MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT
Quarterly report on consolidated results for the fourth financial quarter ended 31 December 2017
The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**CURRENT QUARTER ENDED 31.12.2017**	**COMPARATIVE QUARTER ENDED 31.12.2016**	**12 MONTHS CUMULATIVE TO 31.12.2017**	**12 MONTHS CUMULATIVE TO 31.12.2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue		**387,282**	533,915	**1,170,015**	1,276,525
Operating expenses		**(617,856)**	(528,661)	**(1,395,594)**	(1,378,422)
Other operating income		**435,638**	25,254	**544,534**	114,143
Profit from operations		**205,064**	30,508	**318,955**	12,246
Finance costs		**(24,207)**	(24,201)	**(99,732)**	(103,081)
Share of profit of associates		**90,520**	68,529	**214,035**	98,186
Share of profit of joint ventures		**18,851**	92	**18,957**	552
Profit before tax	*B5*	**290,228**	74,928	**452,215**	7,903
Income tax (expense)/benefit	*B6*	**(61,810)**	5,386	**(83,026)**	8,897
Profit for the year		**228,418**	80,314	**369,189**	16,800
Attributable to:					
Owners of the Company		**228,566**	80,314	**369,315**	16,800
Non-controlling interests		**(148)**	-	**(126)**	-
Profit for the year		**228,418**	80,314	**369,189**	16,800
Earnings per share (sen):-					
- Basic/Diluted	*B11*	**71.54**	31.74 *	**115.60**	6.29 *

**Restated*

(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 2016 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

I(B) CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 31.12.2017 RM'000	COMPARATIVE QUARTER ENDED 31.12.2016 RM'000	12 MONTHS CUMULATIVE TO 31.12.2017 RM'000	12 MONTHS CUMULATIVE TO 31.12.2016 RM'000
Profit for the year	**228,418**	80,314	**369,189**	16,800
Foreign currency translation differences for foreign operations	**(112,355)**	38,231	**(37,662)**	67,546
Fair value movement of available-for-sale financial assets	**(13,549)**	(9,431)	**2,747**	(9,431)
Share of other comprehensive income/ (expense) of associates	**3,696**	(105)	**3,094**	1,546
Reclassification to profit or loss on:				
- disposal of associates	**-**	-	-	5,957
- dilution of interest in an associate	**-**	(89)	-	(3,326)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	**-**	66,252	**-**	66,252
Other comprehensive (loss)/income for the year, net of tax	**(122,208)**	94,858	**(31,821)**	128,544
Total comprehensive income for the year	**106,210**	175,172	**337,368**	145,344
Attributable to:				
Owners of the Company	**106,352**	175,172	**337,488**	145,344
Non-controlling interests	**(142)**	**-**	**(120)**	**-**
Total comprehensive income for the year	**106,210**	175,172	**337,368**	145,344

(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 2016 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

	Note	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	*A10*	**955,760**	1,160,661
Investment properties		**941,078**	813,098
Investment in associates		**1,427,056**	1,243,438
Investment in joint ventures		**20,217**	7,496
Investment securities		**328,667**	361,161
Other investments		**5,080**	5,080
Goodwill		**2,725**	2,731
Inventories		**665,651**	739,553
Trade and other receivable		**10,189**	13,085
Other non-current assets		**8,431**	10,511
Deferred tax assets		**-**	31,738
		4,364,854	4,388,552
Current assets			
Inventories		**714,622**	723,082
Trade and other receivables		**259,652**	233,766
Other current assets		**17,705**	17,972
Investment securities		**3,167**	2,765
Income tax recoverable		**1,278**	2,014
Cash and cash equivalents		**488,350**	365,017
		1,484,774	1,344,616
TOTAL ASSETS		**5,849,628**	5,733,168

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,037,459**	1,598,096
Share premium		**-**	217,861
Treasury shares	*A6*	**(318)**	(266)
Reserves		**301,868**	547,426
Retained earnings		**976,043**	614,499
		3,315,052	2,977,616
Non-controlling interests		**(120)**	-
Total equity		**3,314,932**	2,977,616
Non-current liabilities			
Trade and other payables		**1,923**	18,219
Provision for liabilities		**3,429**	1,719
Deferred tax liabilities		**28,205**	-
Loans and borrowings	*B8*	**1,313,718**	2,238,583
		1,347,275	2,258,521
Current liabilities			
Trade and other payables		**227,174**	292,668
Provision for liabilities		**112,977**	27,721
Loans and borrowings	*B8*	**827,795**	175,555
Derivative liabilities		**-**	1,063
Income tax payable		**19,475**	24
		1,187,421	497,031
Total liabilities		**2,534,696**	2,755,552
TOTAL EQUITY AND LIABILITIES		**5,849,628**	5,733,168
Net assets per share (RM)		10.38	9.32*

**Restated*

(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 2016 and the accompanying explanatory notes attached to the interim financial statements)

PART A1 : QUARTERLY REPORT

III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	< ----------	----------	----------	----------	Attributable to Owners of the Company	----------	----------	----------	---------->		
	Share Capital	Share Premium	Exchange Reserve	Capital Reserve	Revaluation Reserve	Other Reserve	Treasury Shares	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Total comprehensive income for the year	-	-	(34,574)	-	-	2,747	-	369,315	337,488	(120)	337,368
Purchase of treasury shares	-	-	-	-	-	-	(52)	-	(52)	-	(52)
Realisation of reserves	-	-	1,306	6,465	-	-	-	(7,771)	-	-	-
Transfer to Share Capital in accordance with Section 618(2) of the Companies Act 2016 ^	439,363	(217,861)	-	(221,502)	-	-	-	-	-	-	-
Total transactions with owners of the Company	439,363	(217,861)	1,306	(215,037)	-	-	(52)	(7,771)	(52)	-	(52)
At 31 December 2017	**2,037,459**	**-**	**245,416**	**-**	**66,252**	**(9,800)**	**(318)**	**976,043**	**3,315,052**	**(120)**	**3,314,932**
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 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 expense	-	(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**

^ In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act 2016, use the amount standing to the credit of its share premium account and capital redemption reserves of RM217.86 million and RM221.50 million respectively for purpose as set in Section 618 (3).

(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 2016 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

	Note	<---12 MONTHS ENDED--> 31.12.2017	31.12.2016
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		452,215	7,903
Adjustments for non-cash items:			
Bad debts recovered		(13)	(37)
Bad debts written off		61	15
Depreciation of property, plant and equipment		73,138	60,258
Dividend income		(138)	(23)
Fair value adjustment on investment properties		(152,346)	(1,162)
Fair value gain on financial assets at fair value through profit or loss		(588)	(295)
Gain on disposal of investment properties		(2,325)	-
Gain on dilution of interests in an associate		-	(41,352)
Gain on partial disposal of associates		(25)	-
Gain/(Loss) on disposal of investment securities		(924)	696
Impairment/(reversal of impairment) loss on property, plant and equipment		133,152	(7,717)
Impairment loss on trade and other receivables		1,025	710
Impairment loss on investment in associates		-	12,237
Inventories written down		81,083	90,578
Interest expense		99,732	103,081
Interest income		(23,510)	(5,410)
Loss on disposal of property, plant and equipment		230	-
Loss on disposal of associates		-	108,919
Property, plant and equipment written off		29,919	-
Provision for foreseeable loss on inventories		2,296	-
Provision for foreseeable loss on onerous contract		1,411	-
Provision for repairs		98,338	-
Provision for staff benefits		10,955	17,365
(Reversal)/impairment loss on investment securities		(68)	247
Share of profit of associates		(214,035)	(98,186)
Share of profit of joint ventures		(18,957)	(552)
Unrealised foreign exchange loss/(gain)		422	(207)
Operating profit before changes in working capital		571,048	247,068
Changes in working capital			
Inventories		(18,790)	(144,737)
Other current assets		267	8,686
Other non-current assets		(96)	7,755
Other non-current liabilities		(15,848)	4,273
Payables		(62,709)	11,099
Receivables		(20,052)	(17,681)
Net change in working capital		(117,228)	(130,605)
Cash generated from operations		453,820	116,463

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV <u>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</u>

	Note	<---12 MONTHS ENDED--> 31.12.2017 RM'000	31.12.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Interest paid		(100,497)	(107,065)
Interest received		23,510	5,410
Income tax refund		662	3,006
Staff benefits paid		(19,140)	(14,372)
Net cash generated from operating activities		358,355	3,442
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of hotel business, net of cash and cash equivalents acquired		-	(129,902)
Acquisition of investment in associates and joint ventures		(50,192)	(2,179)
Dividend received from associates and joint ventures		53,229	45,447
Dividend received from other investments		138	23
Purchase of investment securities		-	(268,800)
Purchase of property, plant and equipment		(64,404)	(158,811)
Purchase of an investment property		-	(67,210)
Proceeds from partial disposal of associates		59	14,731
Proceeds from disposal of investment properties		4,696	-
Proceeds from disposal of investment securities		10,979	5,830
Proceeds from disposal of property, plant and equipment		5,074	70
Refurbishment of investment properties		(1,649)	(12)
Net cash used in investing activities		(42,070)	(560,813)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(90)	(145)
Proceeds from issuance of shares pursuant to rights issue		-	266,706
Purchase of treasury shares		(52)	(1,140)
(Placement)/Uplift of pledged cash and deposits		(94,580)	374,722
Share issuance expenses for rights issue		-	(2,284)
Net repayment of borrowings		(211,452)	72,456
Net cash (used in)/generated from financing activities		(306,174)	710,315
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,111	152,944
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		355,506	154,623
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		18,222	47,939
CASH AND CASH EQUIVALENTS AS AT 31 DEC	**Note A**	383,839	355,506

Note A

Included in cash and cash equivalents as at 31 Dec are the following:

- Cash and deposits with licensed banks	488,350	365,017
- Bank overdrafts	(798)	(378)
- Bank balances and deposits pledged	(103,713)	(9,133)
	383,839	355,506

(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 2016 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 2016.

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 2016 except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

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

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

At the date of authorisation of these Interim Financial Report, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

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 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*

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current year 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 2016 was not subject to any qualification.

A3. Seasonal or Cyclicality 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 financial year ended 31 December 2017 except for the temporary closure of Hayman Island Resort in Australia following Tropical Cyclone Debbie on 27 March 2017 for major refurbishment. The building and design teams are currently in the process of finalising reconstruction plans. It is expected that works will be extended to late 2018 or early 2019.

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 year.

A6. Changes in Debt And Equity Securities

(a) Treasury shares and share consolidation

On 5 April 2017, the Company has repurchased 200,000 of its issued ordinary shares from the open market at RM0.26 per share. The shares repurchased are retained as treasury shares in accordance with Section 67A of the Companies Act, 1965. The total treasury shares held by the Company at this date stood at 1,522,100.

On 30 June 2017, the Company issued share capital on 30 June 2017 (i.e. the entitlement date), 3,196,192,137 ordinary shares have been consolidated into 319,618,640 ordinary shares and treasury shares of 1,522,100 have been consolidated into 152,210.

(b) Issuance and redemption of fixed rate notes

On 1 December 2017, Mulpha MTN Limited, a wholly-owned subsidiary of Mulpha Australia Limited, which in turn is a wholly-owned subsidiary of the Company, issued USD70 million Nominal Amount of Fixed Rate Notes due in 2020. The entire proceeds of USD70 million were utilised for redemption of Series 5 USD90 million Nominal Amount of Fixed Rate Notes ("Series 5 Notes") of Mulpha SPV Limited, a wholly-owned subsidiary of the Company. The remaining USD20 million of Series 5 Notes were redeemed by using internally generated fund of the Group.

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

Segment analysis for the year ended 31 December 2017 and 2016 are set out below:

	Revenue		Profit Before Tax	
	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000 (Restated)	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000 (Restated)
Business Segment				
Property	658,052	719,122	345,607	148,201
Hospitality	451,107	504,901	31,849	27,701
Investment and others	60,856	52,502	(58,501)	(163,656)
	1,170,015	1,276,525	318,955	12,246
Finance costs	-	-	(99,732)	(103,081)
Share of results of associates/ joint ventures	-	-	232,992	98,738
	1,170,015	1,276,525	452,215	7,903

	Total Assets		Total Liabilities	
	31.12.2017 RM'000	31.12.2016 RM'000 (Restated)	31.12.2017 RM'000	31.12.2016 RM'000 (Restated)
Business Segment				
Property	1,537,039	1,549,412	1,040,207	965,803
Hospitality	815,741	1,307,471	374,239	370,070
Investment and others	4,695,713	5,144,158	2,768,021	4,147,784
	7,048,493	8,001,041	4,182,467	5,483,657
Adjustment and eliminations	(1,198,865)	(2,267,873)	(1,647,771)	(2,728,105)
	5,849,628	5,733,168	2,534,696	2,755,552

The change of comparative figures is arising from the restructuring of internal organisation in a manner that causes the composition of its reportable segments to change.

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

	Revenue		Non-current assets^	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 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

^Non-current assets information presented above consist of property, plant and equipment, investment properties, goodwill and inventories.

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
A. Associates				
Asset management service income	940	773	3,766	1,969
Dividend income	8,366	5,998	47,748	39,159
Director fees received	71	69	288	266
Rental income	967	1,559	4,968	2,962
Rental expense	462	-	1,659	570
Share service expense / (income)	61	(162)	516	924
B. Joint Ventures				
Dividend income	5,481	6,288	5,481	6,288
C. Other related parties				
A company related to a director				
- Loan drawdown	-	215,524	-	215,524
- Rendering of services	1,987	4,226	4,752	6,117
- Rental expense	57	24	230	24
- Share service income	280	152	632	686
- Other expense	-	111	-	246
A company related to a person connected to a director				
- Rendering of services	2,697	673	3,899	2,562
- Rental income	54	227	472	835
- 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.

In March 2017, Hayman Island Resort assets were severely damaged by Tropical Cyclone Debbie. As a result, an impairment loss of RM133.15 million and assets written off of RM29.92 million were accounted for in the current financial year.

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 31 December 2017 are as below:

	RM'000
(a) Approved and contracted for	23,961
(b) Approved but not contracted for	273,150~

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

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 31 December 2017 to be disclosed.

A13. Changes in The Composition Of the Group

(a) Incorporation and cessation of an indirect subsidiary

(i) Mulpha Australia Limited, a wholly-owned subsidiary of the Company, had on 28 August 2017, incorporated a limited company known as Mulpha Finance Holdings Pty Ltd ("MFH"). As a result of the incorporation, MFH has become an indirect wholly-owned subsidiary of the Company. MFH is a company incorporated in Australia with a paid-up share capital of A$2.00. MFH is currently dormant and its intended principal activity is investment holding.

(ii) Mulpha Finance Holdings Pty Ltd, an indirect wholly-owned subsidiary of the Company had on 29 August 2017, incorporated a limited company, Multiple Capital Pty Ltd ("MCPL"). MCPL is a company incorporated in Australia with a paid-up share capital of A$100.00. Mulpha Finance Holdings Pty Ltd holds 80 ordinary shares, which represents 80% of the total issued and paid-up share capital of MCPL. The intended principal activity of MCPL is to operate a multi-fund real estate loans management business.

(iii) Mulpha Capital Pty Ltd, 80% indirect owned subsidiary of the Company had on 31 August 2017, incorporated a limited company, Albany Creek Capital Pty Ltd ("ACC"). ACC is a company incorporated in Australia with a paid-up share capital of A$3.00. ACC is currently dormant and its intended principal activity is to provide secured financing to real estate propety developers.

On 16 October 2017, ACC has ceased to be a wholly-owned subsidiary of Multiple Capital Pty Ltd and has become a 33.33% owned associate of Mulpha Finance Holdings Pty Ltd on 28 September 2017. The Disposal does not have any material effect on the earnings per share and net assets per share of MIB Group, and it has no effect on the share capital and substantial shareholders' shareholdings of MIB.

(b) Acquisition of subsidiary

On 20 October 2017, Mulpha Australia Limited, a wholly-owned subsidiary of MIB, acquired 1 ordinary share of US$1.00 each, representing 100% of the total issued and paid-up share capital of Market Sino Limited ("MSL") for a total consideration of US$1.00. As a result of the acquisition, MSL has become an indirect wholly-owned subsidiary of MIB. MSL is a company incorporated in British Virgin Islands on 28 November 2013 and its authorised and paid-up share capital are US$50,000.00 and US$1.00 respectively. MSL is principally involved in issuance of US Dollar denominated medium term notes.

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

	INDIVIDUAL PERIOD		CHANGES		CUMULATIVE PERIOD		CHANGES	
	CURRENT QUARTER ENDED 31.12.2017	COMPARATIVE QUARTER ENDED 31.12.2016			12 MONTHS ENDED 31.12.2017	12 MONTHS ENDED 31.12.2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	**387,282**	533,915	(146,633)	(27%)	**1,170,015**	1,276,525	(106,510)	(8%)
Profit from operations	**205,064**	30,508	174,556	>100%	**318,955**	12,246	306,709	>100%
Profit before interest and tax	**314,435**	99,129	215,306	>100%	**551,947**	110,984	440,963	>100%
Profit before tax	**290,228**	74,928	215,300	>100%	**452,215**	7,903	444,312	>100%
Profit after tax	**228,418**	80,314	148,104	>100%	**369,189**	16,800	352,389	>100%
Profit attributable to:								
Owners of the Company	**228,566**	80,314	148,252	>100%	**369,315**	16,800	352,515	>100%

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

The Group recorded revenue of RM387.28 million and pre-tax profit of RM290.23 million for the current quarter of 2017 compared to revenue of RM533.92 million and pre-tax profit of RM74.93 million in the previous year's corresponding quarter. Lower Group's revenue by 27% was primarily due to lesser revenue in property division and hospitality division in relation to the temporary closure of the Hayman Island Resort following severe damage caused by Tropical Cyclone Debbie on 27 March 2017. Notwithstanding the revenue decline, the Group's pre-tax profit improved significantly by RM215.30 million mainly attributed to fair value gain on investment properties of RM153.30 million located in Australia which was primarily driven by growth in commercial properties market rental as well as increased share of associates profits by RM21.99 million.

The property division recorded revenue of RM261.44 million and pre-tax profit of RM202.58 million for the current quarter of 2017 as compared to revenue of RM376.78 million and pre-tax profit of RM41.40 million in the previous year's corresponding quarter. Despite the decline in revenue which was mainly attributed to lower settlements in the Mulpha Norwest and Santuary Cove developments in Australia, the pre-tax profit was higher mainly due to fair value gain on investment properties of RM153.30 million as mentioned above and higher gross profit margin earned on development properties sold.

The hospitality division recorded revenue of RM111.38 million and pre-tax profit of RM27.08 million for the current quarter of 2017 compared with revenue of RM146.01 million and pre-tax profit of RM10.27 million in the previous year's corresponding quarter. Despite the decline in revenue which was mainly attributed to the temporary closure of Hayman Island Resort, the higher pre-tax profit was mainly driven by higher profit margin earned in InterContinental Sydney and Rydges Cairns resulting from improved room rates as well as insurance recoveries recognised on the post Tropical Cyclone Debbie damages of RM267.13 million. However, this was offset by provision for repairs, impairment loss and assets written off of Hayman Island Resort totalling RM228.11 million.

The investments and other activities division recorded a pre-tax loss of RM24.60 million for the current quarter of 2017 as compared to pre-tax loss of RM21.16 million in the previous year's corresponding quarter. The higher pre-tax loss was mainly attributed to unfavourable foreign exchange movement on the Group's deposits and investments denominaed in US Dollar.

B1. Review of performance (Cont'd)

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

(i) Profit or Loss Analysis

The Group reported revenue of RM1.17 billion and pre-tax profit of RM452.22 million for the year ended 31 December 2017 as compared to revenue of RM1.28 billion and pre-tax profit of RM7.90 million in the previous year. The Group's pre-tax profit recorded a significant improvement by RM444.31 million mainly attributable to higher contributions from the property, investment and hospitality divisions by RM197.41 million, RM105.16 million and RM4.15 million respectively as well as higher share of associate company profits by RM115.85 million.

The property division recorded revenue of RM658.05 million and pre-tax profit of RM345.61 million for the year ended 31 December 2017 as compared to revenue of RM719.12 million and pre-tax profit of RM148.20 million in the previous year. Despite the decline in revenue which was attributed to lower sales in the Mulpha Norwest and Santuary Cove developments in Australia in the current year, the better performance was mainly due to fair value gain on investment properties located in Australia amounting to RM152.35 million as mentioned above and higher gross profit margin earned on development properties sold.

The hospitality division registered revenue of RM451.11 million and pre-tax profit of RM31.85 million for the year ended 31 December 2017 as compared to revenue of RM504.90 million and pre-tax profit of RM27.70 million in the previous year's corresponding period. Despite the decline in revenue which was attributed to the temporary closure of Hayman Island Resort, the higher pre-tax profit was mainly due to better performance in InterContinental Sydney driven by improved room rates and positive contributions from Rydges Cairns, a newly acquired hotel in December 2016 as well as insurance recoveries net off impairment of assets, assets written off and provision for repairs relating to Hayman Island Resort.

The investment and other activities division recorded a pre-tax loss of RM58.50 million for the year ended 31 December 2017 as compared to a pre-tax loss of RM163.66 million in the previous year. The lower pre-tax loss was mainly attributed to the loss on disposal of associated companies of RM108.91 million recognised in previous year which arose mostly from the derecognition of Mudajaya Group Berhad as an associate company to investment securities.

(ii) Financial Position Analysis

Total Assets	AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
Property, plant and equipment	**955,760**	1,160,661
Inventories	**1,380,273**	1,462,635
Investment in associates	**1,427,056**	1,243,438
Investment properties	**941,078**	813,098
Investment securities	**331,834**	363,926
Cash and cash equivalents	**488,350**	365,017
Others	**325,277**	324,393
Total	**5,849,628**	5,733,168

B1. Review of performance (Cont'd)

(b) Current Year-to-date vs. Previous Year-to-date (Cont'd)

(ii) Financial Position Analysis (Cont'd)

The Group's assets increased by 2% to RM5.85 billion as at 31 December 2017 mainly attributable to increases in investment properties and associated company investments, partially offset by decreases in property, plant and equipment and inventories.

The increase in investment properties was mainly attributable to the fair value gain on investment properties of RM152.35 million located in Australia which were primarily driven by growth in commercial properties market rental. The increase in investment in associates was due to higher share of associated company profits of RM214.04 million recognised in the current year.

The decrease in property, plant and equipment was mainly attributed to an impairment loss and assets written off totalling RM163.07 million on Hayman Island Resort as well as depreciation of RM73.14 million recognised during the year. This was offset by additions of property, plant and equipment amounting to RM64.40 million. The decrease in inventories was mainly attributed to Hayman development inventories written off amounting to RM81.08 million.

Total Liabilities	AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
Loans and Borrowings	**2,141,513**	2,414,138
Others	**393,183**	341,414
Total	**2,534,696**	2,755,552

The Group's total liabilities decreased by 8% to RM2.53 billion as at 31 December 2017 which was mainly attributable to repayment of borrowings during the year.

Total Equity	AS AT 31.12.2017 RM'000	AUDITED AS AT 31.12.2016 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	**3,315,052**	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 RM369.19 million. The increase in share capital was due to the transfer from share premium and capital reserves amounting to RM217.86 million and RM221.50 million respectively in compliance with the Companies Act 2016 following the no par value concept such that any amounts standing to the credit of the share premium account and capital redemption reserve become part of the Company's share capital.

B2. Comparisons With Preceding Quarter's Results

	CURRENT QUARTER ENDED 31.12.2017	PRECEDING QUARTER ENDED 30.09.2017	CHANGES	
	RM'000	RM'000	RM'000	%
Revenue	**387,282**	270,845	116,437	43%
Profit from operations	**205,064**	64,448	140,616	>100%
Profit before interest and tax	**314,435**	89,456	224,979	>100%
Profit before tax	**290,228**	64,347	225,881	>100%
Profit after tax	**228,418**	46,738	181,680	>100%
Profit attributable to:				
Owners of the Company	**228,566**	46,716	181,850	>100%

The Group recorded revenue of RM387.28 million and pre-tax profit of RM290.23 million for the 4th quarter 2017 compared with revenue of RM270.85 million and pre-tax profit of RM64.35 million for 3rd quarter of 2017. The better performance was mainly attributable to higher contribution from property division by RM133.95 million and higher share of associate profits by RM65.68 million, offset by weaker performance in investment and other divisions as elaborated below.

The property division recorded revenue of RM261.44 million and pre-tax profit of RM202.58 million for the 4th quarter 2017 compared with revenue of RM156.60 million and pre-tax profit of RM68.63 million for the 3rd quarter of 2017. The better performance was mainly attributed to higher sales in both Mulpha Norwest and Sanctuary Cove developments in Australia as well as fair value gain on investment properties located in Australia amounting to RM153.30 million as mentioned above, offset by Hayman development inventories written off amounting to RM81.08 million.

The hospitality division recorded revenue of RM111.38 million and pre-tax profits of RM27.08 million for the 4th quarter 2017 compared with revenue of RM99.80 million and pre-tax profit of RM14.81 million for the 3rd quarter of 2017. The better performance was due to seasonal factors as well as insurance recoveries net off impairment of assets, assets written off and provision for repairs relating to Hayman Island Resort which were recognised in the current quarter.

The investment and others division recorded a pre-tax loss of RM24.60 million for the 4th quarter 2017 compared with pre-tax loss of RM18.99 million for the 3rd quarter of 2017. The higher pre-tax loss was mainly attributed to higher operating expenses in the current quarter.

B3. Prospects

The Group anticipates that trading in its hospitality division will remain positive in the short term with continued strong demand in the tourism and business sectors. In the medium term increased supply of rooms in the Sydney and Cairns market may place pressure on room rates and occupancy levels.

The Australian residential property development business has seen some slowing in demand from greater restrictions on lending by Australian and offshore banks, increased taxes on foreign property purchasers and greater fears of oversupply in the Sydney apartment market. These pressures have not as yet had any material impact on results but may slow the rate of sales to foreign buyers in future years. Accordingly greater emphasis is being placed on attracting local buyers.

Real estate demand at Leisure Farm in Iskandar Malaysia remains weak after a significant slowing in interest from Chinese buyers and increased local competition. These influences are expected to remain for some time.

Commercial real estate investment properties continue to benefit from strong underlying fundamentals and we expect this division to deliver consistent results supported by strong underlying tenant leases. The Group remains cautious in relation to further acquisitions in investment properties in the short term given the historically high sales prices being achieved in the Australian market.

B4. Variance from Profit Forecast or Profit Guarantee

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

B5. Profit Before Tax

	4th Quarter Ended		12 Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Bad debt recovered	(2)	(31)	(13)	(37)
Bad debt written off	61	15	61	15
Depreciation and amortisation	21,319	15,657	73,138	60,258
Dividend income	(9)	(4)	(138)	(23)
Fair value adjustment of investment properties	(153,298)	(1,162)	(152,346)	(1,162)
Fair value gain on financial assets at fair value through profit or loss	(62)	(439)	(588)	(295)
Foreign exchange loss/(gain)				
- Realised	8,394	(13,755)	9,215	8,164
- Unrealised	186	(319)	422	(207)
Gain on disposal of investment properties	7	-	(2,325)	-
Gain on dilution of interests in an associate	-	(605)	-	(41,352)
Gain on partial disposal of associates	-	-	(25)	-
Gain/(Loss) on disposal of investment securities	-	696	(924)	696
Interest income	(5,899)	(1,738)	(23,510)	(5,410)
Interest expense	24,207	24,201	99,732	103,081
Impairment loss on trade and other receivables	264	374	1,025	710
Impairment/(reversal) loss on property, plant and equipment	99,952	(7,717)	133,152	(7,717)
Impairment loss in investment in associates	-	12,237	-	12,237
Inventories written down	81,083	90,578	81,083	90,578
Insurance recoveries	(267,133)	(1,712)	(331,369)	(1,837)
Loss on disposal of property, plant and equipment	184	-	230	-
Loss on disposal of associates	-	-	-	108,919
Loss on derivatives	-	1,074	2,512	2,963
Property, plant and equipment written off	29,817	(57)	29,919	-
Provision for foreseeable loss on inventories	2,296	-	2,296	-
Provision for foreseeable loss on onerous contract	1,411	-	1,411	-
Provision for repairs	98,338	-	98,338	-
(Reversal)/impairment loss on investment securities	(42)	130	(68)	247
Rental income	(3,471)	480	(15,210)	(30,578)

B6. Income tax expense/(benefit)

	4th Quarter Ended		12 Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
Malaysian - current	(96)	(258)	55	43
- prior year	-	(6,360)	1	(7,852)
Overseas - current	20,331	-	20,331	-
- prior year	-	2,320	-	-
	20,235	(4,298)	20,387	(7,809)

B6. Income tax expense/(benefit) (Cont'd)

	4th Quarter Ended		12 Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax				
Origination and reversal of temporary differences	71,690	5,693	85,460	5,693
Underprovision in prior year	517	12,335	7,811	12,335
Tax benefit arising from previously unrecognised tax losses	(30,632)	(19,116)	(30,632)	(19,116)
	41,575	(1,088)	62,639	(1,088)
Income tax expense/(benefit)	61,810	(5,386)	83,026	(8,897)

The effective tax rate of the Group for the financial year ended 31 December 2017 under review is lower than the statutory rate of 24% was mainly due to certain income which not subject to tax. This is alleviated by certain expenses which are not deductible and deferred tax assets not recognised.

B7. Status of Corporate Proposals

(a) Proposed renounceable two-call rights issue ("Rights Issue")

On 14 June 2016, the Company had 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 had raised gross proceeds of RM266.71 million, which has 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 %	Explanations
(i)	Repayment of borrowings	200,000	200,000	July 2016	N/A	-	Note 1
(ii)	Working capital	65,626	63,503	June 2018	N/A	-	
(iii)	Estimated expenses in relation to the Corporate Exercise	1,080	1,803	June 2016	723	66.9%	Note 2

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.

2 Disbursement expenses in excess of estimated cost were borne by the Company's internally generated funds.

(b) Share consolidation

The Company has undertaken a share consolidation involving the consolidation of every 10 existing ordinary shares 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 have been 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, being the next market day immediately after the entitlement date.

B8. Group Loans and Borrowings

The details of the loans and borrowings as at 31 December 2017 are as follows:-

	4th Quarter Ended 2017											
	Long term				Short term				Total borrowings			
	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000
Secured												
Overdraft	RM			-	RM			798	RM			798
Revolving Credit	RM			-	RM			64,330	RM			64,330
Term loans	RM			24,742	RM			925	RM			25,667
Term loans	HKD	372,686	0.52	193,722	HKD	-	0.52	-	HKD	372,686	0.52	193,722
Term loans	USD	19,886	4.06	80,738	USD	1,853	4.06	7,523	USD	21,739	4.06	88,261
Term loans	AUD	181,500	3.17	575,355	AUD	235,850	3.17	747,645	AUD	417,350	3.17	1,323,000
Finance Lease	AUD	2,770	3.17	8,781	AUD	7	3.17	22	AUD	2,777	3.17	8,803
Bills payable	AUD	16,558	3.17	52,488	AUD	667	3.17	2,114	AUD	17,225	3.17	54,602
Bonds	AUD	119,209	3.17	377,892	AUD	1,400	3.17	4,438	AUD	120,609	3.17	382,330
				1,313,718				827,795				2,141,513

It is the Group policy to maintain a natural hedge, whenever possible, by borrowing in the currency of the country, in which the operation, property, or investments is located or by borrowing in currencies that the future income stream to be generated from its investment.

B8. Group Loans and Borrowings (Cont'd)

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

	4th Quarter Ended 2016											
	Long term				Short term				Total borrowings			
	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000
Secured												
Overdraft	RM			-	RM			378	RM			378
Revolving Credit	RM			-	RM			85,480	RM			85,480
Term loans	USD	21,729	4.48	97,344	USD	1,823	4.48	8,165	USD	23,552	4.48	105,509
Term loans	JPY		0.04	-	JPY	261,600	0.04	10,071	JPY	261,600	0.04	10,071
Term loans	HKD	372,686	0.58	215,524	HKD		0.58	-	HKD	372,686	0.58	215,524
Term loans	AUD	416,850	3.25	1,354,763	AUD	20,000	3.25	65,000	AUD	436,850	3.25	1,419,763
Finance Lease	AUD	2,777	3.25	9,025	AUD	28	3.25	88	AUD	2,805	3.25	9,113
Bills payable	AUD	17,218	3.25	55,959	AUD	667	3.25	2,168	AUD	17,885	3.25	58,127
Bonds	AUD	31,621	3.25	102,768	AUD	1,294	3.25	4,205	AUD	32,915	3.25	106,973
Bonds	USD	90,000	4.48	403,200	USD		4.48	-	USD	90,000	4.48	403,200
				2,238,583				175,555				2,414,138

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 Court has fixed the new trials date from 24 to 26 April 2018 and 15 to 17 May 2018 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.

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 year, excluding treasury shares held by the Company as set out below:

	12 Months Ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Profit for the year, amount attributable to equity holders of the parent	369,315	16,800

	12 Months Ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
		(Restated)
Weighted average number of ordinary shares in issue	3,194,870	2,133,654
Effect of share buy back	(133)	(576)
Effect of ordinary share issued on 14 June 2016	-	537,856
Effect of share consolidation	(2,875,263)	(2,403,841)
Weighted average number of ordinary shares at 31 December 2017	319,474	267,093

	12 Months Ended	
	31.12.2017	31.12.2016
	sen	sen
		(Restated)
Basic earnings per share	115.60	6.29

Restated due to consolidation of every 10 existing ordinary shares into 1 ordinary share.