

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Comprehensive Income

In RM'000	Note	3 months ended		12 months ended	
		31.12.2016 (unaudited)	31.12.2015 (unaudited)	31.12.2016 (unaudited)	31.12.2015 (unaudited)
<u>Continuing operations</u>					
Revenue		1,031,650	388,200	2,408,072	1,696,727
Expenses		(950,658)	(420,237)	(2,172,390)	(1,536,792)
Other operating income	13	192,009	83,325	300,208	387,138
Profit from operations		273,001	51,288	535,890	547,073
Finance costs		(42,837)	(50,717)	(175,922)	(184,843)
Share of results of associates		7,184	(846)	26,348	16,007
Share of results of joint ventures		1,272	652	6,313	(8,125)
Profit before tax		238,620	377	392,629	370,112
Income tax expense	14	(29,628)	38,258	(73,532)	(6,083)
Profit from continuing operations		208,992	38,635	319,097	364,029
<u>Discontinuing operations</u>					
Profit from discontinuing operations (net of tax)		-	(4,607)	-	-
Profit for the financial year		208,992	34,028	319,097	364,029
Other comprehensive income for the financial year, net of tax:					
Item that may be reclassified subsequent to comprehensive income					
- currency translation differences		24	(89)	6	448
- share of associate's gain/(loss) on re-measurement of financial derivatives		920	(1,121)	(1,017)	502
Item that may not be reclassified subsequent to comprehensive income					
- re-measurement of post-employment benefit obligations		-	335	-	-
Total comprehensive income for the financial year, net of tax		209,936	33,153	318,086	364,979

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(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Comprehensive Income

In RM'000	Note	3 months ended		12 months ended	
		31.12.2016 (unaudited)	31.12.2015 (unaudited)	31.12.2016 (unaudited)	31.12.2015 (unaudited)
Profit for the financial year attributable to:					
Equity holders of the Company					
- from continuing operations		188,080	31,396	267,360	330,392
- from discontinuing operations		-	(4,607)	-	-
		<u>188,080</u>	<u>26,789</u>	<u>267,360</u>	<u>330,392</u>
Non-controlling interests		20,912	7,239	51,737	33,637
		<u>208,992</u>	<u>34,028</u>	<u>319,097</u>	<u>364,029</u>
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company					
- from continuing operations		189,024	30,521	266,349	331,342
- from discontinuing operations		-	(4,607)	-	-
		<u>189,024</u>	<u>25,914</u>	<u>266,349</u>	<u>331,342</u>
Non-controlling interests		20,912	7,239	51,737	33,637
		<u>209,936</u>	<u>33,153</u>	<u>318,086</u>	<u>364,979</u>
Earnings per share attributable to the ordinary equity holders of the Company (sen)					
Basic and diluted					
- from the continuing operations	22	8.92	1.76	13.80	18.50
- from the discontinuing operations	22	-	(0.26)	-	-
		<u>8.92</u>	<u>1.50</u>	<u>13.80</u>	<u>18.50</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Financial Position

In RM'000	As at 31.12.2016 (unaudited)	As at 31.12.2015 (audited)
ASSETS		
Non current assets		
Property, plant and equipment	437,823	337,465
Investment properties	520,077	413,517
Land held for property development	1,765,964	1,786,892
Service concession asset	1,176,347	1,209,992
Associates	289,320	241,905
Joint ventures	12,545	6,162
Long term receivable	34,496	5,253
Available for sale financial assets	577	577
Intangible assets	252,868	317,073
Deferred tax assets	96,588	76,705
	<u>4,586,605</u>	<u>4,395,541</u>
Current assets		
Inventories	57,522	63,103
Properties development costs	760,962	488,610
Trade and other receivables	1,580,555	1,095,102
Amount due from associates and joint ventures	19,981	18,702
Tax recoverable	22,217	26,762
Financial assets at fair value through profit or loss	2,255	2,381
Deposits, cash and bank balances	722,157	521,508
	<u>3,165,649</u>	<u>2,216,168</u>
Assets held for sale (see Note A)	-	478,088
TOTAL ASSETS	<u><u>7,752,254</u></u>	<u><u>7,089,797</u></u>

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Financial Position

In RM'000	As at 31.12.2016 (unaudited)	As at 31.12.2015 (audited)
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	2,144,039	1,786,591
Share premium	372,391	327,950
Retained earnings	344,311	83,153
Other reserves	65,080	62,453
	<u>2,925,821</u>	<u>2,260,147</u>
Non-controlling interests	99,221	52,624
Total equity	<u>3,025,042</u>	<u>2,312,771</u>
Non current liabilities		
Senior and Junior Sukuk	1,058,476	1,058,464
Long term borrowings	1,072,304	1,286,785
Long term liabilities	17,851	16,929
Government grant	62,971	33,024
Deferred tax liabilities	80,368	85,293
	<u>2,291,970</u>	<u>2,480,495</u>
Current liabilities		
Loan stock at cost	-	7,000
Trade and other payables	1,586,359	1,188,414
Current tax liabilities	42,552	3,100
Short term borrowings	806,331	1,042,126
Dividend payable	-	44,664
	<u>2,435,242</u>	<u>2,285,304</u>
Liabilities associated with assets held for sale (see Note A)	-	11,227
Total liabilities	<u>4,727,212</u>	<u>4,777,026</u>
TOTAL EQUITY AND LIABILITIES	<u>7,752,254</u>	<u>7,089,797</u>
Net assets per share attributable to the equity holders of the Company (sen)	<u>136.5</u>	<u>126.5</u>

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Financial Position

In RM'000	As at 31.12.2016 (unaudited)	As at 31.12.2015 (audited)
Note A		
Non current assets held for sale		
- Investment properties	-	478,088
	<hr/>	<hr/>
	-	478,088
Liabilities associated with assets held for sale		
- Other payables	-	(11,227)
	<hr/>	<hr/>
Net assets held for sale	-	466,861
	<hr/> <hr/>	<hr/> <hr/>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Cash Flows

In RM'000	12 months ended	
	31.12.2016	31.12.2015 (unaudited)
Operating activities		
Cash receipts from customers	2,269,684	2,103,023
Cash paid to suppliers and employees	(2,307,487)	(1,826,526)
Cash generated from operations	(37,803)	276,497
Bank services charges paid	(13,921)	(4,712)
Taxes paid	(89,538)	(84,993)
Net cash (used in)/generated from operating activities	(141,262)	186,792
Investing activities		
Acquisition of equity investments	(119,405)	(27,135)
Proceeds from divestment of equity investments	18,769	119,770
Dividend received	29,010	14,683
Proceeds from sale of investment property	727,168	476,000
Non-equity investments	(12,616)	(368,369)
Net cash generated from investing activities	642,926	214,949
Financing activities		
Proceeds from issue of shares capital	401,921	763
Dividend paid to equity holders	(76,640)	(82,394)
Proceeds from borrowings	633,683	508,592
Repayment of borrowings	(1,094,903)	(805,833)
Proceeds from Government grant	29,947	33,024
Interest paid	(195,023)	(195,073)
Withdrawal of restricted cash	52,887	170,199
Net cash used in financing activities	(248,128)	(370,722)
Net increase in cash and cash equivalent	253,536	31,019
Cash and cash equivalents at beginning of the financial year	339,229	308,210
Cash and cash equivalent at end of financial year	592,765	339,229
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprised the following:		
Bank balances and deposits	722,157	521,507
Less: Bank balances and deposits held as security value	(129,392)	(182,278)
	592,765	339,229

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Changes in Equity

In RM'000	<u>Attributable to equity holders of the Company</u>				<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>			
At 1 January 2016	1,786,591	327,950	62,453	83,153	2,260,147	52,624	2,312,771
Comprehensive income							
- Profit for the financial year	-	-	-	267,360	267,360	51,737	319,097
Other comprehensive income/(loss)							
- Currency translation differences	-	-	6	-	6	-	6
- Share of associate's loss on re-measurement of financial derivatives	-	-	(1,017)	-	(1,017)	-	(1,017)
- Reclassified to retained earnings	-	-	(258)	258	-	-	-
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>(1,269)</u>	<u>267,618</u>	<u>266,349</u>	<u>51,737</u>	<u>318,086</u>
Transactions with owners							
Issuance of:							
- ordinary shares	357,318	44,385	-	-	401,703	49	401,752
Acquisition of additional equity interest in a subsidiary	-	-	-	(7,106)	(7,106)	(26)	(7,132)
Employees' share option scheme							
- options granted	-	-	4,559	-	4,559	-	4,559
- options exercised	130	56	(17)	-	169	-	169
- options lapsed	-	-	(646)	646	-	-	-
Dividends paid for financial year ended 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,163)</u>	<u>(5,163)</u>
Total transactions with owners	<u>357,448</u>	<u>44,441</u>	<u>3,896</u>	<u>(6,460)</u>	<u>399,325</u>	<u>(5,140)</u>	<u>394,185</u>
At 31 December 2016 (unaudited)	<u><u>2,144,039</u></u>	<u><u>372,391</u></u>	<u><u>65,080</u></u>	<u><u>344,311</u></u>	<u><u>2,925,821</u></u>	<u><u>99,221</u></u>	<u><u>3,025,042</u></u>

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Changes in Equity

Other reserves

In RM'000	Revaluation reserve	Other reserve	Currency translation reserve	Share option reserve	Warrants reserve	Retirement benefit reserve	Total
At 1 January 2016	28,090	2,168	636	6,066	28,355	(2,862)	62,453
Other comprehensive loss							
- Currency translation differences	-	-	6	-	-	-	6
- Share of associate's loss on re-measurement of financial derivatives	-	(1,017)	-	-	-	-	(1,017)
- Reclassified to retained earnings	-	-	-	-	-	(258)	(258)
Total other comprehensive loss	-	(1,017)	6	-	-	(258)	(1,269)
Transactions with owners							
Employees' share option scheme							
- options granted	-	-	-	4,559	-	-	4,559
- options exercised	-	-	-	(17)	-	-	(17)
- options lapsed	-	-	-	(646)	-	-	(646)
	-	-	-	3,896	-	-	3,896
At 31 December 2016 (unaudited)	28,090	1,151	642	9,962	28,355	(3,120)	65,080

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Changes in Equity

In RM'000	<u>Attributable to equity holders of the Company</u>				<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>(Accumulated losses)/ Retained earnings</u>			
At 1 January 2015	1,760,178	323,986	55,937	(154,845)	1,985,256	79,253	2,064,509
Comprehensive profit							
- Profit for the financial year	-	-	-	330,392	330,392	33,637	364,029
Other comprehensive income/(loss)							
- Currency translation differences	-	-	448	-	448	-	448
- Share of associate's gain on re-measurement of financial derivatives	-	-	502	-	502	-	502
- Reclassified to retained earnings	-	-	(335)	335	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>615</u>	<u>330,727</u>	<u>331,342</u>	<u>33,637</u>	<u>364,979</u>
Transactions with owners							
Issuance of:							
- ordinary shares	26,403	3,960	-	-	30,363	-	30,363
- warrants	-	-	1,320	-	1,320	-	1,320
Acquisition of additional equity interest in subsidiaries	-	-	-	(3,688)	(3,688)	4,358	670
Disposal of a subsidiary	-	-	-	-	-	(82)	(82)
Employees' share option scheme							
- options granted	-	-	4,869	-	4,869	-	4,869
- options exercised	10	4	(1)	-	13	-	13
- options lapsed	-	-	(287)	287	-	-	-
Dividends paid and declared for financial year ended							
- 31 December 2014	-	-	-	(44,664)	(44,664)	-	(44,664)
- 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,664)</u>	<u>(44,664)</u>	<u>(64,542)</u>	<u>(109,206)</u>
Total transactions with owners	<u>26,413</u>	<u>3,964</u>	<u>5,901</u>	<u>(92,729)</u>	<u>(56,451)</u>	<u>(60,266)</u>	<u>(116,717)</u>
At 31 December 2015 (audited)	<u>1,786,591</u>	<u>327,950</u>	<u>62,453</u>	<u>83,153</u>	<u>2,260,147</u>	<u>52,624</u>	<u>2,312,771</u>

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Consolidated Statement of Changes in Equity

Other reserves

In RM'000	Revaluation reserve	Other reserve	Currency translation reserve	Share option reserve	Warrants reserve	Retirement benefit reserve	Total
At 1 January 2015	28,090	1,666	188	1,485	27,035	(2,527)	55,937
Other comprehensive income/(loss)							
- Currency translation differences	-	-	448	-	-	-	448
- Share of associate's gain on re-measurement of financial derivatives	-	502	-	-	-	-	502
- Reclassified to retained earnings	-	-	-	-	-	(335)	(335)
Total other comprehensive Income/(loss)	-	502	448	-	-	(335)	615
Transactions with owners							
Issuance of new warrants	-	-	-	-	1,320	-	1,320
Employees' share option scheme							
- options granted	-	-	-	4,869	-	-	4,869
- options exercised	-	-	-	(1)	-	-	(1)
- options lapsed	-	-	-	(287)	-	-	(287)
Total transactions with owners	-	-	-	4,581	1,320	-	5,901
At 31 December 2015 (audited)	<u>28,090</u>	<u>2,168</u>	<u>636</u>	<u>6,066</u>	<u>28,355</u>	<u>(2,862)</u>	<u>62,453</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes to the Report

1. Basis of preparation

This financial report has been prepared in accordance with FRS134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted for the financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2015.

There were no new/revised accounting standards, amendments to standards and interpretations that came into effect during the financial year that significantly impacted the Group.

The Group includes transitioning entities and has elected to continue to apply FRS during the financial year. In the next financial year, the Group will continue to apply FRS and will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (MFRS) for the financial year ending 31 December 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

2. Audit report of the preceding annual financial statements

The audit report of the Group's preceding annual financial statements was not subject to any qualification.

3. Seasonal or cyclical fluctuations

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial quarter under review.

4. Items of unusual nature, size or incidence

- (a) On 26 June 2016, the Company's wholly owned subsidiary, MRCB Builders Sdn Bhd ("MBSB") entered into a project delivery partner ("PDP") agreement with Kwasa Land Sdn Bhd ("KLSB") whereby KLSB appointed MBSB as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of RM112.28 million (excluding goods and services tax and reimbursable costs) ("Proposed PDP Contract").

The Proposed PDP Contract was approved by the Company's shareholders at the Extraordinary General Meeting held on 30 November 2016 and has become unconditional on 1 December 2016.

The Proposed PDP Contract is expected to be completed by the end of 2023.

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Notes to the Report

4. Items of unusual nature, size or incidence (continued)

- (b) On 25 August 2016, the Company announced that it has proposed to establish a Long-Term Incentive Plan of up to 10% of the issue and paid up share capital of the Company (excluding treasury shares), for eligible employees of the Group and eligible executive directors of the Company who fulfill the eligibility criteria.

The Long-Term Incentive Plan was approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 November 2016

There were no items of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows in the financial quarter under review.

5. Material changes in estimates of amounts reported

There were no changes in estimates of amounts reported in the prior financial year that would have a material effect on the results of the financial year under review.

6. Debt and equity securities

On 8 November 2016, there were 63,693,171 ordinary shares of RM1.00 each issued at RM1.26 each pursuant to the third tranche of the Private Placement undertaken by the Company during the financial year.

During the financial quarter under review, there were also 130,000 new ordinary shares of RM1.00 each issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at an exercise price of RM1.30 per share as part of the Company's long term plan to incentivise and retain employees.

Other than the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter under review.

7. Dividends

The Directors recommend the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2016 of 2.75% or 2.75 sen per ordinary share, totaling approximately RM59.1 million which is subject to the approval of the members of the Company at the forthcoming Annual General Meeting.

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes to the Report

8. Segmental reporting

	Property Development & Investment RM'000	Engineering, Construction & Environment RM'000	Infrastructure RM'000	Facilities Management & Parking RM'000	Others RM'000	Total RM'000
12 months ended 31.12.2016						
Total revenue	1,343,973	1,367,307	112,400	95,680	381,330	3,300,690
Inter segment revenue	(13,601)	(509,396)	-	(24,373)	(345,248)	(892,618)
External revenue	1,330,372	857,911	112,400	71,307	36,082	2,408,072
Segment profit	464,646	11,582	58,540	15,827	6,876	557,471
Unallocated corporate expenses						(45,047)
Finance income						23,466
Finance costs						(175,922)
Share of results of associates and joint ventures	18,926	13,323	412	-	-	32,661
Profit before tax						392,629

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes to the Report

8. Segmental reporting (continued)

	Property Development & Investment RM'000	Engineering, Construction & Environment RM'000	Infrastructure RM'000	Facilities Management & Parking RM'000	Others RM'000	Total RM'000
12 months ended 31.12.2015						
Total revenue	784,460	1,141,233	115,681	92,406	92,772	2,226,552
Inter segment revenue	(60,487)	(367,508)	(731)	(17,811)	(83,288)	(529,825)
External revenue	723,973	773,725	114,950	74,595	9,484	1,696,727
Segment profit	442,973	35,402	58,633	9,901	6,767	553,676
Unallocated corporate expenses						(45,932)
Finance income						39,329
Finance costs						(184,843)
Share of results of associates and joint ventures	(1,232)	8,034	1,080	-	-	7,882
Profit before tax						370,112

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes to the Report

9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any material amendments from the previous financial statements.

10. Material events subsequent to the financial year

- (a) The Company had on 12 January 2017 entered into a conditional Share Sale Agreement with Crystal Clear Cleaning Sdn Bhd for the disposal of its entire equity interest in Semasa Services Sdn Bhd, a wholly owned subsidiary of the Company, for a total cash consideration of RM4.8 million ("Purchase Price") with a provision for adjustment to the Purchase Price.

At the date of this report, the completion of the disposal is still pending.

- (b) The Company's wholly owned subsidiary, MRCB Engineering Sdn Bhd had on 17 February 2017 entered into a Share Sale Agreement with Hicom Berhad for the disposal of its entire 51% equity interest represented by 510,000 ordinary shares of RM1.00 each in Dekad Kaliber Sdn Bhd, for a total cash consideration of RM3.6 million.

The disposal was completed on the same day and generated a disposal gain of approximately RM1.6 million.

Other than the above, there were no other material events subsequent to the end of the financial quarter ended 31 December 2016 that have not been reflected in this report.

11. Changes in the composition of the Group

- (a) On 30 June 2016, the Company's wholly owned subsidiary, 348 Sentral Sdn Bhd entered into a conditional Sale and Purchase Agreement with Maybank Trustee Berhad, acting as trustee for MRCB-Quill REIT ("MQ REIT") for the disposal of a 33-storey office tower known as "Menara Shell" together with a 5-storey podium and 4-storey basement car park for a total cash consideration of RM640 million.

In order to fund the acquisition, MQ REIT undertook a Private Placement of 406.62 million new units at an issue price of RM1.20 each by way of a book building exercise. The Proposed Disposal and Private Placement were approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 November 2016 and completed on 22 December 2016.

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REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes to the Report

11. Changes in the composition of the Group (continued)

- (a) The following were effected upon the completion;
 - (i) Generation of a gain of RM144.9 million by the Group;
 - (ii) Subscription of 91,667,000 Placement Units in MQ REIT at the issue price of RM1.20. The total consideration for the subscription was RM110 million. With this, the Company's equity interest in MQ REIT was diluted from 31.18% to 27.89%;
 - (iii) the dilution of the equity interest resulted in a re-measurement gain of RM9.4 million to the Group.

The cash proceeds of RM640 million have been utilised for the following purposes;

- (iv) subscription of the Placement Units in MQ REIT as stated in (ii) above;
 - (v) repayment of the Group's borrowings of RM471 million;
 - (vi) working capital of RM57.7 million; and
 - (vii) payment of expenses for the disposal of RM1.3 million.
- (b) The Company's wholly owned subsidiary MRCB Land Sdn Bhd had on 9 December 2016 entered into a Share Sale Agreement with Nusa Gapurna Development Sdn Bhd ("NGD") for the proposed acquisition of 1,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in Nilaitera Sdn Bhd ("Nilaitera") for a total cash consideration of RM24,780,100 ("Purchase Consideration").

At the same time, the Company also entered into a Supplementary Agreement with NGD to vary the terms of the Right of First Refusal and Call Option Agreement dated 8 February 2013 ("ROFR Call Option Agreement"), whereby NGD had agreed to remove all reference to Nilaitera as part of the Option Assets as defined in the ROFR Call Option Agreement, hence the rights granted and conditions imposed under the ROFR Call Option Agreement shall exclude Nilaitera.

The acquisition was completed on 19 December 2016. With this, Nilaitera became a wholly owned subsidiary of the Company.

Other than the above, there were no other changes in the composition of the Group for the current financial quarter under review.

12. Contingent liabilities or contingent assets

The Group's contingent liabilities, which comprise trade and performance guarantees, amounted to RM282.1 million as at 31 December 2016 (compared to RM221.5 million as at 31 December 2015). There are no material contingent assets to be disclosed.

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13. Other operating income

There were no items of an unusual nature in the other operating income in the financial quarter under review.

14. Income tax expenses

In RM'000	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
In Malaysia				
Taxation				
- current year	(48,986)	(2,971)	(90,092)	(45,477)
- under provision in prior years	(467)	(1,867)	(8,248)	(1,532)
Deferred tax	19,825	43,096	24,808	40,926
	<u>(29,628)</u>	<u>38,258</u>	<u>(73,532)</u>	<u>(6,083)</u>

The effective tax rate of 20.4% for the current financial year is lower than the statutory rate of taxation and is mainly due to non-taxable capital gains arising from the disposal of investment properties such as Menara Shell and Sooka Sentral.

Taxation is provided mainly for taxable profits from certain subsidiaries and certain expenses being non tax deductible.

The deferred tax was mainly due to the net impact from the reversal of deferred tax liabilities and some non-deductible temporary differences as well as recognition of unabsorbed tax losses and deductible timing differences as deferred tax assets.

15. Corporate Proposals

On 14 August 2014, the Company entered into a Shareholders' Agreement with Kwasa Land Sdn Bhd and Kwasa Sentral Sdn Bhd (formerly known as Kwasa Development (2) Sdn Bhd) ("KSSB") for the subscription of 700,000 new ordinary shares of RM1.00 each, representing 70% equity interest in KSSB for a cash subscription payment of approximately RM816.6 million ("Proposed Subscription"). KSSB is a special purpose vehicle incorporated to undertake the mixed development of 64.07 acres of land ("MX-1 Land") identified to be the town centre of the proposed Kwasa Damansara Township.

The Proposed Subscription was approved by the Company's shareholders at the Extraordinary General Meeting held on 12 February 2015. As at the date of this report, the subscription of the shares is still pending.

Other than the above, there were no corporate proposals announced that are yet to be completed at the date of this report.

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16. Group borrowings

The tenure of the Group borrowings classified as short and long term were as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Secured		
Short term	556,331	782,546
Long term	2,130,780	2,345,249
Unsecured		
Short term	<u>250,000</u>	<u>259,580</u>
Total	<u>2,937,111</u>	<u>3,387,375</u>

The decrease in the Group borrowings was mainly due to the full settlement of the project loans of RM795 million for Nu Tower office, Menara Shell and the Sentral Suites project.

The secured long term loans consist mainly of:

- (a) The Senior and Junior Sukuk of RM1,059 million which were obtained for the purpose of financing the construction of the Eastern Dispersal Link toll road;
- (b) Sukuk Murabahah Programme totaling RM333 million for the Group's working capital purposes;
- (c) Project loans for the Group's completed and on-going property development projects of RM738 million.

The Group's secured and unsecured short term loans mainly consist of;

- (a) Project loans totaling RM456 million; and
- (b) Long term loan of RM350 million for working capital purposes which are due within the next 12 months.

Included in the Group total borrowings was a secured Australian Dollar short term loan of AUD29.5 million, equivalent to RM95.3 million (2015: AUD9 million, equivalent to RM28 million).

Other than the above, the balance of the Group borrowings are denominated in Ringgit Malaysia.

The Group's Net Gearing as at 31 December 2016 was 0.73 times.

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17. Material litigation

There is no material litigation arising from the Group's operational transactions at the date of this report.

The Group has filed some claims, some of which are counter claims, amounting to approximately RM6.0 million arising from its operational transactions.

18. Review of performance

The Group recorded profit before tax for the financial year ended 31 December 2016 of RM392.6 million, compared to RM370.1 million in the corresponding financial year ended 31 December 2015. The higher profit before tax in the current financial year was mainly attributable to the recognition of higher development profit of RM173.3 million, a profit of RM56.1 million generated from the sale of a leasehold land to Mass Rapid Transit Corporation Sdn Bhd and gains of RM186.5 million recorded from the disposals of completed investment properties, namely Menara Shell and Sooka Sentral.

Segmental Breakdown of Revenue & Profit/(Loss) – Note 8*

	3 months ended		12 months ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<u>Revenue</u>				
Property development & investment	599,717	156,942	1,330,372	723,973
Engineering, construction & environment	378,456	178,529	857,911	773,725
Infrastructure	26,987	28,596	112,400	114,950
Facilities management & parking	18,844	19,916	71,307	74,595
Others	7,646	4,217	36,082	9,484
	<u>1,031,650</u>	<u>388,200</u>	<u>2,408,072</u>	<u>1,696,727</u>
<u>Profit/(Loss)</u>				
Property development & investment	236,437	82,768	464,646	442,973
Engineering, construction & environment	1,587	(43,992)	11,582	35,402
Infrastructure	12,127	14,421	58,540	58,633
Facilities management & parking	3,360	7,107	15,827	9,901
Others	26,834	26,950	6,876	6,767
	<u>280,345</u>	<u>87,254</u>	<u>557,471</u>	<u>553,676</u>

* Profit before unallocated expenses, finance costs and income and share of associates & joint ventures results.

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18. Review of performance (continued)

The revenue and profit of the Group was mainly attributable to the two core operating segments below:-

(i) Property Development & Investment

The revenue and profit recorded was mainly generated from on-going property development projects, namely Sentral Residences in KL Sentral CBD, 9 Seputeh mixed residential development in Jalan Klang Lama, PJ Sentral Garden City, PR1MA Home, Menara MRCB in Putrajaya and SIDEC residential project in Perak. The profit for the current financial year also included a total gain of RM186.5 million arising from the disposal of Menara Shell and Sooka Sentral as well as the profit of RM56.1 million generated from the sale of a leasehold land to Mass Rapid Transit Corporation Sdn Bhd. The Group's other investment properties in KL Sentral CBD and Shah Alam also continued to contribute recurring income of RM12.8 million to the Group during the financial year.

(ii) Engineering, Construction & Environment

The bulk of the division's revenue and profit was contributed by the LRT Ampang Line Extension and the LRT Stations 6 & 7 projects, the on-going construction of most of the property development projects stated in (i) above, as well as six different commercial buildings for clients in Johor, power transmission related construction projects in Peninsular Malaysia, and other smaller scale projects in the Klang Valley.

19. Variation of results against immediate preceding quarter

The Group recorded revenue and profit before taxation of RM1.032 billion and RM238.6 million for the financial quarter ended 31 December 2016, compared to revenue of RM551.2 million and profit before taxation of RM61.6 million recorded in the immediate preceding quarter ended 30 September 2016.

The higher profit before tax recorded in the current financial quarter was mainly due to the gain of RM144.9 million derived from the sale of Menara Shell (Note 11(a)) and RM56.1 million generated from the sale of a leasehold land to Mass Rapid Transit Corporation Sdn Bhd for a total cash consideration of RM180 million. The on-going property development projects, namely The Sentral Residences, Menara MRCB in Putrajaya, 9 Seputeh mixed residential development in Jalan Klang Lama and PJ Sentral Garden City also contributed positively in the current financial quarter.

For the current quarter under review, the Engineering, Construction & Environment division only contributed a marginal profit before tax of RM1.6 million mainly due to recognition of full costs for variation order claims, the full recovery of which are pending clients' approval and also no profit recognition on certain completed projects' variation orders, pending finalisation of final project accounts.

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20. Prospects

The Group will continue its strategy of strengthening its balance sheet and growing its core activities of Property Development and Engineering, Construction & Environment.

The Group's Property Development Division will continue to focus on launching new projects. Registrations for the soon to be launched Sentral Suites project in KL Sentral and Kalista project in Bukit Rahman Putra have been very encouraging, and along with the on-going revenue recognition from the 9 Seputeh, and PJ Sentral projects, will underpin sales in 2017. In addition to this, the division will continue to strive to deliver a pipeline of high quality commercial buildings to be sold to other potential investors.

Construction, Engineering & Environment division continues to tender for more contracting projects, and is well positioned to add to its construction order book, which presently stands at RM7.0 billion, with an unbilled portion of RM5.6 billion. Furthermore, the Division is also placing greater emphasis to secure long term fee based work (as a PDP or Management Contractor) which utilises the division's existing skill sets and helps reduce the volatility in its construction revenues. Margins from the division's key construction projects should also begin to improve as they progress from their preliminary phases and begin to mature.

21. Variance on forecast profit/profit guarantee

Not applicable.

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22. Earnings per share (EPS)

Basic EPS

The basic EPS is calculated by dividing the net profit for the current financial year by the weighted average number of shares in issue during the current financial year.

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit for the financial year attributable to the owners of the parent (RM'000)				
- from continuing operations	188,080	31,396	267,360	330,392
- from discontinuing operations	-	(4,607)	-	-
Weighted average number of ordinary shares in issue ('000)	2,108,981	1,786,584	1,937,800	1,785,714
Basic Earnings Per Share (sen)				
- from continuing operations	8.92	1.76	13.80	18.50
- from discontinuing operations	-	(0.26)	-	-

Diluted Earnings Per Share

There is no significant effect on the fully diluted earnings per share arising from the outstanding share options and warrants. Hence, the basic earnings per share approximates to the fully diluted earnings per share.

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23. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 31 December 2016, into realised and unrealised, pursuant to a directive issued by Bursa Malaysia Securities Berhad is as follows;

	As at 31.12.2016 (unaudited) (RM'000)	As at 31.12.2015 (audited) (RM'000)
Total accumulated profit or losses:		
- Realised	727,084	308,052
- Unrealised	15,931	(8,828)
Total share of accumulated profit from associates:		
- Realised	85,365	61,106
Total share of accumulated profit or losses from joint ventures:		
- Realised	6,965	(51,693)
Add: Consolidation adjustments	(491,034)	(225,484)
Total Group retained earnings	344,311	83,153

The analysis of realised and unrealised retained earnings is compiled based on Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements as issued by the Malaysian Institute of Accountants.

The disclosure above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

By Order of the Board

Mohd Noor Rahim Yahaya
Company Secretary

Kuala Lumpur
27 February 2017