



MAH SING GROUP BERHAD

Company No.: 230149-P
(Incorporated in Malaysia)

Interim Financial Report

31 December 2016

MAH SING GROUP BERHAD

**Company No.: 230149-P
(Incorporated in Malaysia)**

Interim Financial Report - 31 December 2016

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(The figures have been audited)

| | AS AT 31/12/2016 RM'000 | AS AT 31/12/2015 RM'000 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| <i>Property, plant and equipment</i> | 137,619 | 109,538 |
| <i>Prepaid lease payments</i> | 6,841 | 7,000 |
| <i>Investment properties</i> | 199,816 | 194,816 |
| <i>Land held for property development</i> | 1,111,766 | 1,026,414 |
| <i>Intangible assets</i> | 5,795 | 6,185 |
| <i>Deferred tax assets</i> | 118,045 | 106,721 |
| | <u>1,579,882</u> | <u>1,450,674</u> |
| Current Assets | | |
| <i>Property development costs</i> | 2,294,868 | 2,534,864 |
| <i>Inventories</i> | 359,989 | 190,362 |
| <i>Trade and other receivables</i> | 1,039,732 | 1,062,433 |
| <i>Current tax assets</i> | 21,915 | 18,680 |
| <i>Deposits, cash and bank balances and investment in short-term funds</i> | 923,769 | 1,358,665 |
| | <u>4,640,273</u> | <u>5,165,004</u> |
| TOTAL ASSETS | <u>6,220,155</u> | <u>6,615,678</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Ordinary Equity Holders of the Company | | |
| <i>Share capital</i> | 1,204,711 | 1,204,709 |
| <i>Share premium</i> | 540,816 | 540,810 |
| <i>Other reserves</i> | 72,484 | 87,927 |
| <i>Retained earnings</i> | 1,470,100 | 1,302,176 |
| | <u>3,288,111</u> | <u>3,135,622</u> |
| Perpetual Sukuk | 540,000 | 540,000 |
| Non-Controlling Interests | 8,016 | 8,473 |
| Total Equity | <u>3,836,127</u> | <u>3,684,095</u> |
| Non-Current Liabilities | | |
| <i>Redeemable convertible secured bonds</i> | - | 292,008 |
| <i>Term loans</i> | 859,085 | 1,099,789 |
| <i>Long term and deferred payables</i> | 12,357 | 15,342 |
| <i>Deferred tax liabilities</i> | 16,220 | 16,793 |
| | <u>887,662</u> | <u>1,423,932</u> |
| Current Liabilities | | |
| <i>Trade and other payables</i> | 1,311,706 | 1,364,730 |
| <i>Term loans</i> | 126,951 | 91,921 |
| <i>Short term borrowings</i> | 15,404 | 10,260 |
| <i>Bank overdrafts</i> | - | 264 |
| <i>Current tax liabilities</i> | 42,305 | 40,476 |
| | <u>1,496,366</u> | <u>1,507,651</u> |
| Total Liabilities | <u>2,384,028</u> | <u>2,931,583</u> |
| TOTAL EQUITY AND LIABILITIES | <u>6,220,155</u> | <u>6,615,678</u> |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | <u>1.36</u> | <u>1.30</u> |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 December 2016

(The figures have been audited)

| | 3 months ended | | Year ended | | |
|--|------------------|-------------|--------------------|--------------|-------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | |
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Revenue | 742,180 | 773,136 | 2,957,617 | 3,108,506 | |
| Cost of sales | (562,045) | (579,340) | (2,212,152) | (2,314,138) | |
| Gross profit | 180,135 | 193,796 | 745,465 | 794,368 | |
| Other income | 13,328 | 35,167 | 31,301 | 58,852 | |
| Selling and marketing expenses | (35,073) | (28,382) | (121,475) | (127,030) | |
| Administrative and other expenses | (48,266) | (56,700) | (177,715) | (226,227) | |
| Interest income | 3,651 | 2,809 | 9,696 | 10,054 | |
| Finance costs | (930) | (1,305) | (4,333) | (6,324) | |
| Profit before tax | 112,845 | 145,385 | 482,939 | 503,693 | |
| Income tax expense | (27,450) | (32,502) | (122,627) | (119,059) | |
| Profit for the year | 85,395 | 112,883 | 360,312 | 384,634 | |
| Profit attributable to: | | | | | |
| Equity holders of the Company | 85,612 | 112,891 | 361,357 | 386,677 | |
| Non-controlling interests | (217) | (8) | (1,045) | (2,043) | |
| | 85,395 | 112,883 | 360,312 | 384,634 | |
| Earnings per share attributable to ordinary equity holders of the Company: | | | | | |
| - Basic (sen) | Note B13(a) | 3.55 | 4.69 | 13.47 | 15.73 |
| - Diluted (sen) | Note B13(b) | 3.55 | 4.57 | 13.46 | 15.35 |

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2016

(The figures have been audited)

| | 3 months ended | | Year ended | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the year | 85,395 | 112,883 | 360,312 | 384,634 |
| Other comprehensive income | | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | |
| Foreign currency translation difference for foreign operations | 1,363 | 1,204 | 1,749 | 2,694 |
| Other comprehensive income for the year | 1,363 | 1,204 | 1,749 | 2,694 |
| Total comprehensive income for the year | 86,758 | 114,087 | 362,061 | 387,328 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | 86,545 | 113,766 | 362,518 | 388,537 |
| Non-controlling interests | 213 | 321 | (457) | (1,209) |
| | 86,758 | 114,087 | 362,061 | 387,328 |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016
(The figures have been audited)

| | Attributable to ordinary equity holders of the Company | | | | | | Total | Perpetual Sukuk | Non- controlling interests | Total Equity |
|---|--|------------------|---------------------|------------------------------------|------------------|----------------------|-----------|--------------------|----------------------------------|-----------------|
| | Non-Distributable | | | Distributable | | | | | | |
| | Share capital | Share premium | Warrants reserve | Exchange fluctuation reserve | Other reserve | Retained earnings | | | | |
| Year ended 31 December 2016 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance at 1/1/2016 | 1,204,709 | 540,810 | 64,344 | 6,980 | 16,603 | 1,302,176 | 3,135,622 | 540,000 | 8,473 | 3,684,095 |
| Amount recognised directly in equity: | | | | | | | | | | |
| Profit for the financial year | - | - | - | - | - | 361,357 | 361,357 | - | (1,045) | 360,312 |
| Other comprehensive income | - | - | - | 1,161 | - | - | 1,161 | - | 588 | 1,749 |
| Total comprehensive income for the year | - | - | - | 1,161 | - | 361,357 | 362,518 | - | (457) | 362,061 |
| Dividends for the financial year ended 31 December 2015 | - | - | - | - | - | (156,612) | (156,612) | - | - | (156,612) |
| Issuance of ordinary shares pursuant to warrants exercised | 2 | 6 | (1) | - | - | - | 7 | - | - | 7 |
| Distribution paid to holders of Perpetual Sukuk | - | - | - | - | - | (36,821) | (36,821) | - | - | (36,821) |
| Repurchase of redeemable convertible bonds | - | - | - | - | (16,603) | - | (16,603) | - | - | (16,603) |
| Balance at 31/12/2016 | 1,204,711 | 540,816 | 64,343 | 8,141 | - | 1,470,100 | 3,288,111 | 540,000 | 8,016 | 3,836,127 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

(The figures have been audited)

| | Attributable to ordinary equity holders of the Company | | | | | | Perpetual Sukuk | Non- controlling interests | Total Equity | |
|--|--|------------------|---------------------|------------------------------------|------------------|----------------------|--------------------|----------------------------------|-----------------|-----------|
| | Non-Distributable | | | Distributable | | | | | | |
| | Share capital | Share premium | Warrants reserve | Exchange fluctuation reserve | Other reserve | Retained earnings | Total | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Year ended 31 December 2015 | | | | | | | | | | |
| Balance at 1/1/2015 | 738,055 | 394,557 | 43,451 | 5,120 | 17,129 | 1,090,521 | 2,288,833 | - | 9,682 | 2,298,515 |
| Amount recognised directly in equity: | | | | | | | | | | |
| Profit for the financial year | - | - | - | - | - | 386,677 | 386,677 | - | (2,043) | 384,634 |
| Other comprehensive income | - | - | - | 1,860 | - | - | 1,860 | - | 834 | 2,694 |
| Total comprehensive income for the year | - | - | - | 1,860 | - | 386,677 | 388,537 | - | (1,209) | 387,328 |
| Dividends for the financial year ended 31 December 2014 | - | - | - | - | - | (156,612) | (156,612) | - | - | (156,612) |
| Expenses on issuance of ordinary shares | - | (7,972) | - | - | - | - | (7,972) | - | - | (7,972) |
| Issuance of ordinary shares pursuant to: | | | | | | | | | | |
| - Warrants exercised | 611 | 2,218 | (380) | - | - | - | 2,449 | - | - | 2,449 |
| - Rights Issue with warrants | 221,593 | 386,457 | 21,273 | - | - | - | 629,323 | - | - | 629,323 |
| - Bonus Issue | 240,064 | (240,064) | - | - | - | - | - | - | - | - |
| - Conversion of redeemable convertible bonds | 4,386 | 5,614 | - | - | (526) | - | 9,474 | - | - | 9,474 |
| Issuance of Perpetual Sukuk | - | - | - | - | - | - | - | 540,000 | - | 540,000 |
| Distribution paid to holders of Perpetual Sukuk | - | - | - | - | - | (18,410) | (18,410) | - | - | (18,410) |
| Balance at 31/12/2015 | 1,204,709 | 540,810 | 64,344 | 6,980 | 16,603 | 1,302,176 | 3,135,622 | 540,000 | 8,473 | 3,684,095 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016
(The figures have been audited)

| | 12 months ended 31/12/2016 RM'000 | 12 months ended 31/12/2015 RM'000 |
|--|--|--|
| Operating Activities | | |
| Profit before tax | 482,939 | 503,693 |
| Adjustments for: | | |
| Non-cash items | 35,142 | 23,468 |
| Non-operating items | 43,065 | 14,804 |
| Operating profit before changes in working capital | 561,146 | 541,965 |
| Net change in property development costs | 30,251 | (78,395) |
| Net change in inventories | 56,504 | 27,606 |
| Net change in receivables | (33,629) | (559) |
| Net change in accrued billings | 60,904 | (353,760) |
| Net change in payables | 23,978 | (13,909) |
| Net change in progress billings | (77,130) | (140,743) |
| Cash generated from/(used in) operations | 622,024 | (17,795) |
| Interest received | 26,786 | 36,510 |
| Interest paid | (56,417) | (63,940) |
| Net tax paid | (139,030) | (153,079) |
| Net cash generated from/(used in) operating activities | 453,363 | (198,304) |
| Investing Activities | | |
| Additions to property, plant and equipment | (34,929) | (9,417) |
| Additions to investment properties | - | (17,817) |
| Additions to land held for property development | (119,837) | (82,570) |
| Acquisition of land | - | (86,393) |
| Refund of deposits from acquisition of land | - | 95,076 |
| Proceeds from disposal of property, plant and equipment | 487 | 547 |
| Net cash used in investing activities | (154,279) | (100,574) |
| Financing Activities | | |
| Dividends paid to shareholders of the Company | (156,612) | (156,612) |
| Distribution paid to holders of Perpetual Sukuk | (36,821) | (18,410) |
| Issuance of Perpetual Sukuk | - | 540,000 |
| Net (repayment of)/proceeds from borrowings | (203,235) | 39,585 |
| Net withdrawal/(placement) of deposits with licensed banks pledged as collateral/Escrow Accounts/Trustees' Reimbursement Account | 35,377 | (53,035) |
| Repurchase of redeemable convertible secured bonds | (337,100) | - |
| Payment of bonds coupon | - | (10,400) |
| Payment for corporate exercise expenses | - | (7,972) |
| Proceeds from Rights Issue | - | 629,323 |
| Proceeds from warrants exercised | 7 | 2,449 |
| Net cash (used in)/generated from financing activities | (698,384) | 964,928 |
| Net changes in cash and cash equivalents | (399,300) | 666,050 |
| Effect of exchange rate changes | 46 | 140 |
| Cash and cash equivalents at beginning of the financial year | 1,280,020 | 613,830 |
| Cash and cash equivalents at end of the financial year | 880,766 | 1,280,020 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016 (continued)

(The figures have been audited)

Cash and cash equivalents at the end of the financial year comprise the followings:

| | 12 months ended 31/12/2016 RM'000 | 12 months ended 31/12/2015 RM'000 |
|---------------------------------------|--|--|
| Deposits with licensed banks | 227,451 | 167,768 |
| Investment in short-term funds | 133,039 | 744,434 |
| Cash and bank balances | 563,279 | 446,463 |
| Bank overdrafts | - | (264) |
| | 923,769 | 1,358,401 |
| Less: Debts Service Reserve Account | - | (61,996) |
| Less: Deposits in Escrow Accounts | (37,126) | (10,871) |
| Less: Deposits pledged as collateral | (5,847) | (5,484) |
| Less: Trustees' Reimbursement Account | (30) | (30) |
| | 880,766 | 1,280,020 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

A Explanatory notes

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards No. 134 : Interim Financial Reporting and with IAS14 Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2015 save for the adoption of the following:

| | |
|----------|---|
| MFRS 10 | Consolidated Financial Statements (Amendments relating to Investment Entities: Applying the Consolidation Exception) |
| MFRS 11 | Joint Arrangements (Amendments relating to Accounting for Acquisitions of Interests in Joint Operations) |
| MFRS 12 | Disclosures of Interests in Other Entities (Amendments relating to Investment Entities : Applying the Consolidation Exception) |
| MFRS 14 | Regulatory Deferral Accounts |
| MFRS 101 | Presentation of Financial Statements (Amendments relating to Disclosure Initiative) |
| MFRS 116 | Property, Plant and Equipment (Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation) |
| MFRS 116 | Property, Plant and Equipment (Amendments relating to Agriculture: Bearer Plants) |
| MFRS 127 | Separate Financial Statements (Amendments relating to Equity Method in Separate Financial Statements) |
| MFRS 128 | Investments in Associates and Joint Ventures (Amendments relating to Investment Entities: Applying the Consolidation Exception) |
| MFRS 138 | Intangible Assets (Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation) |
| | Annual Improvements to MFRSs 2012- 2014 cycle |

The adoption of the above MFRS, amendments to MFRSs and annual improvements to MFRS does not have any material impact on the financial statements of the Group.

A2 Seasonal or cyclical factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors during the financial year under review.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial year under review.

A4 Changes in estimates

There were no material changes in estimates for the financial year under review.

MAH SING GROUP BERHAD (230149-P)
(Incorporated in Malaysia)

A5 Debt and equity securities

During the financial year ended 31 December 2016, the Company increased its issued and paid up share capital from RM1,204,708,614 to RM1,204,710,953.50 by way of issuance of 4,679 new ordinary shares of RM0.50 each pursuant to the exercise of Warrant B 2013/2018.

The Company had on 7 March 2016 completed the first tranche repurchase of RM100.0 million nominal value of redeemable convertible secured bonds of the Company ("CBs"). Subsequently, the Company had completed the second tranche repurchase of RM215.0 million nominal value of CBs on 1 April 2016. Following the completion of the second tranche CBs repurchase, the RM315.0 million nominal value of CBs has been cancelled accordingly.

Save for the above, there were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares during the financial year under review.

A6 Dividends paid

On 15 September 2016, the Company paid a first and final single-tier dividend of 6.5 sen per ordinary share of RM0.50 each amounted to RM156,612,125.86 in respect of the financial year ended 31 December 2015.

A7 Segment reporting

Year ended 31 December 2016

| | Properties RM'000 | Plastics RM'000 | Investment Holding & Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--------------------------------------|----------------------|--------------------|---|-----------------------|------------------------|
| REVENUE | | | | | |
| External revenue | 2,626,784 | 259,397 | 71,436 | - | 2,957,617 |
| Inter-segment | - | 4 | 492,710 | (492,714) | - |
| | <u>2,626,784</u> | <u>259,401</u> | <u>564,146</u> | <u>(492,714)</u> | <u>2,957,617</u> |
| RESULTS | | | | | |
| Operating profit/(loss) | 469,940 | 15,916 | (8,280) | - | 477,576 |
| Interest income | 9,488 | 208 | - | - | 9,696 |
| Finance costs | (2,625) | (1,450) | (258) | - | (4,333) |
| Profit/(loss) before tax | 476,803 | 14,674 | (8,538) | - | 482,939 |
| Income tax expense | | | | | (122,627) |
| Profit for the year | | | | | <u>360,312</u> |
| OTHER INFORMATION | | | | | |
| Capital expenditure | 8,503 | 34,032 | 1,078 | - | 43,613 |
| Depreciation and amortisation | 4,672 | 13,075 | 219 | - | 17,966 |
| ASSETS AND LIABILITIES | | | | | |
| Segment assets | 5,531,494 | 232,472 | 316,229 | - | 6,080,195 |
| Current and deferred tax assets | | | | | 139,960 |
| Total assets | | | | | <u>6,220,155</u> |
| Segment liabilities | 2,226,255 | 86,251 | 12,997 | - | 2,325,503 |
| Current and deferred tax liabilities | | | | | 58,525 |
| Total liabilities | | | | | <u>2,384,028</u> |

MAH SING GROUP BERHAD (230149-P)
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A7 Segment reporting (continued)

Year ended 31 December 2015

| | Properties RM'000 | Plastics RM'000 | Investment Holding & Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--------------------------------------|----------------------|--------------------|---|-----------------------|------------------------|
| REVENUE | | | | | |
| External revenue | 2,810,945 | 231,917 | 65,644 | - | 3,108,506 |
| Inter-segment | - | 8 | 203,243 | (203,251) | - |
| | <u>2,810,945</u> | <u>231,925</u> | <u>268,887</u> | <u>(203,251)</u> | <u>3,108,506</u> |
| RESULTS | | | | | |
| Operating profit | 457,859 | 14,233 | 27,871 | - | 499,963 |
| Interest income | 9,994 | 57 | 3 | - | 10,054 |
| Finance costs | (3,078) | (1,701) | (1,545) | - | (6,324) |
| Profit before tax | <u>464,775</u> | <u>12,589</u> | <u>26,329</u> | - | <u>503,693</u> |
| Income tax expense | | | | | (119,059) |
| Profit for the year | | | | | <u>384,634</u> |
| OTHER INFORMATION | | | | | |
| Capital expenditure | 4,412 | 5,052 | 167 | - | 9,631 |
| Depreciation and amortisation | 4,839 | 12,784 | 381 | - | 18,004 |
| ASSETS AND LIABILITIES | | | | | |
| Segment assets | 5,416,110 | 185,157 | 889,010 | - | 6,490,277 |
| Current and deferred tax assets | | | | | 125,401 |
| Total assets | | | | | <u>6,615,678</u> |
| Segment liabilities | 2,520,455 | 52,870 | 300,989 | - | 2,874,314 |
| Current and deferred tax liabilities | | | | | 57,269 |
| Total liabilities | | | | | <u>2,931,583</u> |

A8 Material subsequent events

Save as disclosed in B6, there were no material events subsequent to the reporting date up to 21 February 2017, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

MAH SING GROUP BERHAD (230149-P)
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A9 Related party transactions

Transactions with Directors of the Company and subsidiary companies and companies in which they have interests:

| | 01/01/2016 |
|--|--------------------------|
| | to |
| | 31/12/2016 |
| | RM'000 |
| (i) Rental paid to a Company in which a Director of the Company has interest | 1,538 |
| (ii) Maintenance services rendered by a company in which the Directors are family members of a Director of the Company | 175 |
| (iii) Professional fees paid to firms in which Directors of subsidiary companies have interest | 1,568 |
| (iv) Sales of plastic products to a company limited by guarantee in which a Director of the Company is a trustee | 20 |
| | <u><u> </u></u> |

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

A11 Changes in contingent liabilities or contingent assets

There were no contingent assets. Contingent liabilities of the Group are as follows:

| | 31/12/2016 | 31/12/2015 |
|--|-----------------------------|----------------------|
| | RM'000 | RM'000 |
| Bank guarantees issued in favour of third parties | 77,952 | 52,321 |
| Corporate guarantees issued in favour of third parties | 6,877 | 7,178 |
| | <u><u>84,829</u></u> | <u><u>59,499</u></u> |

A12 Capital commitments

| | 31/12/2016 |
|---|------------------------------|
| | RM'000 |
| Contractual commitment in relation to: | |
| - Proposed acquisition of development land | 294,729 |
| - Development Agreement for proposed development of land in Kota Kinabalu | 158,740 |
| Commitment for acquisition of property, plant and equipment: | |
| - Approved and contracted for | 10,297 |
| | <u><u>463,766</u></u> |

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A13 Operating lease commitments

As Lessee - for the lease of commercial and residential buildings

The future operating lease commitments for rental of commercial and residential buildings (net of lease rental receivables from sublease) contracted for as at reporting date are as follows:

| | <u>Lease rental payables</u> | | <u>Lease rental receivables</u> | | <u>Net</u> | |
|-------------------------|------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Commercial properties: | | | | | | |
| Less than one year | 7,164 | 6,377 | (1,002) | (765) | 6,162 | 5,612 |
| One to two years | 3,135 | 6,377 | (1,313) | (1,014) | 1,822 | 5,363 |
| | 10,299 | 12,754 | (2,315) | (1,779) | 7,984 | 10,975 |
| Residential properties: | | | | | | |
| Less than one year | 2,801 | 4,619 | (310) | (266) | 2,491 | 4,353 |
| One to two years | 3 | 2,282 | - | (96) | 3 | 2,186 |
| | 2,804 | 6,901 | (310) | (362) | 2,494 | 6,539 |
| | 13,103 | 19,655 | (2,625) | (2,141) | 10,478 | 17,514 |
| | | | | | (10,478) | (17,514) |
| | | | | | - | - |

During the financial year, the Group has recognised in profit or loss leaseback rental and provision for future lease commitments amounting to a total of RM1.2 million (2015: RM19.39 million) and rental income from sublease amounting to RM0.2 million (2015: RM0.2 million).

As Lessee - for the lease of premises and motor vehicles

The future minimum lease commitment for rental of premises and motor vehicles under non-cancellable operating leases as at reporting date are as follow:-

| | <u>Lease rental payables</u> |
|-------------------------------|------------------------------|
| | 31/12/2016 |
| | RM'000 |
| Less than one year | 3,018 |
| One year to less than 3 years | 1,981 |
| | 4,999 |

As Lessor - for the lease of investment properties

The Group leases out its investment properties. The future minimum lease receivables under non-cancellable leases is as follow:-

| | <u>Lease rental receivables</u> |
|-------------------------------|---------------------------------|
| | 31/12/2016 |
| | RM'000 |
| Less than one year | 3,868 |
| One year to less than 3 years | 2,861 |
| | 6,729 |

B Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of Group performance

The Group posted revenue of approximately RM3.0 billion for the year ended 31 December 2016, slightly lower by 4.9% compared to the previous financial year mainly due to lower contribution from **M City** in Jalan Ampang and **Icon City** in Petaling Jaya that were at tail end of development in 2016. Net profit for the year ended 31 December 2016 was approximately RM361.4 million, a decrease of 6.5% compared to the previous financial year mainly due to recognition of a fair value gain on an investment property, Star Avenue of approximately RM29.5 million in 2015, coupled with the repurchase of RM315 million nominal value of redeemable convertible secured bonds at a purchase consideration of RM337.1 million in 2016.

On a quarterly basis, the Group recorded net profit of approximately RM85.6 million and revenue of approximately RM742.2 million. This is lower compared to net profit of approximately RM112.9 million over the same quarter last year which was boosted by a fair value gain on investment property of RM29.5 million as mentioned above.

As at 31 December 2016, the Group's cash and bank balances amounted to approximately RM923.8 million, with low net gearing ratio of 0.02 times.

Property development

For the year ended 31 December 2016, revenue from property development was approximately RM2.6 billion and operating profit was approximately RM469.9 million. The operating profit increased by 2.6% mainly due to lower selling, marketing and administrative expenses during the current financial year. The revenue decreased by 6.6% was mainly due to lower contribution from **M City** in Jalan Ampang and **Icon City** in Petaling Jaya that were at tail end of development during current financial year.

Other development projects in Greater KL and Klang Valley that contributed to the Group's results include **Southville City @ KL South**, **Lakeville Residence** in Taman Wahyu and **D'sara Sentral** in Sungai Buloh, **M Residence** and **M Residence 2 @ Rawang**, **Garden Residence**, **Clover @ Garden Residence** and **Garden Plaza** in Cyberjaya, **Kinrara Residence** in Puchong, **Icon Residence** in Mont' Kiara and **Star Avenue @ D'sara**. Projects in Penang Island i.e. **Southbay City**, **Legenda @ Southbay** and **Ferringhi Residence**, and projects in Iskandar, Johor Bahru i.e. **The Meridin @ Medini**, **Meridin East**, **Sierra Perdana**, **Mah Sing i-Parc @ Port of Tanjung Pelepas**, **Austin Perdana** and **Sri Pulai Perdana 2** as well as **Sutera Avenue** in Kota Kinabalu, Sabah also contributed.

The Group achieved cumulative property sales of approximately RM1.78 billion for the year ended 31 December 2016.

Plastics

The plastics segment continued to contribute positively to Group performance. Revenue grew by 11.8% from approximately RM231.9 million to RM259.4 million and operating profits improved by 11.8% from RM14.2 million to RM15.9 million as a result of higher sales of pallet, automotive and electrical parts.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds and the trading of building materials. Segment result was affected by the repurchase of RM315.0 million nominal value of redeemable convertible secured bonds at a purchase consideration of RM337.1 million.

B2 Material change in quarterly results compared with the immediate preceding quarter

The Group's current quarter profit before tax of approximately RM112.8 million was lower compared to the immediate preceding quarter of approximately RM123.4 million. The fluctuation in quarterly results was mainly due to higher profit recognition from completed projects in the immediate preceding quarter.

B3 Prospects for the next financial year

While the market is characterized by short term uncertainties, the Group will monitor closely the evolving market conditions and ensure that it remains responsive and stays resilient in all business cycles. The Group's disciplined financial management, low net gearing, strong portfolio of diversified projects in various stages of development ensured stability in liquidity and financial capabilities to sustain continued satisfactory performance.

Despite a more demanding business landscape due to macroeconomic conditions, tight lending and property related policies, demand remains stable for attractively priced residential properties in the right locations. With a major focus on first time home buyers and upgraders, the Group will continue to strengthen its presence in the residential markets especially in Greater Kuala Lumpur and Klang Valley. Negotiations are underway and the Group continues to be on selective look out for opportunistic land acquisitions or joint developments.

The Group has embarked on a group-wide transformation initiative to further build on and elevate itself from its sound foundation and strong branding. The focus of its corporate and marketing rebranding exercise is to stay current with trends and to better engage the young generation.

Property related policies will continue to shape market development. However, from a long-term perspective the local property market is poised to benefit from fundamental demand for homes from a young population and strong households formation. The cultural preference for property as wealth accumulation asset class, and the various opportunities to be presented by public transportation infrastructure development will further lend support to positive development of the property market.

The Group is cautiously optimistic about the current prospects but is confident of the longer term prospects of its business.

B4 Profit forecast

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

B5 Income tax expense

| | 3 months ended | | Year ended | |
|---|----------------|------------|-----------------|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Estimated income tax payable: | | | | |
| Current financial year | 36,775 | 53,263 | 143,735 | 151,158 |
| Under/(Over) provision of income tax in prior year | 4 | - | (6,093) | 5,583 |
| | 36,779 | 53,263 | 137,642 | 156,741 |
| Deferred tax | (9,329) | (20,761) | (15,015) | (37,682) |
| | 27,450 | 32,502 | 122,627 | 119,059 |

The Group's effective tax rate for the current quarter was approximated to statutory tax rate of 24%. However, the effective tax rate for current financial year was higher than the statutory tax rate mainly due to the non deductibility of certain expenses.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 21 February 2017 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report):

- 1) On 5 July 2010, the Company's wholly-owned subsidiary, Grand Prestige Development Sdn Bhd ("**Grand Prestige**") entered into a Joint Venture Agreement ("**JVA**") with Medan Damai Sdn Bhd ("**Medan Damai**") for the joint development of a piece of residential land in Kinrara with total gross area measuring approximately 13.2 acres (net aggregate area of 7.59 acres) in Mukim Petaling, Daerah Petaling, Negeri Selangor Darul Ehsan ("**Kinrara Land**"). Under the terms of the JVA, Medan Damai shall grant Grand Prestige the exclusive rights to continue with the sales and development of the Kinrara Land and in return for an entitlement sum of RM35,403,863.85.

The JVA is pending fulfilment by Medan Damai of certain obligations pertaining to the development components.

- 2) On 26 March 2012, the Company's wholly-owned subsidiary, Capitol Avenue Development Sdn Bhd ("**Capitol Avenue**") entered into a Joint Development Agreement ("**JDA**") with Paduan Hebat Sdn Bhd ("**Paduan Hebat**") for the proposed joint development of a parcel of prime leasehold commercial land measuring approximately 4.26 acres ("**KK Land**") in Kota Kinabalu, Negeri Sabah. Under the terms of the JDA, Paduan Hebat agreed with Capitol Avenue to jointly develop the KK Land for an entitlement of RM39 million. RM25 million of the entitlement for the KK Land shall be satisfied by way of cash and the remaining balance shall be settled by way of conveyance of such number of unit(s) which shall be developed on the KK Land with total value equivalent to RM14 million or such other lesser sum as may be adjusted in accordance with the provisions of the JDA.

On 4 December 2012, all Paduan Hebat's obligations have been fully performed pursuant to the JDA. The development of KK Land has commenced in December 2013.

- 3) On 29 May 2013, the Company's subsidiary, Convention City Development Sdn Bhd ("**Convention City**") entered into a development agreement ("**DA**") with Yayasan Sabah ("**Yayasan Sabah**" or "**Landowner**") for the proposed development of a parcel of prime land measuring approximately 8.33 acres ("**Parcel A**") forming part of all that piece of master land held under title no. 016290976 in the locality of Tanjung Lipat, District of Kota Kinabalu, Negeri Sabah. Under the terms of the DA, Yayasan Sabah agrees to grant an exclusive right to Convention City to develop Parcel A for a cash consideration of RM163 million. Convention City has also been granted an exclusive option to develop 2 parcels of adjacent land with a total land area measuring approximately 5.95 acres ("**Option Land**") at an entitlement price of RM117 million. The option is exercisable by Convention City within 2 years from the date the Landowner procures the separate issue document of title to the Option Land.

Convention City is currently following up with the Landowner on status of the performance of the Landowner's obligations.

- 4) On 12 March 2014, the Company's wholly-owned subsidiary, Enchanting View Development Sdn Bhd ("**Enchanting View**") entered into a sale and purchase agreement ("**SPA**") with Great Doctrine (M) Sdn Bhd ("**Vendor**") for the proposed acquisition of a portion of prime land measuring approximately 85.43 acres forming part of all that piece of leasehold land measuring approximately 77.02 hectares held under master title known as PN 11895, Lot 741 Seksyen 13, Bandar Shah Alam, Daerah Petaling, Negeri Selangor for a cash consideration of RM327,477,110.40.

On 14 September 2015, Enchanting View and the Vendor had by way of exchange of letters, mutually agreed to a 6 month extension of the conversion approval's period and the consent's period, the periods of which will be expiring on 14 March 2016.

On 14 March 2016, the conditions precedent could not be fulfilled within the 6 month extension of the conversion approval's period and the consent's period. Pursuant to clause 2.6 of the sale and purchase agreement which stated that in the event the conditions precedent cannot be fulfilled within the stipulated time and in the absence of any extension of time mutually agreed to by the parties, the parties shall enter into a bona fide discussions to renegotiate the terms of the sale and purchase agreement with a view to reach an amicable settlement or alternative arrangement on the transaction contemplated. Enchanting View has proposed a timeframe of 6 months commencing from 15 March 2016 for the said discussion and renegotiation.

On 14 September 2016, an amicable settlement or alternative arrangement has yet to be reached between the parties. The parties have since agreed to another 6 months commencing from 15 September 2016 up to 14 March 2017 for the parties to continue with the current bona fide discussion to renegotiate the terms of the sale and purchase agreement pursuant to clause 2.6 of the Agreement.

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B6 Status of corporate proposals (continued)

- 5) On 18 December 2015, the Company's wholly-owned subsidiary, Mont Meridian Development Sdn Bhd entered into a conditional sale and purchase agreement with several parties to acquire the entire issued and paid-up share capital of VIP Sanctuary Sdn Bhd ("**VIP**"), a private limited company incorporated in Malaysia, for a cash consideration of RM60,000. The acquisition of VIP is an innovative way for the Company to raise more funds for the Mah Sing Foundation.

The acquisition is currently pending fulfillment of the conditions precedent of the sale and purchase agreement.

B7 Group borrowings

Total group borrowings as at 31 December 2016 were as follows:

| <i>(Denominated in)</i> | Secured RM'000 (RM) | Secured RM'000 (Indonesian Rupiah) | Secured RM'000 (USD) | Total RM'000 |
|---------------------------------|------------------------------------|---|-------------------------------------|-------------------------|
| Term loans payable | | | | |
| - within 12 months | 126,839 | 112 | - | 126,951 |
| - after 12 months | 859,085 | - | - | 859,085 |
| | 985,924 | 112 | - | 986,036 |
| Short term borrowings | 10,000 | 1,998 | 3,406 | 15,404 |
| Finance lease and hire purchase | | | | |
| - within 12 months | 1,203 | 1,232 | - | 2,435 |
| - after 12 months | 987 | 788 | - | 1,775 |
| | 2,190 | 2,020 | - | 4,210 |
| Total | 998,114 | 4,130 | 3,406 | 1,005,650 |

B8 Material litigation

The Group is not engaged in any material litigation as at 21 February 2017, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

B9 Derivatives financial instrument

As at 31 December 2016, there were no outstanding foreign currency forward contracts.

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B10 Realised and unrealised earnings or losses disclosure

The retained earnings as at 31 December 2016 and 31 December 2015 were analysed as follows:

| | 31/12/2016 | 31/12/2015 |
|--|-------------------|------------|
| | RM'000 | RM'000 |
| Total retained earnings of the Group | | |
| - Realised | 1,356,493 | 1,197,374 |
| - Unrealised | 136,765 | 109,487 |
| | 1,493,258 | 1,306,861 |
| Total share of accumulated losses from associated company | | |
| - Realised | (73) | (73) |
| | 1,493,185 | 1,306,788 |
| Consolidation adjustments | (23,085) | (4,612) |
| Total group retained earnings as per consolidated accounts | 1,470,100 | 1,302,176 |

B11 Additional disclosures pursuant to para 16, Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

| | 3 months | Year |
|--|-------------------|-------------------|
| | ended | ended |
| | 31/12/2016 | 31/12/2016 |
| | RM'000 | RM'000 |
| Bad debts written off | - | (15) |
| Depreciation and amortisation | (4,522) | (17,966) |
| Fair value gain on investment property | 5,000 | 5,000 |
| Impairment of intangible assets | (56) | (390) |
| Gain on redemption of investment in short term funds | 87 | 577 |
| Loss on repurchase of redeemable convertible secured bonds | - | (27,141) |
| Net foreign exchange gain | 2,067 | 2,583 |
| Reversal of allowance for doubtful debts - trade receivables | 809 | 7,554 |
| Reversal of write down of inventories | 646 | 685 |
| Write down of inventories | (224) | (224) |

Other than the items above which have been included in profit or loss, there were no impairment of assets or exceptional items which may have an effect on the results for the current financial year ended 31 December 2016.

B12 Dividend proposed

- i) The Board of Directors has proposed first and final single-tier dividend of 6.5 sen per ordinary share of RM0.50 each (2015: 6.5 sen per ordinary share of RM0.50 each) in respect of the financial year ended 31 December 2016, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.
- ii) The date payable of the dividend will be determined at a later date.
- iii) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.

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B13 Earnings per share ("EPS")

(a) Basic EPS

The basic earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares in issue.

| | 3 months ended | | Year ended | |
|--|------------------|------------|------------------|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Net profit for the year (RM'000) | 85,612 | 112,891 | 361,357 | 386,677 |
| Distribution paid to holders of Perpetual Sukuk (RM'000) | - | - | (36,821) | (18,410) |
| Net profit for the year attributable to ordinary equity holders (RM'000) | 85,612 | 112,891 | 324,536 | 368,267 |
| Weighted average number of ordinary shares in issue ('000) | 2,409,422 | 2,409,417 | 2,409,419 | 2,340,937 |
| Basic EPS (sen) | 3.55 | 4.69 | 13.47 | 15.73 |

(b) Diluted EPS

The diluted earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares that would have been in issue assuming conversion of bonds and full exercise of the remaining warrants, adjusted for the number of such ordinary shares that would have been issued at fair value.

| | 3 months ended | | Year ended | |
|---|------------------|------------|------------------|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Net profit for the year attributable to ordinary equity holders (RM'000) | 85,612 | 112,891 | 324,536 | 368,267 |
| Weighted average number of ordinary shares in issue ('000) | 2,409,422 | 2,409,417 | 2,409,419 | 2,340,937 |
| Weighted average number of ordinary shares deemed issued at no consideration ('000) | | | | |
| - Bonds conversion ⁽¹⁾ | n/a | 60,742 | n/a | 55,551 |
| - Warrants B ⁽²⁾ | n/a | 2,704 | 2,341 | 2,441 |
| - Warrants C ⁽³⁾ | n/a | n/a | n/a | n/a |
| Adjusted weighted average number of ordinary shares ('000) | 2,409,422 | 2,472,863 | 2,411,760 | 2,398,929 |
| Diluted EPS (sen) | 3.55 | 4.57 | 13.46 | 15.35 |

⁽¹⁾ During the current financial year, the redeemable convertible secured bonds has been repurchased and cancelled accordingly.

⁽²⁾ The effects of potential ordinary shares arising from the exercises of Warrants B is anti-dilutive for the current quarter and accordingly is excluded from the Diluted EPS computation above.

⁽³⁾ The effects of potential ordinary shares arising from the exercise of Warrants C is anti-dilutive and accordingly is excluded from the Diluted EPS computation above.

B14 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

B15 Comparative figures

Comparative figures, where applicable, have been modified to conform to the current year presentation.

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
28 February 2017