

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

## PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2012

The figures have not been audited

### I(A) CONDENSED CONSOLIDATED INCOME STATEMENT

		CURRENT QUARTER ENDED 30.06.2012 RM'000	COMPARATIVE QUARTER ENDED 30.06.2011 RM'000 (restated)	6 MONTHS CUMULATIVE TO 30.06.2012 RM'000	6 MONTHS CUMULATIVE TO 30.06.2011 RM'000 (restated)
<b>Continuing operations</b>					
Revenue		123,840	140,250	262,430	292,506
Operating expenses		(148,792)	(178,395)	(314,721)	(363,602)
Other operating income		22,056	39,878	48,079	299,397
(Loss)/profit from operations		(2,896)	1,733	(4,212)	228,301
Finance costs		(10,821)	(20,498)	(33,834)	(45,401)
Share of (loss)/profit of associates		(313,436)	2,289	(281,570)	40,479
Share of profit/(loss) of jointly-controlled entities		968	4,906	(326)	3,444
(Loss)/profit before tax	B5	(326,185)	(11,570)	(319,942)	226,823
Income tax expense	B6	3,774	10,308	(727)	(52,402)
(Loss)/profit for the period from continuing operations		(322,411)	(1,262)	(320,669)	174,421
<b>Discontinued operation</b>					
Profit/(Loss) for the period from discontinued operation	A13	-	(1,907)	61,980	701
(Loss)/profit for the period		(322,411)	(3,169)	(258,689)	175,122
Attributable to:					
Owners of the parent		(342,273)	(1,868)	(277,681)	176,868
Non-controlling interests		19,862	(1,301)	18,992	(1,746)
(Loss)/profit for the period		(322,411)	(3,169)	(258,689)	175,122
Earnings/(loss) per share (sen):-	B11				
- Basic/Diluted		(14.89)	(0.08)	(12.08)	7.55

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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

## PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2012

The figures have not been audited

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

<i>Note</i>	CURRENT QUARTER ENDED 30.06.2012 RM'000	COMPARATIVE QUARTER ENDED 30.06.2011 RM'000 (restated)	6 MONTHS CUMULATIVE TO 30.06.2012 RM'000	6 MONTHS CUMULATIVE TO 30.06.2011 RM'000 (restated)
(Loss)/profit for the period	(322,411)	(3,169)	(258,689)	175,122
Foreign currency translation differences for foreign operations	24,653	70,854	(4,538)	57,780
Fair value movement of available-for-sale financial assets	20	2	2,068	58
Revaluation of land and building	-	-	-	6
Share of other comprehensive income of associates	4,672	(1,723)	3,420	(4,230)
Reserves of discontinued operation reclassified to profit or loss	-	-	(7,583)	-
Other comprehensive income/(expense) for the period, net of tax	<u>29,345</u>	<u>69,133</u>	<u>(6,633)</u>	<u>53,614</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(293,066)</u></b>	<b><u>65,964</u></b>	<b><u>(265,322)</u></b>	<b><u>228,736</u></b>
<b>Attributable to :</b>				
Owners of the parent	(313,378)	62,098	(284,190)	225,537
Non-controlling interests	<u>20,312</u>	<u>3,866</u>	<u>18,868</u>	<u>3,199</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(293,066)</u></b>	<b><u>65,964</u></b>	<b><u>(265,322)</u></b>	<b><u>228,736</u></b>

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.6.2012 RM'000	AS AT 31.12.2011 RM'000 (restated)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>A10</i>	1,278,084	1,292,101
Investment properties		21,223	21,216
Prepaid land lease payments		1,130	1,148
Investment in associates		908,457	1,189,634
Investment in jointly-controlled entities		185,020	195,453
Trade and other receivables		7,247	7,228
Other non-current assets		2,285	179
Investment securities		32,862	31,021
Inventories		673,117	661,962
Goodwill		9,137	9,137
		<b>3,118,562</b>	<b>3,409,079</b>
<b>CURRENT ASSETS</b>			
Inventories		414,505	399,436
Trade and other receivables		92,145	213,743
Other current assets		17,694	19,209
Investment securities		9,069	10,633
Derivative assets		-	44
Income tax recoverable		1,493	949
Cash and bank balances		296,066	298,012
Non-current assets classified as held for sale		-	63,872
Assets of disposal group classified as held for sale		-	166,035
		<b>830,972</b>	<b>1,171,933</b>
<b>TOTAL ASSETS</b>		<b>3,949,534</b>	<b>4,581,012</b>

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.6.2012 RM'000	AS AT 31.12.2011 RM'000 (restated)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,177,957	1,177,957
Share premium		579,863	579,863
Treasury shares	A7	(35,698)	(19,352)
Reserves		447,104	449,319
Retained earnings		539,580	808,946
Reserve of disposal group classified as held for sale		-	8,163
		<b>2,708,806</b>	<b>3,004,896</b>
Non-controlling interests		97,481	98,957
<b>Total equity</b>		<b>2,806,287</b>	<b>3,103,853</b>
<b>Non-current liabilities</b>			
Trade and other payables		5,988	5,855
Provision for liabilities		3,970	3,855
Deferred tax liabilities		66,516	73,035
Loans and borrowings	B8	739,124	221,684
		<b>815,598</b>	<b>304,429</b>
<b>Current liabilities</b>			
Trade and other payables		141,866	167,536
Other current liabilities		17,140	7,821
Provision for liabilities		13,368	12,639
Loans and borrowings	B8	146,278	888,746
Derivative liabilities		2,786	-
Income tax payable		6,211	6,513
Liabilities of disposal group classified as held for sale		-	89,475
		<b>327,649</b>	<b>1,172,730</b>
<b>Total liabilities</b>		<b>1,143,247</b>	<b>1,477,159</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,949,534</b>	<b>4,581,012</b>
<b>Net assets per share (RM)</b>		<b>1.19</b>	<b>1.30</b>

*(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2011 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 CHANGES IN TOTAL EQUITY

	Attributable to Owners of the Parent		Non-distributable		Reserve of disposal group classified as held for sale		<Distributable>		Total Shareholders Equity	Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Share Revaluation Reserve	Exchange Reserve	Capital Reserve	Other Reserve	Treasury Shares	Retained Earnings	RM'000	RM'000	RM'000
<b>Period ended 30 June 2012</b>											
Balance as at 1 January 2012 (as previously stated)	1,177,957	579,863	6,142	345,035	110,081	(9,086)	(19,352)	8,163	808,851	98,957	3,106,611
Effects of transition to MFRSs	-	-	(2,853)	-	-	-	-	-	95	-	(2,758)
Balance as at 1 January 2012 (restated)	1,177,957	579,863	3,289	345,035	110,081	(9,086)	(19,352)	8,163	808,946	98,957	3,103,853
Total comprehensive loss for the period	-	-	-	(2,440)	-	3,514	-	(7,583)	(277,681)	18,868	(265,322)
Purchase of treasury shares	-	-	-	-	-	-	(16,346)	-	-	-	(16,346)
Deferred tax	-	-	-	-	-	-	-	-	4,446	-	4,446
Transfer within reserves	-	-	(3,289)	-	-	-	-	(580)	3,869	-	-
Disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	(20,344)	(20,344)
<b>Balance as at 30 June 2012</b>	<b>1,177,957</b>	<b>579,863</b>	<b>-</b>	<b>342,595</b>	<b>110,081</b>	<b>(5,572)</b>	<b>(35,698)</b>	<b>-</b>	<b>539,580</b>	<b>97,481</b>	<b>2,806,287</b>
<b>Period ended 30 June 2011</b>											
Balance as at 1 January 2011 (as previously stated)	1,177,957	579,863	6,799	330,237	110,205	(6,118)	(5,442)	-	626,474	97,516	2,917,491
Effects of transition to MFRSs	-	-	(2,911)	-	-	-	-	-	90	-	(2,821)
Balance as at 1 January 2011 (restated)	1,177,957	579,863	3,888	330,237	110,205	(6,118)	(5,442)	-	626,564	97,516	2,914,670
Total comprehensive income for the period	-	-	6	48,602	-	61	-	-	176,868	3,199	228,736
Purchase of treasury shares	-	-	-	-	-	-	(3,091)	-	-	-	(3,091)
Transfer within reserves	-	-	(24)	-	-	-	-	-	24	-	-
<b>Balance as at 30 June 2011</b>	<b>1,177,957</b>	<b>579,863</b>	<b>3,870</b>	<b>378,839</b>	<b>110,205</b>	<b>(6,057)</b>	<b>(8,533)</b>	<b>-</b>	<b>803,456</b>	<b>100,715</b>	<b>3,140,315</b>

(The Condensed Consolidated Statement of Changes In Total Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<-----6 MONTHS ENDED----->	
	30.06.2012	30.06.2011
	RM'000	RM'000 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation		
- Continuing operations	(319,942)	226,823
- Discontinued operation	61,980	(1,688)
	(257,962)	225,135
Adjustments for non-cash items:		
Depreciation of property, plant and equipment (including discontinued operation)	32,163	33,712
Amortisation of prepaid lease payments	22	54
Share of loss/(profit) of associates	281,570	(40,479)
Share of loss/(profit) of jointly-controlled entities	326	(3,444)
Provision for staff benefits	8,341	8,441
Interest expense (including discontinued operation)	34,082	46,679
Interest income (including discontinued operation)	(7,319)	(5,036)
Gain on disposal of assets classified as held for sale	(6,074)	(244,148)
Gain on sale of discontinued operation	(62,310)	-
Net reversal on allowance of doubtful debts	(4,452)	(404)
Writeback of inventories	(590)	-
Other non-cash items	(1,208)	(7,448)
	16,589	13,062
Operating profit before changes in working capital		
Changes in working capital		
Net change in current assets	99,681	(34,381)
Net change in current liabilities	(14,873)	26,881
	84,808	(7,500)
Net change in working capital		
Cash generated from/(used in) operations	101,397	5,562
Interest paid (including discontinued operation)	(34,082)	(46,679)
Interest received (including discontinued operation)	7,319	5,036
Income tax paid	(2,837)	1,627
Staff benefits paid	(7,447)	(8,574)
Net cash generated from/(used in) operating activities	64,350	(43,028)

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## PART A1 : QUARTERLY REPORT

### III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>&lt;-----6 MONTHS ENDED-----&gt;</b>	
	<b>30.06.2012</b>	<b>30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
		(restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(21,107)</b>	(91,029)
Proceeds from sale of property, plant and equipment	<b>330</b>	1,672
Net proceeds from disposal of assets classified as held for sale	<b>69,946</b>	334,350
Investment in associate companies	<b>(13,164)</b>	(10,882)
Disposal of discontinued operation, net of cash	<b>99,276</b>	-
Dividend received from associates and jointly-controlled entity	<b>22,704</b>	26,645
Other investments	<b>1,131</b>	(3,749)
Net cash generated from investing activities	<b>159,116</b>	257,007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	<b>(1,081)</b>	(3,292)
Purchase of treasury shares by the Company	<b>(16,346)</b>	(3,091)
Net repayment of borrowings	<b>(216,340)</b>	(210,343)
Net cash used in financing activities	<b>(233,767)</b>	(216,726)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,301)</b>	(2,747)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>307,535</b>	370,385
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(4,592)</b>	(5,959)
<b>CASH AND CASH EQUIVALENTS AS AT 30 JUNE</b>	<b>292,642</b>	361,679
<b>ANALYSED AS:</b>		
CONTINUING OPERATIONS	<b>292,642</b>	342,551
DISCONTINUED OPERATION	<b>-</b>	19,128
	<b>292,642</b>	361,679

*(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 2011 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 2011.

The accounting policies and methods of computation adopted by the Group for the interim financial report are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2011, except for the adoption of MFRSs that are effective 1 January 2012. These MFRSs does not have any significant impact on the financial position or results of the Group.

FKP Property Group ("FKP"), 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 FKP for the quarters ending March and September, the Group relies on the full year profit guidance issued by FKP adjusted to its quarterly components. FKP's profit guidance do not include any non-operational exceptional items. Accordingly, the Group's share of results in FKP for March and September quarters are based on FKP's profit guidance while for June and December periods are based on FKP's public released results.

#### A2. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in the interim financial report are the same as those applied by the Group in its annual audited financial statements as at and for the year ended 31 December 2011.

##### (a) Property, plant and equipment

In the previous years, the Group has availed itself to the transitional provision when the MASB first adopted International Accounting Standard No.16, Property, plant and equipment in 1998. A long-term leasehold building was revalued in 1983 by the directors and no later valuation has been recorded.

Upon transition to MFRSs, the Group elected to restate the revalued property, plant and equipment to its original cost.

##### (b) Prepaid land lease payments

Under FRSs, the Group measured prepaid land lease payments on operating leasehold land in accordance with the transitional provision in FRS117, Leases. The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised revalued amount when the Group first applied FRS 117 in 2006. The transitional provision is not available under MFRS 117.

Upon transition to MFRSs, the revalued prepaid land lease payments were restated to its original cost.



**A2. Significant Accounting Policies (Contd.)**

The impact arising from the transition is summarised as follows:

Statement of financial position	FRSs	Effect of transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,323,334	(969)	1,322,365	1,344,264	(955)	1,343,309	1,293,043	(942)	1,292,101
Prepaid land lease payments	4,004	(2,823)	1,181	3,960	(2,796)	1,164	3,915	(2,767)	1,148
Deferred tax liabilities	77,734	(971)	76,763	141,289	(971)	140,318	73,986	(951)	73,035
Revaluation reserve	6,799	(2,911)	3,888	6,781	(2,911)	3,870	6,142	(2,853)	3,289
Retained earnings	626,474	90	626,564	803,325	131	803,456	808,851	95	808,946

**A3. Audit Report of Preceding Annual Financial Statements**

The audit report of the Group's annual financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

**A4. Seasonal or Cyclicity of Operations**

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

**A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 30 June 2012 except for the following:-

- (i) the disposal of Manta Holdings Company Limited and its subsidiaries by Jumbo Hill Group Limited, a wholly owned subsidiary of the Company, which resulted in a gain of RM62.31 million; and
- (ii) an associate company, FKP Property Group ("FKP") on 28 August 2012 announced significant impairment of its retirement investment property portfolio and other investments for its financial year ended 30 June 2012, resulting in the Company taking its share of loss amounted to RM303.76 million in the current financial period ended 30 June 2012. FKP, an Australian listed company is only required to release its financial statements on half yearly basis, i.e. for periods ending June and December. For the second half year ended 30 June 2012, FKP made significant impairment losses, therefore the Company could only account for its share of loss in the current financial period ended 30 June 2012.

**A6. Changes in Estimates**

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

**A7. Changes in Debt And Equity Securities**

During the financial period ended 30 June 2012, the Company has bought back 38,090,200 ordinary shares of RM0.50 each at average cost of RM0.43 per share. As at 30 June 2012, 82,479,400 ordinary shares of RM0.50 each were retained as treasury shares.

**A8. Dividend Paid**

There was no dividend paid during the current financial quarter.

**A9. Segment Information**

Segment analysis for the period ended 30 June 2012 is set out below:

	Revenue			Profit/(Loss) Before Tax		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	<u>Operations</u>	<u>Operation</u>		<u>Operations</u>	<u>Operation</u>	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Business Segment</b>						
Property	40,978	-	40,978	4,397	-	4,397
Hospitality	220,356	-	220,356	(5,506)	-	(5,506)
General Trading	-	4,814	4,814	-	62,228	62,228
Investment and others	1,096	-	1,096	(3,103)	-	(3,103)
	262,430	4,814	267,244	(4,212)	62,228	58,016
Finance costs				(33,834)	(248)	(34,082)
Share of results of associates/ jointly-controlled entities				(281,896)	-	(281,896)
	262,430	4,814	267,244	(319,942)	61,980	(257,962)

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

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

**A11. Capital Commitments**

Capital commitments for the purchase of property, plant and equipment as at 30 June 2012 amounted to RM2.08 million.

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

There were no material events subsequent to 30 June 2012 to be disclosed other than disclosed in note B7.

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

Jumbo Hill Group Limited ("JHGL"), a wholly owned subsidiary of the Company had on 14 February 2012 entered into a sale and purchase agreement with Eagle Legend International Holdings Limited to dispose of 150,000,000 shares of HK\$0.01 each held by JHGL, representing 75% of the entire issued share capital of Manta Holdings Company Limited ("Manta") for a cash consideration of HKD285 million (approximately RM111.154 million). Manta is a public company incorporated in the Cayman Islands on 11 March 2010. Its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 19 July 2010. Manta is an investment holding company. The principal activities of Manta's subsidiaries are the rental and trading of tower cranes, trading of construction equipment and provision of maintenance service for tower cranes in Hong Kong, Macau, Singapore and Vietnam. The above proposed disposal was completed on 23 February 2012.

An analysis of the results of discontinued operation and the gain on disposal is as follows:-

(a) Results of discontinued operation

	<b>Period to disposal date RM'000</b>	<b>6 Months Ended 30.06.2011 RM'000</b>
Revenue	4,814	28,623
Operating expenses	(4,930)	(31,103)
Other operating income	33	2,070
Loss from operations	(83)	(410)
Finance costs	(247)	(1,278)
Loss before tax	(330)	(1,688)
Income tax benefit	-	2,389
Gain on sale of discontinued operation	62,310	-
Profit for the period from discontinued operation	<u>61,980</u>	<u>701</u>

(b) The following items have been included in arriving at profit/(loss) before tax from discontinued operation:-

	<b>Period to disposal date RM'000</b>	<b>6 Months Ended 30.06.2011 RM'000</b>
Interest income	(2)	-
Interest expense	247	1,278
Depreciation and amortisation	1,139	6,212
Foreign exchange loss/(gain)	170	(984)

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

(a) Changes in the contingent liabilities since 31 December 2011 are as follows:-

	Increase RM'000
Guarantees given to third parties	<u>78,134</u>

The increase was mainly due to an indemnity jointly and severally provided by the Company and its subsidiary, Jumbo Hill Group Ltd ("JHGL") to Eagle Legend International Holdings Limited ("Eagle"), being the purchaser of Manta Holdings Company Limited ("Manta") as disclosed in note A13. Under the indemnity, the Company and JHGL agreed to indemnify Eagle from any losses incurred pursuant to any guarantee given by Manta in favour of financial institutions for credit facilities granted to its subsidiaries prior to the time the nominees of the Eagle are appointed to the Board of Manta.

(b) There are no contingent assets 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**

**BI. Review of performance**

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

The Group recorded a revenue of RM262.43 million and a pre-tax loss of RM319.94 million for the period ended 30 June 2012 as compared to a revenue of RM292.51 million and a pre-tax profit of RM226.82 million for the corresponding period ended 30 June 2011. The current period results significantly impacted by the Group's share of loss in an associate, FKP Property Group ("FKP") amounted to RM303.76 million, mainly due to significant non-operating items included the write down in the fair value of the retirement portfolio and other investments arising from the adoption of appropriate valuation assumptions given market condition.

The strong performance of the previous period ended 30 June 2011 was mainly due to the gain on disposal of Hilton Melbourne Airport Hotel amounting to RM242.50 million which was completed in March 2011.

The revenue from the property division has decreased to RM40.98 million in the current financial period from RM88.11 million as recorded in the corresponding period. The decrease in revenue from the property division was mainly attributed to lower sales from its Sanctuary Cove development in Australia as well as Leisure Farm development and Bukit Punchor development in Malaysia. The property division recorded a pre-tax profit of RM4.40 million in the current financial period as compared to a pre-tax loss of RM2.27 million in the corresponding period. The increase was mainly due to gain on disposal of land in Section 16 which was completed in March 2012 and lower operating expenses in Sanctuary Cove development in Australia as a result of better cost control in the current financial period.

The revenue from the hospitality division has increased to RM220.36 million in the current financial period from RM203.74 million as recorded in the corresponding period. The increase in revenue from hospitality division was mainly attributed to higher revenue from its Hayman Island resort in Australia in view of the full six months operation as compared to 2 months operations in the corresponding period. The Hayman Island resort was closed from March 2011 and reopened in August 2011 due to repair works resulted by the cyclones and flood in Queensland. The hospitality division recorded a pre-tax loss of RM5.51 million, as compared to a pre-tax profit of RM3.51 million in the previous corresponding period. Higher pre-tax profit in previous financial period was mainly attributable to insurance recoveries received in relation to the closure of Hayman Island resort.

The investment division recorded a pre-tax loss of RM3.10 million in the current financial period as compared to RM227.06 million pre-tax profit in the corresponding period. The higher pre-tax profit in the corresponding period was contributed largely by the gain on disposal of Hilton Melbourne Airport Hotel.

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

The Group recorded a revenue of RM123.84 million and a pre-tax loss of RM326.18 million for the 2nd quarter ended 30 June 2012 as compared to a revenue of RM140.25 million and a pre-tax loss of RM11.57 million for the previous year corresponding quarter. The current quarter results were mainly due to the Group's equity share of loss of an associate's results namely FKP Property Group which were primarily attributable to impairment losses. This was partly mitigated by lower finance cost due to lower bank borrowings as compared to previous year corresponding quarter.

The revenue from the property division has decreased to RM19.61 million in the current year 2nd quarter from RM52.32 million as recorded in the previous year corresponding quarter. The decrease in revenue from the property division was mainly attributed to lower revenues from its Sanctuary Cove development in Australia. The Property division recorded a pre-tax profit of RM3.90 million in the current financial quarter as compared to a pre-tax loss of RM4.13 million in the corresponding quarter. The increase was due mainly attributable to lower operating expenses in Sanctuary Cove development in Australia due to its better cost control in current financial quarter.

**B1. Review of performance (Contd.)**

**(b) Current Year Quarter vs. Previous Year Corresponding Quarter (Contd.)**

The revenue from the hospitality division has increased to RM103.64 million in the current year 2nd quarter from RM87.69 million in the previous year corresponding quarter. The increase in revenue from hospitality division was mainly attributed to higher revenue from its Hayman Island resort in Australia. As mentioned above, the resort was closed from March 2011 and reopened in August 2011 due to repair works resulted by cyclones and flood in Queensland. The hospitality division recorded a lower pre-tax loss of RM7.98 million, RM10.81 million lower than the pre-tax profit of RM2.83 million in previous year corresponding quarter. Higher pre-tax profit in previous year corresponding quarter was mainly attributable to insurance recoveries received due to the closure of Hayman Island resort.

The investment division recorded a better performance of RM1.19 million pre-tax profit in the current 2nd quarter as compared to RM5.22 million pre-tax loss in the previous year corresponding quarter. The increase was mainly due to reversal of allowance doubtful debts in the current year 2nd quarter.

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

The Group recorded a pre-tax loss of RM326.18 million for the 2<sup>nd</sup> quarter of 2012 ("2Q 2012") as compared to a pre-tax profit of RM6.24 million for the 1<sup>st</sup> quarter of 2012 ("1Q 2012"). The current quarter results were mainly due to the Group's equity share of loss of an associate's results namely FKP Property Group which were primarily attributable to impairment losses made.

The revenue from property division has decreased to RM19.61 million in the 2Q 2012 from RM21.37 million in 1Q 2012. The marginal decrease in revenue was mainly attributable to the lower sales generated from Leisure Farm development in Malaysia. This division recorded a pre-tax profit of RM3.90 million in 2Q 2012 as compared to RM0.50 million in 1Q 2012. The better performance was mainly attributable to lower operating cost in Sanctuary Cove development in Australia due to better cost control.

The revenue from hospitality division has decreased to RM103.64 million in the 2Q 2012 from RM116.72 million as reported in 1Q 2012. The hospitality division recorded a pre-tax loss of RM7.89 million in the 2Q 2012 as compared to a pre-tax profit of RM2.47 million in 1Q2012. The decrease was mainly attributable to low travelling season in Australia, resulting in lower revenue generated from Intercontinental Sydney hotel and Hayman Island resort.

The investment division reported a better performance of RM1.19 million in pre-tax profit in the 2Q 2012 as compared to a pre-tax loss of RM4.29 million in 1Q 2012. The improvement was mainly due to recovery of doubtful debts in 2Q 2012.

**B3. Prospects**

In view of the global economic outlook remaining volatile due to, among other factors, the continuing Euro zone debt crisis, the Group's prospects for the remainder of 2012 are expected to be challenging.

The Group loss for the six months period ended 30 June 2012 is predominantly due to impairment losses made by an associate company, FKP Property Group ("FKP") on its retirement properties and investments portfolio which are non cash in nature and thus no impact on Mulpha International Bhd's group existing operations. Directors remain committed to FKP and believe in the intrinsic value of its business and well positioned development pipeline that would in due course be expected to translate into strong earnings.

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

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

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**B5. (Loss)/Profit Before Tax**

	2nd Quarter Ended		6 Months Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
The following items have been included in arriving at (loss)/profit before tax from continuing operations:-				
Interest income	(2,019)	(1,653)	(7,317)	(5,036)
Dividend income	(484)	(1,290)	(1,138)	(1,290)
Rental income	(8,648)	(6,920)	(16,668)	(14,946)
Interest expense	10,822	20,497	33,835	45,401
Depreciation and amortisation	15,804	14,421	31,046	27,554
Net reversal on allowance of doubtful debts	(4,452)	(404)	(4,452)	(404)
Write back of inventories	(590)	-	(590)	-
Gain on disposal of quoted or unquoted investments or properties	-	(5,298)	(6,074)	(244,148)
Foreign exchange gain	(8,670)	(5,970)	(9,992)	(8,275)
Gain on derivatives	(1,955)	-	(2,514)	-

**B6. Income tax expense/(benefit)**

	2nd Quarter Ended		6 Months Ended	
	30.6.2012	30.06.2011	30.6.2012	30.06.2011
	RM'000	RM'000 (restated)	RM'000	RM'000 (restated)
Current year income tax				
- Malaysia	929	917	2,132	2,168
Deferred tax				
- Malaysia	537	(23)	530	(27)
- Foreign	(5,180)	(11,202)	(1,794)	50,231
	(4,643)	(11,225)	(1,264)	50,204
(Over)/under provision of taxation in prior years	(60)	-	(141)	30
Income tax expense from continuing operations	(3,774)	(10,308)	727	52,402
Income tax benefit attributable to discontinued operation	-	(20)	-	(2,389)
	(3,774)	(10,328)	727	50,013

**B7. Status of Corporate Proposals**

**(i) Proposed Rights Issue by Mulpha Land Berhad**

On 4 May 2011, a subsidiary of Mulpha International Bhd ("MIB" or "the Company"), Mulpha Land Berhad ("MLB") announced the following proposals:-

- (a) a renounceable rights issue of 456,605,000 rights shares and 273,963,000 free warrants at an indicative issue price of RM0.22 per rights share on the basis of five (5) rights shares and three (3) warrants for every one (1) existing share held in MLB at an entitlement date to be determined by the Board of Directors of MLB and announced later by MLB;
- (b) an increase in authorised share capital of MLB from RM120,000,000 comprising 200,000,000 ordinary shares of RM0.10 each ("Ordinary Shares") and 100,000,000 preference shares of RM1.00 each ("Preference Shares") to RM200,000,000 comprising 1,000,000,000 Ordinary Shares and 100,000,000 Preference Shares; and
- (c) amendments to the memorandum and articles of association of MLB to effect the proposed increase in the authorised share capital.

MLB has procured an unconditional and irrevocable undertaking from the Company, being its major shareholder, to fully subscribe to MIB's own entitlement under the above proposed rights issue as well as an unconditional and irrevocable undertaking from the Company to fully subscribe for all the rights shares not subscribed by the other entitled shareholders and/or their renounee(s).

The above proposals were approved by MLB's shareholders at an Extraordinary General Meeting held on 23 June 2011.

MLB had on 30 September 2011 obtained the approval of Bursa Malaysia Securities Berhad ("BMSB") for the extension of time of six (6) months from 19 November 2011 to 19 May 2012 to implement the above mentioned proposed rights issue.

On 22 March 2012, BMSB had approved a further extension of time from 19 May 2012 to 19 November 2012 to implement the abovementioned proposal.

**(ii) Grant of Call Options over Shares of Mulpha Land Berhad**

On 17 May 2012, Mulpha International Bhd ("MIB" or "the Company") announced that the Company has entered into a call option agreement ("Call Option Agreement") with Teladan Kuasa Sdn Bhd ("Option Holder") to grant the Option Holder the right to require MIB to sell to the Option Holder up to 30,000,000 ordinary shares of RM0.10 each ("Option Shares") in Mulpha Land Berhad ("MLB") at an exercise price of RM1.16 cash per Option Share ("Call Option"). The Option Holder has paid MIB a cash consideration of RM2,000,000 upon execution of the Call Option Agreement. MLB is a 70.54% owned subsidiary of MIB.

The Option Holder is entitled to exercise the Call Option at any time during the period commencing from the date falling three (3) months after the date of the Call Option Agreement and ending on the day immediately preceding the 3rd anniversary of the Call Option Agreement.



**B8. Group Loans and Borrowings**

The details of the loans and borrowings as at 30 June 2012 are as follows:-

	<b>RM'000</b>
Short term - Secured	146,278
Long term - Secured	739,124
	<u>885,402</u>

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

	AUD '000	<b>RM'000 equivalent</b>
Australian Dollar	252,196	809,549

**B9. Material Litigation**

As at the date of this report, there was no pending material litigation which could adversely affect the financial position of the Group.

**B10. Dividend**

The Board of Directors does not recommend any dividend for the current financial period ended 30 June 2012.

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**B11. Earnings/(loss) Per Share**

The basic earnings/(loss) per share of the Group has been computed by dividing the profit/(loss) attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	<b>6 Months Ended</b>	
	<b>30.06.2012</b>	<b>30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(restated)</b>
<b>(a) <u>Continuing operations</u></b>		
Profit/(loss) for the period	(320,669)	174,421
Non-controlling interests	(18,992)	1,737
Profit/(loss) attributable to equity holders of the parent	<u>(339,661)</u>	<u>176,158</u>
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares at 1 January (net of treasury shares)	2,311,524	2,344,857
Effect of share buy back	(13,025)	(2,788)
Weighted average number of ordinary shares at 30 June	<u>2,298,499</u>	<u>2,342,069</u>
Basic earnings per share (sen)	<u>(14.78)</u>	<u>7.52</u>
<b>(b) <u>Discontinued operation</u></b>		
Profit for the period	61,980	701
Non-controlling interests	-	9
Profit attributable to equity holders of the parent	<u>61,980</u>	<u>710</u>
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares at 1 January (net of treasury shares)	2,311,524	2,344,857
Effect of share buy back	(13,025)	(2,788)
Weighted average number of ordinary shares at 30 June	<u>2,298,499</u>	<u>2,342,069</u>
Basic earnings per share (sen)	<u>2.70</u>	<u>0.03</u>
<b>(c) <u>Total basic earnings/(loss) per share (sen)</u></b>	<u>(12.08)</u>	<u>7.55</u>

There are no potential dilution effects on ordinary shares of the Company for the current financial period. Accordingly, the diluted earnings/(loss) per share for the current period is equal to basic earnings per share.

**PART C**

**Disclosure of Realised and Unrealised Profits or Losses**

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

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

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings/(accumulated losses):		
(i) Company and subsidiaries		
- Realised	979,382	941,610
- Unrealised	(31,054)	(33,157)
(ii) Associates		
- Realised	172,279	143,779
- Unrealised	1,451	387
- Breakdown unavailable *	(445,035)	(120,737)
(iii) Jointly-controlled entities		
- Realised	38,871	49,711
- Unrealised	1,003	1,353
	<u>716,897</u>	<u>982,946</u>
Less: Consolidated Adjustments	<u>(177,317)</u>	<u>(174,000)</u>
Total group retained earnings as per consolidated accounts	<u><u>539,580</u></u>	<u><u>808,946</u></u>

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