
Bank balances	**–**	**–**	**–**	**–**	**5**
	–	**109,637**	**–**	**–**	**218**
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

30. Financial instruments (cont'd)

30.6 Market risk (cont'd)

30.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

A 5% (2016: 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	
	2017 RM'000	**2016 RM'000**
Group		
HKD	**6,925**	7,183
JPY	**–**	383
AUD	**(9)**	(30)
USD	**(375)**	(1,596)
GBP	**(274)**	(786)
SGD	**(8)**	(42)
CNY	**–**	4
Company		
HKD	**–**	(7,908)
AUD	**(4,166)**	(11,261)
USD	**–**	(13,201)
GBP	**–**	(2,285)
SGD	**(8)**	(42)

A 5% (2016: 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.

30.6.2 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.

30. Financial instruments (cont'd)

30.6 Market risk (cont'd)

30.6.2 Interest rate risk (cont'd)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	**57,228**	49,540	**585,863**	550,455
Financial liabilities	**(584,855)**	(519,287)	**–**	–
	(527,627)	(469,747)	**585,863**	550,455
Floating rate instruments				
Financial assets	**30,054**	122,719	**4,202**	40,195
Financial liabilities	**(1,556,657)**	(1,894,851)	**(49,732)**	(75,508)
	(1,526,603)	(1,772,132)	**(45,530)**	(35,313)

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
2017				
Floating rate instruments	**(5,801)**	**5,801**	**(173)**	**173**
2016				
Floating rate instruments	(6,734)	6,734	(134)	134

30. Financial instruments (cont'd)

30.6 Interest rate risk (cont'd)

30.6.3 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% (2016: 10%) increase in equity and debt securities market prices at the end of the reporting period would have increased equity by RM32,762,200 (2016: RM36,011,600) for investment classified as available-for-sale and post-tax profit or loss by RM240,692 (2016: RM210,140) for investments classified as fair value through profit or loss. A 10% (2016: 10%) weakening in equity and debt securities market prices would have had equal but opposite effect on equity and profit or loss respectively.

30.7 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.

30. Financial instruments (cont'd)

30.7 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										
2017										
Financial assets										
Quoted shares	87,189	–	–	87,189	–	–	–	–	87,189	87,189
Quoted bond	–	243,600	–	243,600	–	–	–	–	243,600	243,600
	87,189	243,600	–	330,789	–	–	–	–	330,789	330,789
Financial liabilities										
Loans and borrowings	–	–	–	–	–	–	(1,721,911)	(1,721,911)	(1,721,911)	(2,141,513)
Company										
2017										
Financial liabilities										
Loans and borrowings	–	–	–	–	–	–	(47,628)	(47,628)	(47,628)	(49,732)

30. Financial instruments (cont'd)

30.7 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										
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)

30. Financial instruments (cont'd)

30.7 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 (2016: 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.

31. Capital management

The Group's financial risk management objective seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares or returning capital to shareholders.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio up to 50%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less capital reserve.

	Group	
	2017 RM'000	**2016 RM'000**
Loans and borrowings (Note 19)	**2,141,513**	2,414,138
Trade and other payables (Note 20)	**229,097**	310,887
Less: Cash and cash equivalents (Note 16)	**(488,350)**	(365,017)
Net debt	**1,882,260**	2,360,008
Equity attributable to the owners of the Company	**3,315,052**	2,977,616
Less: Capital reserves	**(221,502)**	(215,037)
Total capital	**3,093,550**	2,762,579
Capital and net debt	**4,975,810**	5,122,587
Gearing ratio	**38%**	46%

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

32. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Not later than 1 year	**7,811**	8,289
Later than 1 year but not later than 5 years	**16,429**	22,170
Later than 5 years	**10,283**	12,060
	34,523	42,519

The Group leases various assets under operating leases. The leases will run for a period between 1 and 10.5 years (2016: between 1 and 11.5 years), with an option to renew certain leases after that date.

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	
	2017 RM'000	**2016 RM'000**
Not later than 1 year	**54,508**	47,910
Later than 1 year but not later than 5 years	**138,133**	144,083
Later than 5 years	**69,999**	76,520
	262,640	268,513

33. Capital commitments

	Group	
	2017 RM'000	**2016 RM'000**
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	**273,150***	9,331
Contracted but not provided for	**23,961**	8,011
	297,111	17,342

* The capital commitments are mainly for Hayman Island Resort major refurbishment to be funded by insurance proceeds.

34. 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. The 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
A. Subsidiaries				
Interest income	**–**	–	**23,876**	18,282
Dividend income	**–**	–	**35,178**	91,802
Rental expense	**–**	–	**73**	70
Management fee expense	**–**	–	**3,233**	2,648
B. Associates				
Asset management service income	**3,766**	1,969	**–**	–
Dividend income	**47,747**	39,159	**–**	–
Director fees	**288**	266	**–**	–
Rental income	**4,968**	2,962	**–**	–
Rental expense	**1,659**	570	**–**	–
Share service expense	**516**	924	**–**	–
C. Joint ventures				
Dividend income	**5,482**	6,288	**–**	–
D. Other related parties				
Companies related to a director:				
- Loan drawdown	**–**	215,524	**–**	–
- Rental expense	**230**	24	**–**	–
- Share service income	**632**	686	**–**	–
- Rendering of services	**4,752**	6,117	**–**	–
- Others	**–**	246	**–**	–
Companies related to a person connected to a director:				
- Rental income	**472**	835	**–**	–
- Rendering of services	**3,899**	2,562	**–**	–
- Share service income	**–**	212	**–**	–

34. Related parties (cont'd)

Significant related party transactions (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
E. Key management personnel				
Directors				
- Remuneration	**2,585**	1,882	**788**	657
- Fees	**330**	390	**330**	390
- Defined contribution plans	**168**	106	**89**	77
- Estimated monetary value of benefits-in-kind	**18**	24	**–**	–
	3,101	2,402	**1,207**	1,124
Other key management personnel				
- Remuneration	**49,477**	36,503	**–**	–
- Defined contribution plans	**2,590**	2,561	**–**	–
	52,067	39,064	**–**	–

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

35. Interest in joint operations

The Group has 50% (2016: Nil), 57% (2016: 57%) and 51% (2016: 51%) ownership interest in joint operations namely 6014 JV, The Hotel School Sydney and The Hotel School Melbourne respectively. 6014 JV is principally engaged in commercial property development whilst The Hotel School Sydney and The Hotel School Melbourne, both entities are principally involved in the education business.

36. Significant events

In late March 2017, the Tropical Cyclone Debbie had caused severe damage on one of the Group's hotel assets, Hayman Island Resort located off the coast of Queensland on the Great Barrier Reef. As a result, the Group has recognised insurance recoveries of AUD100.00 million (equivalent to RM331.37 million), offset by provision for repairs, impairment loss and asset write-off relating to the resort totalling AUD80.43 million (equivalent to RM261.40 million). The building and design teams are currently in the process of finalising reconstruction plans and it is expected that works will be extended to late 2018 or early 2019.

37. Subsequent 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 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 31 December 2017 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	–	See Note 1
Working capital	65,626	63,503	June 2018	N/A	–	
Estimated expenses	1,080	1,803	June 2016	723	66.9%	See Note 2
	266,706	265,306				

Note 1: The repayment resulted to interest cost savings of RM17 million per annum based on the effective interest rate of approximately 8.5% per annum.

Note 2: Disbursement expenses exceeded estimated cost was borne by the Company's internally generated funds.

On 14 February 2018, the Company has fully utilised all the rights issue proceeds of RM266.71 million.

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

On 16 February 2016, Leisure Farm Corporation Sdn. Bhd. ("LFC"), a wholly-owned subsidiary of the Company has entered into a Joint Venture cum Shareholders' Agreement ("JVA") with UEM Land Berhad ("UEML"), a wholly-owned subsidiary of UEM Sunrise Berhad ("UEMS") and Gerbang Leisure Park Sdn. Bhd. ("GLP"), 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 GLP to record the agreed framework and parameters for the disposal of the JV Lands by LFC, NSSB and NRSB to GLP and subject to terms and conditions in the JVA and Master Agreement ("Proposed JV"). The period to fulfill the conditions precedent for the Proposed JV has been extended from 16 February 2018 to 15 February 2019 as agreed by both parties.

38. 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 August 2016 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 Court then fixed 24 April 2018 to 26 April 2018 and 15 May 2018 to 17 May 2018 as the new trial dates for the continuation of the Trial.

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.

39. Comparative figures

Certain comparatives in Note 29 were restated to conform with the current year presentation.

Mulpha International Bhd.

(Company No. 19764-T)
(Incorporated in Malaysia)
and its subsidiaries

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 80 to 180 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

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

Lee Seng Huang
Director

Lee Eng Leong
Director

Date: 30 March 2018

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

I, Lim Say Kien, 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 80 to 180 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 30 March 2018.

Lim Say Kien

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 2017 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 80 to 180.

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 2017, 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 2016 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 RM955,760,000 as at 31 December 2017.

Key Audit Matters (cont'd)

The key audit matter (cont'd)

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.

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.

Valuation of investment properties

Refer to Note 2(h) - Significant accounting policy: Investment property and Note 4 - Investment properties.

The key audit matter

The Group's investment properties are predominantly commercial properties across Australia, which form a significant component of investment properties with a total carrying amount of RM941,078,000 as at 31 December 2017.

These investment properties are stated at their fair values based on independent external and internal valuations.

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. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation rates i.e. a small change in the assumptions can have a significant impact to the valuation.

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

Key Audit Matters (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

For investment properties valued by external experts engaged by the Group:
- Assessed the competence and objectivity of external independent valuer 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 capitalisation rate and annual net market growth rent rate with available market data and our knowledge of historical performance of the asset, adjusted for expected market conditions.

For internally valued investment properties:
- 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
- Assessed key valuation and the underlying assumptions, including:
  - Comparing the capitalisation rate to market data; and
  - Agreeing passing rental income to the property manager's retail tenancy schedule as well as major tenants to the underlying lease agreements.

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.

Independent Auditors' Report

to the members of Mulpha International Bhd. (cont'd)

Key Audit Matters (cont'd)

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.

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 2016 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.

Independent Auditors' Report

to the members of Mulpha International Bhd. (cont'd)

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.

- 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.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 Matter

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

Lam Shuh Siang
Approval Number: 03045/02/2019 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 30 March 2018

Material Properties of The Group

as at 31 December 2017

	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	32 years	3,909.00 sq. metres	5-star hotel	575,091
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	564,709
3.	Norwest Marketown Norwest Boulevard Baulkham Hills New South Wales Australia	2015 2017 (R)	Freehold	N/A	18 years	4.40 hectares	Commercial property	425,086
4.	99-113, Macquarie Street Sydney New South Wales Australia	2004 2017 (R)	Freehold	N/A	79 years	1,600.00 sq. metres	Commercial property	336,020
5.	Sanctuary Cove Gold Coast Queensland Australia	2002 2017 (R)	Freehold	N/A	29 to 30 years	65.92 hectares	Integrated resort with hotel, retail/office, clubs & marina and residential development	321,112*
6.	The Greens, Haven and Neo Baulkham Hills New South Wales Australia	2014 and 2016	Freehold	N/A	N/A	4.49 hectares	High density residential development	217,511
7.	Essentia 23a-29, Fairway Drive Kellyville New South Wales Australia	2016	Freehold	N/A	N/A	6.26 hectares	Medium density residential development	134,015
9.	209-217, Abbott Street Cairns, Queensland Australia	2016	Freehold	N/A	30 years	6,688.00 sq. metres	4-star resort	119,417
9.	Hayman Island Great Barrier Reef Queensland, Australia	2004	Leasehold	Perpetuity	29 years	291.48 hectares	5-star island resort and residential development	99,308
10.	Circa Norbrik Drive, Bella Vista New South Wales Australia	2014	Freehold	N/A	N/A	10.91 hectares	Commercial development	69,662

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 2018

Total Number of Issued Shares:	319,618,640 ordinary shares (including 152,210 treasury shares)
Class of Shares:	Ordinary shares
Voting Rights:	One vote per ordinary share on a poll

Distribution of Shareholdings based on Record of Depositors

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	1,158	5.13	22,445	0.01
100 - 1,000	14,904	66.05	5,742,427	1.80
1,001 - 10,000	5,425	24.04	18,378,431	5.75
10,001 - 100,000	918	4.07	25,644,019	8.03
100,001 - 15,973,320 (Less than 5% of issued shares)	156	0.69	111,082,060	34.77
15,973,321 (5%) and above	3	0.02	158,597,048	49.64
Total	22,564	100.00	319,466,430*	100.00

* Excludes 152,210 treasury shares retained by the Company as per the Record of Depositors.

Thirty Largest Securities Account Holders based on Record of Depositors

No.	Name of Shareholders	No. of Shares	%*
1.	Nautical Investments Limited	75,507,000	23.64
2.	Magic Unicorn Limited	50,019,948	15.66
3.	Alliancegroup Nominees (Asing) Sdn Bhd - Exempt AN for Sun Hung Kai Investment Services Limited	33,070,100	10.35
4.	HSBC Nominees (Tempatan) Sdn Bhd - Exempt AN for Credit Suisse AG (HK-CLT-T-OS PR)	12,000,000	3.76
5.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Paramjit Singh Gill (Margin)	7,822,300	2.45
6.	Klang Enterprise Sendirian Berhad	6,690,660	2.09
7.	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Vista Power Sdn Bhd	6,463,833	2.02
8.	Yong Pit Chin	4,815,300	1.51
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Sun Hung Kai Investment Services Limited (A/C Client)	4,000,000	1.25
10.	First Positive Sdn Bhd	3,714,345	1.16
11.	Nautical Investments Limited	2,617,200	0.82
12.	Vista Power Sdn Bhd	2,536,370	0.79
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,102,460	0.66

Analysis of Shareholdings (cont'd)

as at 20 March 2018

Thirty Largest Securities Account Holders based on Record of Depositors (cont'd)

No.	Name of Shareholders	No. of Shares	%*
14.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	2,076,320	0.65
15.	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,885,502	0.59
16.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,885,140	0.59
17.	HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	1,877,950	0.59
18.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Chang Joon	1,870,000	0.59
19.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Siew Wah (021)	1,728,860	0.54
20.	Neoh Choo Ee & Company Sdn Berhad	1,700,000	0.53
21.	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Oh Kim Sun	1,400,000	0.44
22.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,345,930	0.42
23.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	1,305,000	0.41
24.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	1,196,676	0.37
25.	Lim Gaik Bway @ Lim Chiew Ah	1,174,590	0.37
26.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,124,178	0.35
27.	Ong Ngoh Ing @ Ong Chong Oon	1,010,000	0.32
28.	Affin Hwang Nominees (Asing) Sdn Bhd - DBS Vickers Secs (S) Pte Ltd for Rubicon Nominees Pty Ltd	1,000,000	0.31
29.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for UBS AG Singapore (Foreign)	835,000	0.26
30.	RHB Nominees (Asing) Sdn Bhd - Pledged Securities Account for Lee Sui Hee	815,855	0.26

* Excludes 152,210 treasury shares retained by the Company as per the Record of Depositors.

Analysis of Shareholdings (cont'd)

as at 20 March 2018

Substantial Shareholders based on Register of Substantial Shareholders

Name of Shareholders	Direct No. of Shares	Direct %*	Indirect No. of Shares	Indirect %*
Nautical Investments Limited	78,124,200	24.45	–	–
Magic Unicorn Limited	50,019,948	15.66	–	–
Mountbatten Corporation	–	–	78,124,200 [a]	24.45
Mount Glory Investments Limited	–	–	128,144,148 [b]	40.11
Yong Pit Chin	8,815,300	2.76	134,834,808 [c]	42.20
Lee Seng Huang	12,000,000	3.76	143,650,108 [d]	44.96
Many Merit Asia Limited	23,242,900	7.28	–	–

Director's Shareholding in Mulpha International Bhd

Name of Director	Direct No. of Shares	Direct %*	Indirect No. of Shares	Indirect %*
Lee Seng Huang	12,000,000	3.76	143,650,108 [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 152,210 treasury shares retained by the Company as per the Record of Depositors.

Notice of 44th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 44th Annual General Meeting ("AGM") of Mulpha International Bhd will be held at Bale Club, Multi-Purpose Hall, No. 1, Jalan Polo, Leisure Farm, 81560 Gelang Patah, Johor Darul Takzim, Malaysia on Thursday, 7 June 2018 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 2017 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note 1)*

2. To re-elect the following Directors who retire by rotation pursuant to Article 101 of the Company's Articles of Association and being eligible, have offered themselves for re-election:

   a) Dato' Yusli Bin Mohamed Yusoff *(Ordinary Resolution 1)*
   b) Chew Hoy Ping *(Ordinary Resolution 2)*
   c) Loong Caesar *(Ordinary Resolution 3)*

3. To re-elect Mr Lee Eng Leong who retires pursuant to Article 92 of the Company's Articles of Association and being eligible, has offered himself for re-election. *(Ordinary Resolution 4)*

4. To approve the payment of Directors' fees amounting to RM330,000 for the financial year ended 31 December 2017. *(Ordinary Resolution 5)*

5. To approve the payment of the following Directors' fees to the Non-Executive Directors for the period from 1 January 2018 until the next AGM of the Company to be held in 2019, to be paid monthly:

   a) RM90,000 per annum for the Chairman of the Audit Committee; and
   b) increase of Directors' fees from RM60,000 to RM70,000 per annum for each of the Non-Executive Directors. *(Ordinary Resolution 6)*

6. To approve the payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors of the Company. *(Ordinary Resolution 7)*

7. 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 8)*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:

8. **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 Articles of Association 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 9)*

Notice of 44th Annual General Meeting (cont'd)

9. **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 8 June 2017, 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 10)*

10. **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 Articles of Association, 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 latest audited retained profits 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.

Notice of 44th Annual General Meeting (cont'd)

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 dividends and/or subsequently cancel them or such other manner as may be allowed under the Act and the Main Market Listing Requirements of Bursa Securities.

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 11)*

11. **ORDINARY RESOLUTION:**
    Continuing in Office as Independent Non-Executive Director

    "THAT subject to the passing of Ordinary Resolution 2, 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 2017." *(Ordinary Resolution 12)*

By Order of the Board

LEE ENG LEONG (MIA 7313)
LEE SUAN CHOO (MAICSA 7017562)
Company Secretaries

Johor Darul Takzim
30 April 2018

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.

Notice of 44th Annual General Meeting (cont'd)

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 D'Rimbunan, No. 8, Jalan Peranginan, Leisure Farm, 81560 Gelang Patah, Johor Darul Takzim, 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 2018** 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.

EXPLANATORY NOTES:

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2017

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. Ordinary Resolution 5 – Directors' Fees for the financial year ended 31 December 2017

The proposed Directors' fees for the financial year 2017 payable to the Non-Executive Directors are the same as the previous financial year 2016.

3. Ordinary Resolution 6 – Directors' Fees for the period from 1 January 2018 until the next AGM

As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required of Directors under the current requirements of the Companies Act 2016, Main Market Listing Requirements of Bursa Securities, Capital Markets & Services Act 2007 and Malaysian Code on Corporate Governance 2017, it is recommended that the Directors' fees be revised as follows:

	Existing Fees	Proposed Fees
Chairman of Audit Committee	RM90,000 per annum	RM90,000 per annum (*No change*)
Non-Executive Directors	RM60,000 per annum	RM70,000 per annum

This Resolution, if approved, will authorise the payment of Directors' fees to the Non-Executive Directors for the period from 1 January 2018 until the next AGM of the Company to be held in 2019 and to be payable on a monthly basis in arrears after each month of completed service of the Directors. This Resolution is to facilitate payment of Directors' fees on current financial year basis.

Notice of 44th Annual General Meeting (cont'd)

4. Ordinary Resolution 7 – Directors' Benefits (excluding Directors' fees)

This Resolution relates to the proposed payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors, which comprise the following:

	Chairman of Audit Committee	**Chairman of other Board Committees**	**Non-Executive Directors**
Fixed Allowance *(payable on quarterly basis)*	RM45,000 per annum	RM6,000 per annum	–
Meeting Allowance for attendance of Board and Board Committee Meetings *(payable after each meeting)*	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting

a) It was proposed that fixed allowances of RM45,000 per annum and RM6,000 per annum be introduced for the Chairmen of Audit Committee and other Board Committees respectively. The fixed allowances are given to the Chairmen of Board Committees, in recognition of their significant roles in leadership and oversight, and their wide-ranging scope of responsibilities. This Resolution, if approved, will authorise the payment of fixed allowance for the period from 1 January 2018 until the next AGM of the Company to be held in 2019 and to be payable on a quarterly basis.

b) It was further proposed that the meeting allowance be increased from RM1,000 per meeting to RM2,000 per meeting for attendance of Board and Board Committee meetings. This Resolution, if approved, will authorise the payment of meeting allowance at RM2,000 per meeting from 8 June 2018 until the next AGM of the Company to be held in 2019 and to be payable after each meeting.

5. Ordinary Resolution 8 – 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.

6. Ordinary Resolution 9 – Authority to Issue Shares pursuant to Sections 75 and 76 of the Act

This Resolution 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.

7. Ordinary Resolution 10 – Proposed Renewal of Authority to Allot and Issue Shares pursuant to the Company's Dividend Reinvestment Plan

This Resolution is to 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.

8. Ordinary Resolution 11 – 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 30 April 2018.

Notice of 44th Annual General Meeting (cont'd)

9. Ordinary Resolution 12 – Continuing in Office as Independent Non-Executive Director

This Resolution is to seek the shareholders' approval to retain Mr Chew Hoy Ping, who has served on the Board for a cumulative term of more than 9 years, as an Independent Non-Executive Director of the Company.

The Board has via the Nomination Committee, assessed the independence of Mr Chew Hoy Ping and recommended him to continue to serve as an Independent Non-Executive Director based on the following justifications:

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.

10. Retirement of Independent Non-Executive Director

Mr Kong Wah Sang who was appointed as an Independent Non-Executive Director of the Company on 21 November 2002, has exceeded the cumulative term of 12 years pursuant to the Malaysian Code on Corporate Governance 2017. He will not seek for retention as an Independent Non-Executive Director of the Company in line with the Malaysian Code on Corporate Governance 2017. Hence, Mr Kong will retain office until the conclusion of the 44th AGM and thereafter he will step down from the Board.

STATEMENT ACCOMPANYING NOTICE OF 44TH 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 44th 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 9 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 8 June 2017.

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MULPHA INTERNATIONAL BHD (19764-T)
INCORPORATED IN MALAYSIA

PROXY FORM

No. of Shares held	
CDS Account No.	

I/We ____ NRIC No./Company No. ____________________

Tel No. _______________________________ of ____

____ being a member of the Company, hereby appoint

____ NRIC No. ______________________________________

of ____

and/or _______________________________________ NRIC No. ______________________________________

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the 44th Annual General Meeting of the Company to be held at Bale Club, Multi-Purpose Hall, No. 1, Jalan Polo, Leisure Farm, 81560 Gelang Patah, Johor Darul Takzim, Malaysia on **Thursday, 7 June 2018 at 2.30 p.m.** and at any adjournment thereof.

Please indicate with 'X' in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

ORDINARY RESOLUTIONS		FOR	AGAINST
Resolution 1	Re-election of Dato' Yusli Bin Mohamed Yusoff		
Resolution 2	Re-election of Mr Chew Hoy Ping		
Resolution 3	Re-election of Mr Loong Caesar		
Resolution 4	Re-election of Mr Lee Eng Leong		
Resolution 5	Payment of Directors' fees		
Resolution 6	Increase of Directors' fees and the payment thereof		
Resolution 7	Payment of Directors' benefits		
Resolution 8	Re-appointment of KPMG PLT as Auditors		
Resolution 9	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 10	Proposed renewal of authority to allot and issue shares pursuant to the Company's Dividend Reinvestment Plan		
Resolution 11	Proposed renewal of authority for the purchase by the Company of its own shares		
Resolution 12	Continuing in office as Independent Non-Executive Director – Mr Chew Hoy Ping		

Dated this________day of _______________ 2018

____
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:

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 D'Rimbunan, No. 8, Jalan Peranginan, Leisure Farm, 81560 Gelang Patah, Johor Darul Takzim, 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 2018** 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), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of Annual General Meeting dated 30 April 2018.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX STAMP HERE

The Company Secretary
MULPHA INTERNATIONAL BHD (19764-T)
D'Rimbunan, No. 8, Jalan Peranginan
Leisure Farm
81560 Gelang Patah
Johor Darul Takzim
Malaysia

1ST FOLD HERE

MULPHA

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
No.8, Jalan Peranginan, Leisure Farm
81560 Gelang Patah, Johor
Malaysia

T: (+607) 556 3003
www.leisurefarm.com.my

3. **Mulpha Australia Limited**
Level 5, 99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9239 5500
www.mulpha.com.au

4. **Mulpha Sanctuary Cove**
Jabiru House, Masthead Way
Sanctuary Cove, Queensland 4212
Australia

T: (+617) 5577 6500
www.sanctuarycove.com

5. **Mulpha Norwest Pty Ltd**
Level 5, 99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9239 5500
www.mulphanorwest.com.au

6. **Hayman Island**
1 Raintree Avenue
Hayman Island
Great Barrier Reef
Australia

T: (+617) 4940 1234
www.hayman.com.au

7. **InterContinental Sydney**
117, Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9253 9000
www.icsydney.com.au

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
Australia

T: (+612) 4998 4600
www.bimbadgen.com.au

10. **Transport House**
99 Macquarie Street
Sydney, New South Wales 2000
Australia

T: (+612) 9239 5500

11. **The Hotel School Sydney**
60 Philip Street
Sydney, New South Wales 2000
Australia

T: (+612) 8249 3200
www.hotelschool.scu.edu.au

12. **The Hotel School Melbourne**
Level 3, 399 Lonsdale Street
Melbourne, Victoria 3000
Australia

T: (+613) 9601 3400
www.hotelschool.scu.edu.au

13. **Marritz Hotel**
12 Porcupine Road
Perisher Valley
New South Wales 2624
Australia

T: (+612) 6457 5220
www.marritzsalzburg.com.au

14. **Salzburg Apartment**
24 Porcupine Road
Perisher Valley
New South Wales 2624
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T: (+612) 6457 5220
www.marritzsalzburg.com.au

15. **Rydges Esplanade Resort Cairns**
209-217 Abbott Street
Cairns City, Queensland 4870
Australia

T: (+617) 4044 9000
www.rydges.com/esplanade-cairns-resort

16. **Enacon Carparks**
Level 5, 99 Macquarie Street
Sydney, New South Wales 2000
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T: (+612) 9239 5500
www.enacon.com.au

17. **Norwest Marketown**
4 Century Circuit
Baulkham Hills
New South Wales 2153
Australia

T: (+612) 8850 6444
www.norwestmarketown.com.au

18. **Multiple Capital**
Level 5, 99 Macquarie Street
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