

# MULPHA INTERNATIONAL BHD<sub>(19764-T)</sub>

## PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2016

The figures have not been audited

### I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 31.12.2016	COMPARATIVE QUARTER ENDED 31.12.2015	12 MONTHS CUMULATIVE TO 31.12.2016	12 MONTHS CUMULATIVE TO 31.12.2015
	<i>Note</i>	RM'000	RM'000	RM'000	RM'000
Revenue		533,915	291,361	1,276,525	888,639
Operating expenses		(528,661)	(237,213)	(1,378,422)	(881,363)
Other operating income		25,254	2,297	114,143	186,910
Profit from operations		30,508	56,445	12,246	194,186
Finance costs		(24,201)	(28,901)	(103,081)	(113,343)
Share of profit of associates		68,529	39,857	98,186	70,579
Share of profit of jointly-controlled entities		92	8,664	552	9,291
Profit before tax	<i>B5</i>	74,928	76,065	7,903	160,713
Income tax benefit/(expense)	<i>B6</i>	5,386	(2,571)	8,897	2,569
Profit for the year		80,314	73,494	16,800	163,282
Attributable to:					
Owners of the Company		80,314	73,494	16,800	165,123
Non-controlling interests		-	-	-	(1,841)
Profit for the year		80,314	73,494	16,800	163,282
Earnings per share (sen):-					
- Basic/Diluted	<i>B11</i>	2.97	3.43	0.63	7.71

*(The Condensed Consolidated Profit or Loss should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements )*

# MULPHA INTERNATIONAL BHD<sup>(19764-T)</sup>

## PART A1 : QUARTERLY REPORT

### I(B) CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 31.12.2016 RM'000	COMPARATIVE QUARTER ENDED 31.12.2015 RM'000	12 MONTHS CUMULATIVE TO 31.12.2016 RM'000	12 MONTHS CUMULATIVE TO 31.12.2015 RM'000
Profit for the year	80,314	73,494	16,800	163,282
Foreign currency translation differences for foreign operations	38,231	97,147	67,546	84,015
Fair value movement of available-for-sale financial assets	(9,431)	(1,595)	(9,431)	(11,932)
Share of other comprehensive income of associates	(105)	677	1,546	5,722
Reclassification to profit or loss on:				
- dilution of interest in an associate	(89)	-	(3,326)	(544)
- disposal of a subsidiary	-	-	-	(16,099)
- disposal of associates	-	-	5,957	-
- disposal of available-for-sale financial assets	-	(16,486)	-	(16,486)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	66,252	-	66,252	-
Other comprehensive income for the year, net of tax	<u>94,858</u>	<u>79,743</u>	<u>128,544</u>	<u>44,676</u>
<b>Total comprehensive income for the year</b>	<u>175,172</u>	<u>153,237</u>	<u>145,344</u>	<u>207,958</u>
<b>Attributable to:</b>				
Owners of the Company	175,172	153,237	145,344	209,799
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,841)</u>
<b>Total comprehensive income for the year</b>	<u>175,172</u>	<u>153,237</u>	<u>145,344</u>	<u>207,958</u>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>A10</i>	1,160,661	1,087,824
Investment properties		829,976	416,938
Investment in associates		1,243,438	1,354,347
Investment in jointly-controlled entities		7,496	12,798
Investment securities		361,161	1,156
Other investments		5,080	5,080
Goodwill		2,731	2,722
Inventories		690,700	645,560
Other non-current assets		4,333	14,742
Deferred tax assets		31,738	59,756
		4,337,314	3,600,923
<b>Current assets</b>			
Inventories		771,935	725,387
Trade and other receivables		234,888	233,570
Other current assets		17,972	26,658
Investment securities		2,765	2,516
Income tax recoverable		2,014	3,549
Cash and cash equivalents		365,017	539,900
		1,394,591	1,531,580
<b>TOTAL ASSETS</b>		<b>5,731,905</b>	<b>5,132,503</b>

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,598,096	1,177,957
Share premium		217,861	579,863
Treasury shares	A6	(266)	(92,137)
Reserves		547,426	305,608
Retained earnings		614,499	597,699
<b>Total equity</b>		<b>2,977,616</b>	<b>2,568,990</b>
<b>Non-current liabilities</b>			
Trade and other payables		18,219	13,431
Provision for liabilities		1,719	2,225
Loans and borrowings	B8	2,238,583	932,341
		<b>2,258,521</b>	<b>947,997</b>
<b>Current liabilities</b>			
Trade and other payables		291,405	264,443
Other current liabilities		-	6,604
Provision for liabilities		27,721	23,426
Loans and borrowings	B8	175,555	1,314,683
Derivative liabilities		1,063	-
Income tax payable		24	6,360
		<b>495,768</b>	<b>1,615,516</b>
<b>Total liabilities</b>		<b>2,754,289</b>	<b>2,563,513</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,731,905</b>	<b>5,132,503</b>
<b>Net assets per share (RM)</b>		<b>0.93</b>	<b>1.20</b>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements )*

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Owners of the Company ----->							<Distributable	Non-Controlling Interests	Total Equity	
	Non-distributable										
	Share Capital	Share Premium	Exchange Reserve	Capital Reserve	Revaluation Reserve	Other Reserve	Treasury Shares	Retained Earnings	Total	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
Total comprehensive income/ (expense) for the year	-	-	69,052	-	66,252	(6,760)	-	16,800	145,344	-	145,344
Issuance of shares pursuant to right issue	533,413	(266,707)	-	-	-	-	-	-	266,706	-	266,706
Share issuance and treasury shares cancellation expenses	-	(2,284)	-	-	-	-	-	-	(2,284)	-	(2,284)
Purchase of treasury shares	-	-	-	-	-	-	(1,140)	-	(1,140)	-	(1,140)
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
At 1 January 2015	1,177,957	579,863	124,246	117,727	-	18,824	(92,115)	432,711	2,359,213	44,346	2,403,559
Total comprehensive income/ (expense) for the year	-	-	85,386	(16,099)	-	(24,611)	-	165,123	209,799	(1,841)	207,958
Purchase of treasury shares	-	-	-	-	-	-	(22)	-	(22)	-	(22)
Disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	(42,505)	(42,505)
Transfer within reserves	-	-	-	135	-	-	-	(135)	-	-	-
Total transactions with owners of the Company	-	-	-	135	-	-	(22)	(135)	(22)	(42,505)	(42,527)
At 31 December 2015	1,177,957	579,863	209,632	101,763	-	(5,787)	(92,137)	597,699	2,568,990	-	2,568,990

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements )*

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<---12 MONTHS ENDED-->		
	Note	31.12.2016 RM'000	31.12.2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		7,903	160,713
Adjustments for non-cash items:			
Bad debts recovered		(37)	(14)
Bad debts written off		15	398
Depreciation of property, plant and equipment		60,258	55,399
Dividend income		(23)	(19)
Fair value (gain)/loss on financial assets at fair value through profit or loss		(295)	1,993
Fair value adjustment of investment properties		(1,162)	-
Gain on dilution of interests in associates		(41,352)	(9,835)
Gain on disposal of property, plant and equipment		-	(29)
Gain on disposal of subsidiaries		-	(50,385)
Gain on partial disposal of associates		-	(1,411)
Impairment loss on trade and other receivables		710	962
Impairment loss on investment in associates		12,237	-
Impairment/(reversal of impairment) loss on investment securities		247	(710)
Impairment/(reversal of impairment) loss on inventories		90,578	(551)
Interest expense		103,081	113,343
Interest income		(5,410)	(4,191)
Loss/(gain) on disposal of investment securities		696	(3,779)
Loss on disposal of associates		108,919	-
Net unrealised foreign exchange gain		(207)	(1,803)
Property, plant and equipment written off		-	1,634
Provision for staff benefits		17,365	14,052
Provision for foreseeable loss on inventories		-	1,242
Reversal of impairment loss on property, plant and equipment		(7,717)	-
Share of profit of associates		(98,186)	(70,579)
Share of profit of jointly-controlled entities		(552)	(9,291)
Operating profit before changes in working capital		<u>247,068</u>	<u>197,139</u>
Changes in working capital			
Inventories		(144,737)	(110,746)
Receivables		(22,321)	12,014
Other current assets		8,686	(8,298)
Other non-current assets		13,933	4,225
Financial assets at fair value through profit or loss		-	3,277
Payables		11,099	20,141
Other non-current liabilities		4,273	(8,197)
Net change in working capital		<u>(129,067)</u>	<u>(87,584)</u>
Cash generated from operations		118,001	109,555
Interest paid		(107,065)	(113,343)
Interest received		5,410	4,191
Income tax refunded		5,357	3,624
Staff benefits paid		(14,372)	(14,071)
Net cash generated from/(used in) operating activities		<u>7,331</u>	<u>(10,044)</u>

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<---12 MONTHS ENDED-->		
	Note	31.12.2016	31.12.2015
		RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of hotel business, net of cash and cash equivalents acquired		(129,902)	-
Additional investment in associates		(1,883)	-
Additional investment in a jointly-controlled entity		(296)	(24)
Proportionate consolidation of a jointly-controlled operation, net of cash and cash equivalents acquired		-	1,985
Dividend received from associates and jointly-controlled entity		45,447	38,486
Dividend received from other investments		23	19
Purchase of property, plant and equipment		(158,811)	(39,373)
Purchase of investment securities		(268,800)	-
Purchase of investment properties		(67,210)	(366,149)
Proceeds from partial disposal of associates		14,731	3,890
Proceeds from disposal of property, plant and equipment		70	323
Proceeds from disposal of investment securities and other investments		5,830	65,506
Disposal of subsidiaries, net of cash and cash equivalents disposed of		-	(9,306)
Refurbishment of investment properties		(12)	(27)
Net cash used in investing activities		<u>(560,813)</u>	<u>(304,670)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of finance lease liabilities		(145)	(195)
Share issuance and treasury shares cancellation expenses		(2,284)	-
Proceeds from issuance of shares pursuant to rights issue		266,706	-
Purchase of treasury shares by the Company		(1,140)	(22)
Uplift of pledged cash and deposits		374,722	108,327
Net drawdown of borrowings		72,456	243,614
Net cash generated from financing activities		<u>710,315</u>	<u>351,724</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		156,833	37,010
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		154,623	106,452
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		44,050	11,161
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	Note A	<u>355,506</u>	<u>154,623</u>
<b>Note A</b>			
Included in cash and cash equivalents as at 31 December are the following:			
- Cash and deposits with licensed banks		365,017	539,900
- Bank overdrafts		(378)	(1,422)
- Cash and deposits pledged		(9,133)	(383,855)
		<u>355,506</u>	<u>154,623</u>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements )*

## PART A

### Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting

#### A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2015 except for the adoption of the following:

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

The adoption of the above is not expected to have any material impact on the financial statements of the Group.

Aveo Group ("AVEO"), an Australian-listed associate with its financial year ending in June, releases its financial statements on half-yearly basis i.e. for the periods ending June and December. In accounting for the Group's share of results in AVEO for the quarters ending March and September, the Group relies on the full year profit guidance issued by AVEO adjusted to its quarterly components. AVEO's profit guidance do not include any non-operational exceptional items. Accordingly, the Group's share of results in AVEO for March and September quarters are based on AVEO's profit guidance while for June and December periods are based on AVEO's public released results.

#### A2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

#### A3. Seasonal or Cyclicity of Operations

Except for the hotel division whose performance is influenced by the festive and holiday periods, the other businesses of the Group are generally not subject to seasonal or cyclical fluctuations.



**A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 31 December 2016.

**A5. Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period.

**A6. Changes in Debt And Equity Securities**

(i) On 14 June 2016, the Company completed its rights issue exercise with the listing of 1,066,826,679 rights shares on the Main Market of Bursa Malaysia Securities Berhad. The number of ordinary shares after the completion of the rights issue is therefore 3,422,739,837 ordinary shares of RM0.50 each.

(ii) On 28 June 2016, Rosetec Investments Limited, a wholly-owned subsidiary of Mulpha International Berhad, has secured a loan facility of AUD67.00 million from Citibank, N.A., London Branch for the repayment of existing debts and general corporate purposes.

(iii) On 6 September 2016, Mulpha SPV Limited, a wholly-owned subsidiary of Mulpha International Bhd, issued USD90.00 million Nominal Amount of Fixed Rate Notes due 2019 for the redemption of Series 4 USD90.00 million Nominal Amount of Fixed Notes.

(iv) On 28 December 2016, Mulpha Strategic Limited ("MSL"), a wholly-owned subsidiary of Mulpha Group Services Sdn Bhd, which in turn is a wholly-owned subsidiary of MIB, has accepted a margin loan facility of up to HKD375 million from Sun Hung Kai Investment Services Limited, Hong Kong. The purpose of the margin loan facility is to partially fund MSL's subscription of the Series 1 USD60 million 7% Notes due 2019 issued by Mudajaya Ventures Limited under its USD200 million Euro Medium Term Note Programme.

(v) On 30 November 2016, the Board of Directors resolved to cancel all the treasury shares of the Company comprising of 226,547,700 ordinary shares of RM0.50 each, which part of the 4,287,900 ordinary shares of RM0.50 each at average cost of RM0.20 were purchased in current year. This cancellation resulted to the Company's issued and paid-up share capital decreased from RM1.71 billion to RM1.60 billion and the related expenses of RM0.48 million were debited to share premium account. Subsequently, the Company has bought back 1,322,100 ordinary shares of RM0.50 at an average cost of RM0.21 per share and these shares were retained as treasury shares as at 31 December 2016.

**A7. Dividend Paid**

There was no dividend paid during the current financial quarter.

MULPHA INTERNATIONAL BHD (19764-T)  
 FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

A8. Segment Information

Segment analysis for the year ended 31 December 2016 and 2015 are set out below:

<u>Revenue</u>	Revenue		Profit Before Tax	
	12 months ended	12 months ended	12 months ended	12 months ended
	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000	RM'000	RM'000
<b>Business Segment</b>				
Property	715,602	407,106	137,625	152,313
Hospitality	536,512	459,468	32,580	(14,047)
Investment and others	24,411	22,065	(157,959)	55,920
	<u>1,276,525</u>	<u>888,639</u>	<u>12,246</u>	<u>194,186</u>
Finance costs	-	-	(103,081)	(113,343)
Share of results of associates/ jointly-controlled entities	-	-	98,738	79,870
	<u>1,276,525</u>	<u>888,639</u>	<u>7,903</u>	<u>160,713</u>

A9. Related Party Disclosures

Below are the significant related party transactions, which were carried out on terms and conditions negotiated amongst the related parties:

	4th Quarter Ended		12 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<b>A. Associates</b>				
Agency fee refunded	-	(1,674)	-	(1,327)
Asset management service income	773	-	1,969	-
Dividend income	5,998	29,816	39,159	38,340
Director fees received	69	67	266	254
Interest expense	-	-	-	240
Management fee	-	266	-	266
Project management fee expense	-	-	-	20
Rental income	1,559	589	2,962	1,545
Rental expense	-	189	570	729
Rendering of services	-	1,097	-	1,097
Share service (expense)/income	162	33	(924)	620

MULPHA INTERNATIONAL BHD (19764-T)  
**FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016**

**A9. Related Party Disclosures (Cont'd)**

	4th Quarter Ended		12 Months Ended	
	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000	RM'000	RM'000
<b>B. Other related parties</b>				
Non-controlling interests of a subsidiary				
- Interest expense	-	-	-	29
A company related to directors				
- Director fees income	-	49	-	112
- Loan drawdown	215,524	-	215,524	-
- Rendering of services	4,226	1,374	6,117	4,650
- Rental income	35	82	35	129
- Rental expense	59	-	59	-
- Share service income	152	320	686	1,250
- Other expense	111	148	246	210
A company related to a person connected to a director				
- Interest expense	-	-	-	50
- Rendering of services	673	3,290	2,562	3,290
- Rental income	227	(53)	835	687
- Sale proceeds from disposal of investment securities	-	-	-	54,674
- Share service income	3	-	212	-

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

**A10. Valuation Of Property, Plant And Equipment**

The carrying value of the property, plant and equipment is stated at cost less depreciation and impairment losses.

**A11. Capital Commitments**

Capital commitments for the purchase of investment property, property, plant and equipment as at 31 December 2016 are as below:

	RM'000
(a) Approved and contracted for	8,011
(b) Approved but not contracted for	9,331

**A12. Material Events Subsequent To The Reporting Date**

There were no material events subsequent to 31 December 2016 to be disclosed.

**A13. Changes in The Composition Of the Group**

**(a) Acquisition of a subsidiary/Investment in a joint venture**

Leisure Farm Corporation Sdn Bhd ("LFCSB"), a wholly-owned subsidiary of the Company, has on 16 February 2016, acquired 2 ordinary shares of RM1 each, representing 100% of the total issued and paid-up share capital of JV Axis Sdn Bhd ("JVASB") for a total consideration of RM2. As a result of the acquisition, JVASB has become an indirect wholly-owned subsidiary of the Company. JVASB was incorporated on 20 January 2016 and its authorised and paid-up share capital are RM400,000 and RM2 respectively. JVASB is presently dormant and its intended principal activity is property development.

Subsequently on 26 May 2016, LFCSB and UEM Land Berhad (a wholly-owned subsidiary of UEM Sunrise Berhad) have subscribed for 249,998 and 250,000 ordinary shares respectively in JVASB at an issue price of RM1.00 per share, in accordance with the Joint Venture cum Shareholders' Agreement dated 16 February 2016. Consequently, JVASB has become a 50% owned joint venture company of LFCSB.

**(b) Incorporation of subsidiaries**

(i) Mulpha Australia Limited, a wholly-owned subsidiary of the Company, had on 24 February 2016, incorporated a limited company known as Circa 1 Pty Limited ("CPL"). As a result of the incorporation, CPL has become an indirect wholly-owned subsidiary of the Company. CPL is a company incorporated in Australia with a paid-up share capital of AUD2.00. CPL is currently dormant.

(ii) Mulpha Strategic Limited, a wholly-owned subsidiary of Mulpha Group Services Sdn Bhd, which in turn is a wholly-owned subsidiary of Mulpha International Berhad ("MIB"), has on 28 June 2016, incorporated a limited company known as AFO Assets Limited ("AFO"). As a result of the incorporation, AFO has become an indirect wholly-owned subsidiary of MIB. AFO is a company incorporated in Labuan with a paid-up share capital of USD1.00. The intended principal activity of AFO is leasing business.

(iii) Mulpha Australia Limited, a wholly-owned subsidiary of the Company, had on 14 September 2016, incorporated a limited company known as Cairns Esplanade Operations Pty Ltd ("CEOPL"). As a result of the incorporation, CEOPL has become an indirect wholly-owned subsidiary of the Company. CEOPL is a company incorporated in Australia with a paid-up share capital of AUD1.00. CEOPL has commenced its operation as a hotelier with its paid-up share capital increased to AUD4,336,107 in December 2016.

(iv) Mulpha Australia Limited, a wholly-owned subsidiary of the Company, had on 17 October 2016, incorporated a limited company known as Mulpha Finance Pty Ltd ("MFPL"). As a result of the incorporation, MFPL has become an indirect wholly-owned subsidiary of the Company. MFPL is a company incorporated in Australia with a paid-up share capital of AUD1.00. MFPL is currently dormant.

**A14. Changes in Contingent Liabilities or Contingent Assets**

There are no contingent assets and liabilities as at the date of this report.

**PART B**

**Explanatory Notes Pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of performance**

**(a) Current Year Quarter vs. Previous Year Corresponding Quarter**

The Group recorded revenue of RM533.92 million and pre-tax profit of RM74.93 million for the 4th quarter of 2016 compared to revenue of RM291.36 million and pre-tax profit of RM76.07 million in the previous year's corresponding quarter. The Group's revenue recorded a significant improvement by 83% mainly attributed to higher contributions from the property and hospitality divisions. The lower pre-tax profit in the current quarter was mainly due to a Hayman development impairment loss of RM90.58 million based on the long-term reassessment of development prospects, offset by better performances in the hospitality and investment divisions as well as a higher share of associates' profits.

Excluding the above mentioned Hayman development impairment loss of RM90.58 million, the property division registered revenue of RM374.64 million and pre-tax profit of RM124.13 million for the 4th quarter of 2016 as compared to revenue of RM146.29 million and pre-tax profit of RM93.10 million in the previous year's corresponding quarter. The higher revenue was mainly attributed to higher sales in the Group's Mulpha Norwest and Sanctuary Cove developments which are located in Australia.

The hospitality division recorded revenue of RM154.62 million and pre-tax profit of RM16.90 million for the 4th quarter of 2016 compared with revenue of RM141.28 million and pre-tax loss of RM3.69 million in the previous year's corresponding quarter. The improved performance in the 4th quarter of 2016 was mainly driven by a better managed cost base and higher occupancy and average room rates overall in hotels and resorts in Australia.

The investment and other activities division recorded a pre-tax loss of RM19.95 million for the 4th quarter of 2016 as compared to pre-tax loss of RM32.96 million in the previous year's corresponding quarter. The better performance in the current quarter of 2016 was mainly attributed to a favourable exchange rate movement on the Group's cash and deposits which were denominated in US Dollar, offset by an impairment loss in associates of RM12.24 million in the current quarter.

**(b) Current Year-to-date vs. Previous Year-to-date**

The Group reported revenue of RM1,276.53 million and pre-tax profit of RM7.90 million for the financial year ended 31 December 2016 as compared to revenue of RM888.64 million and pre-tax profit of RM160.71 million in the previous financial year. In the current year, the hospitality division recorded a better performance by RM46.63 million as elaborated below. The Group's share of associates' profits was also higher by RM27.61 million. However, these positive variances were offset by a weaker performance in the Group's investment and other activities division as elaborated below which showed a negative variance of RM213.88 million.

The hospitality division recorded revenue of RM536.51 million and pre-tax profit of RM32.58 million for the financial year ended 31 December 2016 as compared to revenue of RM459.47 million and pre-tax loss of RM14.05 million in the previous financial year. The better performance in the current year was mainly due to improved occupancy and average room rates overall in hotels and resorts in Australia. Apart from the revenue growth, a better-managed cost base in particular in the One&Only Hayman Island resort has also contributed to the improved results.

The investment and other activities division reported a pre-tax loss of RM157.96 million for the financial year ended 31 December 2016 as compared to a pre-tax profit of RM55.92 million in the previous financial year. The negative variance of RM213.88 million was partly due to a loss on disposal of associates of RM105.91 million attributed primarily to the derecognition of Mudajaya Group Berhad from an associated company to investment securities in the current year. In addition, the previous year's results included a foreign exchange gain of RM59.10 million arising from a favourable exchange rate movement in the Group's foreign cash and deposits as well as a gain of RM50.38 million relating to the partial disposal of certain subsidiary investments.

**(b) Current Year-to-date vs. Previous Year-to-date (Contd)**

Excluding the Hayman development impairment loss of RM90.58 million, the property division recorded revenue of RM715.60 million and pre-tax profit of RM228.21 million for the financial year ended 31 December 2016 as compared to revenue of RM407.11 million and pre-tax profit of RM152.31 million in the previous financial year. The better performance was attributable to higher sales in the Group's Mulpha Norwest development located in Sydney and the Sanctuary Cove development located in Queensland, Australia.

**B2. Comparisons With Preceding Quarter's Results**

The Group recorded revenue of RM533.92 million and pre-tax profit of RM74.93 million for the 4th quarter of 2016 compared with revenue of RM334.69 million and pre-tax loss of RM37.86 million for the 3rd quarter of 2016. The better performance was mainly contributed by the hospitality as well as investment and other activities divisions and a higher share of associates' profits, offset by a weaker performance in the property division.

The hospitality division recorded revenue of RM154.62 million and pre-tax profit of RM16.90 million for the 4th quarter of 2016 as compared to revenue of RM129.13 million and pre-tax profit of RM7.43 million for the 3rd quarter of 2016. The better performance in the current quarter was mainly due to seasonal factors.

The Group's investment and other activities division reported pre-tax loss of RM19.95 million for the 4th quarter of 2016 as compared to pre-tax loss of RM92.87 million for the 3rd quarter of 2016. The better performance in the current quarter was mainly due to a loss on disposal of associates of RM105.91 million which was recognised in the 3rd quarter, offset by an impairment loss in associates of RM17.51 million in the current quarter.

Excluding the Hayman development impairment loss of RM90.58 million, the property division registered revenue of RM374.64 million and pre-tax profit of RM124.13 million for the 4th quarter of 2016 as compared to revenue of RM196.81 million and pre-tax profit of RM63.00 million for the 3rd quarter of 2016. The better performance in the current quarter was mainly attributable to higher sales in the Group's Mulpha Norwest development located in Sydney and Sanctuary Cove development located in Queensland, Australia.

**B3. Prospects**

We continue to believe that the Group is well positioned to take advantage of future growth opportunities based on its strong and geographically diversified property portfolio located in Malaysia, Australia and the United Kingdom. Barring any unforeseen circumstances, the Group remains cautiously optimistic about its performance for the mid to longer term.

**B4. Variance from Profit Forecast or Profit Guarantee**

Not applicable as there was no profit forecast or profit guarantee issued.

**MULPHA INTERNATIONAL BHD**  
**FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016**

**B5. Profit Before Tax**

	4th Quarter Ended		12 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Bad debt recovered	(31)	(6)	(37)	(14)
Bad debt written off	15	389	15	389
Depreciation and amortisation	15,657	14,917	60,258	55,399
Dividend income	(4)	(3)	(23)	(19)
Fair value (gain)/loss on financial assets				
at fair value through profit or loss	(439)	(197)	(295)	1,993
Fair value adjustment of investment properties	(1,162)	-	(1,162)	-
Foreign exchange (gain)/loss				
- Realised	(13,755)	12,125	8,164	(59,104)
- Unrealised	(319)	(1,771)	(207)	(1,803)
Gain on dilution of interests in associates	(605)	-	(41,352)	(9,835)
Gain on disposal of property, plant and equipment	-	52	-	(29)
Gain on disposal of subsidiaries	-	-	-	(50,385)
Gain on partial disposal of associates	-	-	-	(1,411)
Impairment loss on trade and other receivables	374	471	710	962
Impairment loss in investment in associates	12,237	-	12,237	-
Impairment/(reversal of impairment) loss on investment securities	130	54	247	(710)
Impairment/(reversal of impairment) loss on inventories	90,578	(567)	90,578	(551)
Interest expense	24,201	28,901	103,081	113,343
Interest income	(1,738)	(1,096)	(5,410)	(4,191)
Loss/(gain) on disposal of investment securities	696	373	696	(3,779)
Loss on disposal of associates	-	-	108,919	-
Property, plant and equipment written off	(57)	1,634	-	1,634
Provision for foreseeable loss on inventories	-	1,242	-	1,242
Reversal of impairment loss on property, plant and equipment	(7,717)	-	(7,717)	-
Loss on derivatives	1,074	358	2,963	5,056
Rental income	480	(9,515)	(30,578)	(37,646)

**MULPHA INTERNATIONAL BHD**  
**FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016**

**B6. Income tax benefit**

	4th Quarter Ended		12 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<b>Current year income tax</b>				
Malaysian - current	(258)	1,301	43	1,669
- prior year	(6,360)	(4)	(7,852)	45
Overseas - prior year	2,320	-	-	-
	<u>(4,298)</u>	<u>1,297</u>	<u>(7,809)</u>	<u>1,714</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	5,693	(13,641)	5,693	(18,985)
Underprovision in prior year	12,335	14,915	12,335	14,702
Tax benefit arising from previously unrecognised tax losses	(19,116)	-	(19,116)	-
	<u>(1,088)</u>	<u>1,274</u>	<u>(1,088)</u>	<u>(4,283)</u>
<b>Income tax benefit</b>	<u>(5,386)</u>	<u>2,571</u>	<u>(8,897)</u>	<u>(2,569)</u>

The effective tax rate of the Group for the financial year ended 31 December 2016 under review is lower than the statutory rate of 24% mainly due to certain income not subject to taxation and tax benefit arising from previously unrecognised tax losses. This was alleviated by an overprovision of income tax in prior year, certain expenses which are not deductible and certain deferred tax assets not recognised.

**B7. Status of Corporate Proposals**

**(a) Renounceable two-call rights issue ("Rights Issue")**

On 14 June 2016, the Company has completed its rights issue exercise with the listing of 1,066,826,679 rights shares on the Main Market of Bursa Malaysia Securities Berhad.

The rights issue exercise has raised gross proceeds of RM266.71 million, which has been utilised as at 31 December 2016 in the following manner:-

Purpose	Proposed	Actual	Intended	Deviation		Explanations
	Utilisation	Utilisation	Timeframe for Utilisation	Amount	%	
	RM'000	RM'000		RM'000		
(i) Repayment of borrowings	200,000	200,000	July 2016	N/A	-	
(ii) Working capital	65,626	30,799	June 2018	N/A	-	
(iii) Estimated expenses in relation to the Corporate Exercise	1,080	1,803	June 2016	723	66.9%	See Note 1

Note:

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



**B8. Group Loans and Borrowings**

The details of the loans and borrowings as at 31 December 2016 are as follows:-

	RM'000
Short term - Secured	175,555
Long term - Secured	2,238,583
	<u>2,414,138</u>

Included in the above group loans and borrowings are the following loans and borrowings raised by subsidiaries and denominated in foreign currencies:

			RM'000 equivalent
Australian Dollar	AUD '000	490,453	1,593,974
Hong Kong Dollar	HKD '000	372,686	215,524
Japanese Yen	JPY '000	261,600	10,072
US Dollar	USD '000	113,551	<u>508,709</u>

**B9. Material Litigation**

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

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

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

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

**B9. Material Litigation (Contd)**

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.

**B10. Dividend**

The Board of Directors does not recommend any dividend for the current financial quarter.

**B11. Earnings Per Share**

The basic earnings per share of the Group has been computed by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company as set out below:

	12 Months Ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Profit for the year	16,800	163,282
Non-controlling interests	-	1,841
Profit attributable to equity holders of the parent	<u>16,800</u>	<u>165,123</u>
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares at 1 January	2,133,654	2,133,713
Effect of ordinary share issued on 14 June 2016	537,856	8,887
Effect of share buy back	(576)	(40)
Weighted average number of ordinary shares at 31 December	<u>2,670,934</u>	<u>2,142,560</u>
Basic earnings per share (sen)	<u>0.63</u>	<u>7.71</u>

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

PART C

Disclosure of Realised and Unrealised Profits or Losses

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

	AUDITED	
	AS AT	AS AT
	31.12.2016	31.12.2015
	RM'000	RM'000
Total retained earnings:		
(i) Company and subsidiaries		
- Realised	1,126,442	993,111
- Unrealised	32,569	64,192
(ii) Associates		
- Realised	(1,050)	180,468
- Unrealised	323	2,623
- Breakdown unavailable *	(451,879)	(554,247)
(iii) Jointly-controlled entities		
- Realised	3,408	9,145
	<u>709,813</u>	<u>695,292</u>
Less: Consolidated Adjustments	(95,314)	(97,593)
Total group retained earnings as per consolidated accounts	<u>614,499</u>	<u>597,699</u>

\*There is no separate disclosure shown between the realised and unrealised profit/loss components for the Group's associates, AVEO Group, New Pegasus Limited and Rotol Singapore Ltd. The rationale being that such classification is not governed by the reporting requirements of the said associates.