

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the third financial quarter ended 30 September 2017

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 30.09.2017 RM'000	COMPARATIVE QUARTER ENDED 30.09.2016 RM'000	9 MONTHS CUMULATIVE TO 30.09.2017 RM'000	9 MONTHS CUMULATIVE TO 30.09.2016 RM'000
Revenue		270,845	334,685	782,733	742,610
Operating expenses		(247,634)	(400,824)	(777,738)	(849,761)
Other operating income		41,237	43,705	108,896	88,889
Profit/(Loss) from operations		64,448	(22,434)	113,891	(18,262)
Finance costs		(25,109)	(22,792)	(75,525)	(78,880)
Share of profit of associates		24,843	7,194	123,515	29,657
Share of profit/(loss) of joint ventures		165	168	106	460
Profit/(Loss) before tax	B5	64,347	(37,864)	161,987	(67,025)
Income tax (expense)/benefit	B6	(17,609)	(3)	(21,216)	3,511
Profit/(Loss) for the period		46,738	(37,867)	140,771	(63,514)
Attributable to:					
Owners of the Company		46,716	(37,867)	140,749	(63,514)
Non-controlling interests		22	-	22	-
Profit/(Loss) for the period		46,738	(37,867)	140,771	(63,514)
Profit/(Loss) per share (sen):-					
- Basic/Diluted	B11	14.64	(13.94)*	44.06	(25.45)*

*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)

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I(B) CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 30.09.2017 RM'000	COMPARATIVE QUARTER ENDED 30.09.2016 RM'000	9 MONTHS CUMULATIVE TO 30.09.2017 RM'000	9 MONTHS CUMULATIVE TO 30.09.2016 RM'000
Profit/(Loss) for the period	46,738	(37,867)	140,771	(63,514)
Foreign currency translation differences for foreign operations	32,550	94,777	74,693	29,315
Fair value movement of available-for-sale financial assets	(30,858)	-	16,296	-
Share of other comprehensive (expense)/income of associates	(6)	146	(602)	1,651
Reclassification to profit or loss on:				
- disposal of associates	-	5,957	-	5,957
- dilution of interest in an associate	-	(1,936)	-	(3,237)
Other comprehensive income for the period, net of tax	<u>1,686</u>	<u>98,944</u>	<u>90,387</u>	<u>33,686</u>
Total comprehensive income/ (expense) for the period	<u>48,424</u>	<u>61,077</u>	<u>231,158</u>	<u>(29,828)</u>
Attributable to:				
Owners of the Company	48,402	61,077	231,136	(29,828)
Non-controlling interests	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
Total comprehensive income/ (expense) for the period	<u>48,424</u>	<u>61,077</u>	<u>231,158</u>	<u>(29,828)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.09.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,129,415	1,160,661
Investment properties		830,617	813,098
Investment in associates		1,384,800	1,243,438
Investment in joint ventures		7,624	7,496
Investment securities		352,417	361,161
Other investments		5,080	5,080
Goodwill		2,735	2,731
Inventories		755,218	739,553
Trade and other receivable		9,536	13,085
Other non-current assets		5,961	10,511
Deferred tax assets		11,671	31,738
		4,495,074	4,388,552
Current assets			
Inventories		719,308	723,082
Trade and other receivables		330,812	233,766
Other current assets		24,235	17,972
Investment securities		3,161	2,765
Income tax recoverable		1,174	2,014
Cash and cash equivalents		365,088	365,017
		1,443,778	1,344,616
TOTAL ASSETS		5,938,852	5,733,168

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.09.2017 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		424,082	547,426
Retained earnings		747,477	614,499
		<u>3,208,700</u>	<u>2,977,616</u>
Non-controlling interests		22	-
Total equity		<u>3,208,722</u>	<u>2,977,616</u>
Non-current liabilities			
Trade and other payables		6,706	18,219
Provision for liabilities		1,687	1,719
Loans and borrowings	B8	861,351	2,238,583
		<u>869,744</u>	<u>2,258,521</u>
Current liabilities			
Trade and other payables		344,226	292,668
Provision for liabilities		26,409	27,721
Loans and borrowings	B8	1,489,702	175,555
Derivative liabilities		-	1,063
Income tax payable		49	24
		<u>1,860,386</u>	<u>497,031</u>
Total liabilities		<u>2,730,130</u>	<u>2,755,552</u>
TOTAL EQUITY AND LIABILITIES		<u>5,938,852</u>	<u>5,733,168</u>
Net assets per share (RM)		<u>10.04</u>	<u>9.32*</u>

*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)

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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 Controlling Interests	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 period	-	-	74,091	-	-	16,296	-	140,749	231,136	22	231,158
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 30 September 2017	2,037,459	-	354,081	-	66,252	3,749	(318)	747,477	3,208,700	22	3,208,722
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 expense for the period	-	-	31,015	-	-	2,671	-	(63,514)	(29,828)	-	(29,828)
Issuance of shares pursuant to right issue	533,413	(266,707)	-	-	-	-	-	-	266,706	-	266,706
Purchase of treasury shares	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Share issuance expense	-	(1,803)	-	-	-	-	-	-	(1,803)	-	(1,803)
Total transactions with owners of the Company	533,413	(268,510)	-	-	-	-	(2)	-	264,901	-	264,901
At 30 September 2016	1,711,370	311,353	240,647	101,763	-	(3,116)	(92,139)	534,185	2,804,063	-	2,804,063

[^] 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)

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	<---9 MONTHS ENDED-->	
	30.09.2017	30.09.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	161,987	(67,025)
Adjustments for non-cash items:		
Bad debts recovered	(11)	(6)
Depreciation of property, plant and equipment	51,819	44,601
Dividend income	(129)	(19)
Fair value adjustment on investment properties	952	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(526)	144
Gain on disposal of investment properties	(2,332)	-
Gain on dilution of interests in an associate	-	(40,747)
Gain on partial disposal of associates	(25)	-
Gain on disposal of investment securities	(924)	-
Impairment loss on property, plant and equipment	33,200	-
Impairment loss on trade and other receivables	761	336
Interest expense	75,525	78,880
Interest income	(17,611)	(3,672)
Loss on disposal of property, plant and equipment	46	-
Loss on disposal of associates	-	108,919
Unrealised foreign exchange loss	236	112
Property, plant and equipment written off	102	57
Provision for staff benefits	15,138	10,415
(Reversal)/Impairment loss on investment securities	(26)	117
Share of profit of associates	(123,515)	(29,657)
Share of profit of joint ventures	(106)	(460)
Operating profit before changes in working capital	194,561	101,995
Changes in working capital		
Inventories	8,324	(230,902)
Other current assets	(6,263)	6,652
Other non-current assets	7,869	7,287
Other non-current liabilities	(11,793)	3,183
Payables	45,458	(23,521)
Receivables	(105,087)	(42,564)
Net change in working capital	(61,492)	(279,865)
Cash generated from/(used in) operations	133,069	(177,870)
Interest paid	(75,881)	(78,880)
Interest received	17,611	3,672
Income tax refund	713	5,414
Staff benefits paid	(17,116)	(10,501)
Net cash generated from/(used in) operating activities	58,396	(258,165)

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---9 MONTHS ENDED-->	
		30.09.2017	30.09.2016
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in associates and joint ventures		(30,812)	(296)
Dividend received from associates and joint ventures		39,774	39,141
Dividend received from other investments		129	19
Purchase of property, plant and equipment		(37,836)	(134,474)
Purchase of an investment property		-	(65,562)
Proceeds from partial disposal of associates		59	14,731
Proceeds from disposal of investment properties		4,918	-
Proceeds from disposal of investment securities		10,979	-
Proceeds from disposal of property, plant and equipment		16	-
Refurbishment of investment properties		(1,455)	(12)
Net cash used in investing activities		<u>(14,228)</u>	<u>(146,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(72)	(108)
Proceeds from issuance of shares pursuant to rights issue		-	266,706
Purchase of treasury shares		(52)	(2)
Share issuance expenses for rights issue		-	(1,803)
(Placement)/Uplift of pledged cash and deposits		(88,164)	267,633
Net repayment of borrowings		(60,329)	(1,910)
Net cash (used in)/generated from financing activities		<u>(148,617)</u>	<u>530,516</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(104,449)	125,898
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		355,506	154,623
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		16,669	6,168
CASH AND CASH EQUIVALENTS AS AT 30 SEPT	Note A	<u>267,726</u>	<u>286,689</u>
Note A			
Included in cash and cash equivalents as at 30 Sept are the following:			
- Cash and deposits with licensed banks		365,088	403,895
- Bank overdrafts		(65)	(984)
- Bank balances and deposits pledged		(97,297)	(116,222)
		<u>267,726</u>	<u>286,689</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 December 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:

- 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.

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 Cyclicity of Operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 30 September 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 period.

A6. Changes in Debt And Equity Securities

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.

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

Segment analysis for the period ended 30 September 2017 and 2016 are set out below:

Business Segment	Revenue		Profit/(Loss) Before Tax	
	9 months ended 30.09.2017	9 months ended 30.09.2016	9 months ended 30.09.2017	9 months ended 30.09.2016
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Property	396,613	342,346	143,029	106,800
Hospitality	339,723	358,887	4,767	17,433
Investment and others	46,397	41,377	(33,905)	(142,495)
	<u>782,733</u>	<u>742,610</u>	<u>113,891</u>	<u>(18,262)</u>
Finance costs	-	-	(75,525)	(78,880)
Share of results of associates/ joint ventures	-	-	123,621	30,117
	<u>782,733</u>	<u>742,610</u>	<u>161,987</u>	<u>(67,025)</u>

Business Segment	Total Assets		Total Liabilities	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Property	1,599,248	1,649,608	1,017,216	947,851
Hospitality	976,195	1,032,083	306,087	312,108
Investment and others	5,734,322	5,319,350	4,254,762	4,223,698
	<u>8,309,765</u>	<u>8,001,041</u>	<u>5,578,065</u>	<u>5,483,657</u>
Adjustment and eliminations	(2,370,913)	(2,267,873)	(2,847,935)	(2,728,105)
	<u>5,938,852</u>	<u>5,733,168</u>	<u>2,730,130</u>	<u>2,755,552</u>

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.

A8. Segment Information (Cont'd)

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

	Revenue		Non-current assets *	
	<u>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000	RM'000	RM'000
Australia	765,391	719,739	2,314,169	2,309,209
Malaysia	17,342	22,871	403,816	406,834
	<u>782,733</u>	<u>742,610</u>	<u>2,717,985</u>	<u>2,716,043</u>

**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:

	3rd Quarter Ended		9 Months Ended	
	<u>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
	RM'000	RM'000	RM'000	RM'000
A. Associates				
Asset management service income	998	721	2,826	1,196
Dividend income	39,382	33,161	39,382	33,161
Director fees received	73	66	217	197
Rental income	1,542	583	4,001	1,403
Rental expense	401	190	1,197	570
Share service expense	63	306	455	1,086
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
	RM'000	RM'000	RM'000	RM'000
B. Other related parties				
A company related to a director				
- Rendering of services	-	1,162	2,765	1,891
- Rental expense	58	-	173	-
- Share service income	37	150	352	534
- Other expense	-	64	-	135
A company related to a person connected to a director				
- Rendering of services	-	216	1,202	1,889
- Rental income	45	183	418	608
- Share service income	-	70	-	209
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

During the financial period, an impairment loss of RM33.2 million was recognised in profit or loss account in relation to Hayman Island Resort assets damaged by Tropical Cyclone Debbie. The impairment loss was based on the said property was covered under a property insurance policies subject to a deductible of up to RM33.2 million.

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 30 September 2017 are as below:

	RM'000
(a) Approved and contracted for	5,434
(b) Approved but not contracted for	<u>252,187*</u>

**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 30 September 2017 to be disclosed.

A13. Changes in The Composition Of the Group

(a) Deregistration of a subsidiary

Mulpha SPV 3 Pty Limited ("Mulpha SPV 3"), an indirect wholly-owned subsidiary of the Company was deregistered on 8 August 2017. Mulpha SPV 3, a dormant company, was incorporated in Australia on 4 February 2014 with a paid-up share capital of A\$1.00. As a result of the deregistration, Mulpha SPV 3 has ceased to be an indirect wholly-owned subsidiary of the Company and the effects of the deregistration is immaterial to the Group.

(b) Incorporation of subsidiaries

(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 property developers.

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	COMPARATIVE QUARTER ENDED			9 MONTHS ENDED	9 MONTHS ENDED		
	30.09.2017	30.09.2016	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	270,845	334,685	(63,840)	(19%)	782,733	742,610	40,123	5%
Profit/(Loss) from operations	64,448	(22,434)	86,882	>100%	113,891	(18,262)	132,153	>100%
Profit/(Loss) before interest and tax	89,456	(15,072)	104,528	>100%	237,512	11,855	225,657	>100%
Profit/(Loss) before tax	64,347	(37,864)	102,211	>100%	161,987	(67,025)	229,012	>100%
Profit/(Loss) after tax	46,738	(37,867)	84,605	>100%	140,771	(63,514)	204,285	>100%
Profit/(Loss) attributable to: Owners of the Company	46,716	(37,867)	84,583	>100%	140,749	(63,514)	204,263	>100%

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

The Group recorded revenue of RM270.85 million and pre-tax profit of RM64.35 million for the current quarter of 2017 compared to revenue of RM334.69 million and pre-tax loss of RM37.86 million in the previous year's corresponding quarter. Lower Group's revenue by 19% was primarily due 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, Group's pre-tax profit improved significantly by RM102.21 million. The better performance was mainly attributed to a one-off loss in 2016 relating to the disposal of certain associated companies amounting to RM108.91 million, which arose mostly from the de-recognition of Mudajaya Group Berhad as an associate company to investment securities. The better performance was also attributed to a higher share of associated company profits by RM17.65 million and generally improved contributions from all business divisions as elaborated below.

The property division recorded revenue of RM156.60 million and pre-tax profit of RM68.63 million for the current quarter of 2017 as compared to revenue of RM197.30 million and pre-tax profit of RM63.94 million in the previous year's corresponding quarter. Despite the decline in revenue which was mainly attributed to lower settlements in the Mulpha Norwest development in Sydney, Australia, pre-tax profit was higher, mainly arising from the product mix with higher gross profit margins and a favourable foreign exchange movement on properties denominated in Australian Dollar in the current quarter.

The hospitality division recorded revenue of RM99.80 million and pre-tax profit of RM14.81 million for the current quarter of 2017 compared with revenue of RM124.74 million and pre-tax loss of RM8.53 million in the previous year's corresponding quarter. Despite the decrease in revenue which was mainly attributed to the temporary closure of the Hayman Island Resort as mentioned above, the higher pre-tax profit was mainly arising from insurance proceeds for business interruption losses recognised in the current quarter.

The investments and other activities division recorded a pre-tax loss of RM18.99 million for the current quarter of 2017 as compared to pre-tax loss of RM94.92 million in the previous year's corresponding quarter. The lower pre-tax loss was mainly attributed to the one-off loss on disposal of associated companies in 2016 as mentioned above.

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 RM782.73 million and pre-tax profit of RM161.99 million for the 9-month period ended 30 September 2017 as compared to revenue of RM742.61 million and pre-tax loss of RM67.03 million in the previous year's corresponding period. The Group's pre-tax profit recorded a significant improvement by RM229.01 million, mainly attributable to a higher share of associated company profits by RM93.86 million as well as higher contributions from the investment and property divisions by RM108.59 million and RM36.23 million respectively. However, these positive variances were partially offset by a weaker performance in the hospitality division by RM12.67 million as further explained below.

The property division recorded revenue of RM396.61 million and pre-tax profit of RM143.03 million for the period ended 30 September 2017 as compared to revenue of RM342.35 million and pre-tax profit of RM106.80 million in the previous year's corresponding period. The better performance was attributed to higher sales in the Mulpha Norwest development in Sydney in the current year.

The hospitality division recorded revenue of RM339.72 million and pre-tax profit of RM4.77 million for the period ended 30 September 2017 as compared to revenue of RM358.89 million and pre-tax profit of RM17.43 million in the previous year's corresponding period. The weaker performance was mainly attributed to the impairment of the Hayman Island Resort assets of RM33.20 million following damage caused by Cyclone Debbie at the end of March 2017.

The investment and other activities division recorded a pre-tax loss of RM33.91 million for the period ended 30 September 2017 as compared to a pre-tax loss of RM142.50 million in the previous year. The lower pre-tax loss was mainly attributed to the one time loss on disposal of associated companies of RM108.91 million in 2016 as described earlier.

(ii) Financial Position Analysis

	AS AT 30.09.2017	AUDITED AS AT 31.12.2016
	RM'000	RM'000
Total Assets		
Property, plant and equipment	1,129,415	1,160,661
Inventories	1,474,526	1,462,635
Investment in associates	1,384,800	1,243,438
Investment properties	830,617	813,098
Investment securities	355,578	363,926
Cash and cash equivalents	365,088	365,017
Others	398,828	324,393
Total	5,938,852	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 total assets increased by 4% to RM5.94 billion as at 30 September 2017 mainly attributable to increases in associated company investments and inventories, partially offset by a drop in property, plant and equipment.

The increase in investment in associates was due to the share of associated company profits of RM123.52 million recognised in the current period and a new investment in an associate company amounting to RM26.97 million. The increase in inventories was mainly due to development expenditure and infrastructure works for projects located in Australia and Malaysia.

The decrease in property, plant and equipment was mainly attributed to the impairment of the Hayman Island Resort amounting to RM33.2 million following damage caused by Tropical Cyclone Debbie and depreciation of RM51.82 million during the period offset by additions of property, plant and equipment amounting to RM37.84 million.

	AS AT 30.09.2017	AUDITED AS AT 31.12.2016
	RM'000	RM'000
Total Liabilities		
Loans and Borrowings	2,351,053	2,414,138
Others	379,077	341,414
Total	2,730,130	2,755,552

The Group's total liabilities decreased by 1% to RM2.73 billion as at 30 September 2017 which was mainly attributable to repayment of borrowings during the period.

	AS AT 30.09.2017	AUDITED AS AT 31.12.2016
	RM'000	RM'000
Total Equity		
Share capital	2,037,459	1,598,096
Share premium	-	217,861
Treasury shares	(318)	(266)
Reserves	424,082	547,426
Retained earnings	747,477	614,499
Total	3,208,700	2,977,616

The Group's total equity increased by 8% to RM3.21 billion as at 30 September 2017 mainly due to profit for the period amounting to RM140.77 million. The increase in share capital was due to the transfer from share premium and capital reserves amounting to RM217.86 million and RM 221.50 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.

B1. Review of performance (Cont'd)

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

(iii) Cash Flow Analysis

	AS AT	AS AT	CHANGES
	30.09.2017	30.09.2016	
	RM'000	RM'000	%
Operating profit before changes in working capital	194,561	101,995	91%
Net cash generated from/(used in) operating activities	58,396	(258,165)	123%
Net cash used in investing activities	(14,228)	(146,453)	90%
Net cash (used in)/generated from financing activities	(148,617)	530,516	(128%)
Net (decrease)/increase in cash and cash equivalents	(104,449)	125,898	(183%)
Effect of exchange rate fluctuations on cash held	16,669	6,168	170%
Cash and cash equivalents* at 1 January	355,506	154,623	130%
Cash and cash equivalents* at 30 September	267,726	286,689	(7%)

*represent cash and deposits with licensed banks, overdraft and cash and deposits pledged.

Cash and cash equivalents decreased by 7% to RM267.73 million as at 30 September 2017. Net cash generated from operating activities increased by 123% to RM58.40 million due to better performance from the property segment in Australia and insurance proceeds received relating to the Hayman Island Resort damage caused by Tropical Cyclone Debbie.

Net cash used in investing activities reduced by 90% to RM14.23 million. The investing activities in the current period included purchase of property, plant and equipment mainly for hotel refurbishment amounting to RM37.84 million and new investment in an associate company of RM26.97 million. This was offset by dividends received from associates and joint ventures amounting to RM39.77 million and proceeds from disposal of investment securities amounting to RM10.98 million.

Net cash used in financing activities increased by 128% to RM148.62 million mainly due to higher placement of pledged cash and deposits of RM88.16 million as well as repayment of borrowings of RM60.33 million in the current period as compared to proceeds received from issuance of shares pursuant to the rights issue of RM266.71 million and the uplift of cash and deposits of RM267.33 million in the previous year's corresponding period.

B2. Comparisons With Preceding Quarter's Results

	CURRENT	PRECEDING	CHANGES	
	QUARTER	QUARTER		
	ENDED	ENDED		
	30.09.2017	30.06.2017	RM'000	%
	RM'000	RM'000		
Revenue	270,845	202,615	68,230	34%
Profit from operations	64,448	35,547	28,901	81%
Profit before interest and tax	89,456	115,452	(25,996)	(23%)
Profit before tax	64,347	90,237	(25,890)	(29%)
Profit/(Loss) after tax	46,738	95,183	(48,445)	(51%)
Profit/(Loss) attributable to: Owners of the Company	46,716	95,183	(48,467)	(51%)

B2. Comparisons With Preceding Quarter's Results (Cont'd)

The Group recorded revenue of RM270.85 million and pre-tax profit of RM64.35 million for the 3rd quarter 2017 compared with revenue of RM202.62 million and pre-tax profit of RM90.24 million for 2nd quarter of 2017. Excluding the lower share of associates profits by RM55.04 million, the Group's revenue and pre-tax profit were higher by RM68.23 million and RM29.15 million respectively mainly attributable to a better performance in the property and hospitality divisions by RM38.15 million and RM6.38 million respectively as elaborated below.

The property division recorded revenue of RM156.60 million and pre-tax profit of RM68.63 million for the 3rd quarter 2017 compared with revenue of RM95.46 million and pre-tax profit of RM30.47 million for the 2nd quarter of 2017. The better performance was mainly attributed to higher settlements in the Mulpha Norwest development in Sydney in the current quarter.

The hospitality division recorded revenue of RM99.80 million and pre-tax profit of RM14.81 million for the 3rd quarter 2017 compared with revenue of RM88.96 million and pre-tax loss of RM8.43 million for the 2nd quarter of 2017. The better performance was mainly attributed to higher average room rates and higher occupancy in Rydges Esplanade Resort Cairns as compared to the 2nd quarter 2017.

The investment division recorded a pre-tax loss of RM18.99 million for the 3rd quarter 2017 compared with pre-tax loss of RM3.35 million for the 2nd quarter of 2017. The higher loss was mainly attributed to an unfavourable foreign exchange impact on the Group's investment securities denominated in USD Dollar.

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 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.

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 historic low capitalisation rates being experienced in the Australian market.

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. Profit/(Loss) Before Tax

	3rd Quarter Ended		9 Months Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Bad debt recovered	(5)	-	(11)	(6)
Bad debt written off	(1)	(501)	-	-
Depreciation and amortisation	18,212	15,761	51,819	44,601
Dividend income	(119)	(8)	(129)	(19)
Fair value loss of investment properties	214	-	952	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(194)	(159)	(526)	144
Foreign exchange (gain)/loss				
- Realised	7,694	(4,265)	821	21,919
- Unrealised	209	(41)	236	112
Gain on disposal of investment properties	(7)	-	(2,332)	-
Gain on dilution of interests in an associate	-	(24,868)	-	(40,747)
Gain on partial disposal of associates	(25)	-	(25)	-
Gain on disposal of investment securities	(924)	-	(924)	-
Interest income	(5,927)	(1,749)	(17,611)	(3,672)
Interest expense	25,109	22,792	75,525	78,880
Impairment loss on trade and other receivables	77	74	761	336
Impairment loss on property, plant and equipment	100	-	33,200	-
Loss on disposal of property, plant and equipment	53	-	46	-
Loss on disposal of associates	-	108,919	-	108,919
Loss on derivatives	447	(374)	2,512	1,889
Property, plant and equipment written off	99	7	102	57
(Reversal)/Impairment loss on investment securities	63	37	(26)	117
Rental income	(4,022)	(11,138)	(11,739)	(31,058)

B6. Income tax expense/(benefit)

	3rd Quarter Ended		9 Months Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
Malaysian - current	8	97	151	301
- prior year	1	(1,505)	1	(1,492)
Overseas - prior year	-	(15)	-	(2,320)
	9	(1,423)	152	(3,511)
Deferred tax				
Origination and reversal of temporary differences	17,028	1,426	13,770	-
Underprovision in prior year	572	-	7,294	-
	17,600	1,426	21,064	-
Income tax expense/(benefit)	17,609	3	21,216	(3,511)

The effective tax rate of the Group for the financial period ended 30 September 2017 under review is lower than the statutory rate of 24% mainly due to certain income which not subject to tax. This is alleviated by overprovision of income tax in prior year, certain expenses which are not deductible and certain deferred tax assets not recognised.

B7. Status of Corporate Proposals

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

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

The rights issue exercise has raised gross proceeds of RM266.71 million, which has been utilised as at 30 June 2017 in the following manner:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	RM'000	RM'000		Amount	%	
(i) Repayment of borrowings	200,000	200,000	July 2016	N/A	-	Note 1
(ii) Working capital	65,626	58,124	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.

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B8. Group Loans and Borrowings

The details of the loans and borrowings as at 30 September 2017 are as follows:-

	3rd 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			25	RM			25
Revolving Credit	RM			-	RM			81,080	RM			81,080
Term loans	RM			25,667	RM			-	RM			25,667
Term loans	HKD	372,686	0.54	201,695	HKD	-	0.54	-	HKD	372,686	0.54	201,695
Term loans	USD	20,342	4.23	86,047	USD	1,855	4.23	7,847	USD	22,197	4.23	93,894
Term loans	AUD	-	3.32	-	AUD	419,850	3.32	1,393,898	AUD	419,850	3.32	1,393,898
Finance Lease	AUD	2,770	3.32	9,196	AUD	12	3.32	40	AUD	2,782	3.32	9,236
Bills payable	AUD	16,724	3.32	55,524	AUD	667	3.32	2,214	AUD	17,391	3.32	57,738
Bonds	AUD	30,880	3.32	102,522	AUD	1,373	3.32	4,558	AUD	32,253	3.32	107,080
Bonds	USD	90,000	4.23	380,700	USD	-	4.23	-	USD	90,000	4.23	380,700
				861,351				1,489,662				2,351,013
								(Note 1)				
Unsecured												
Overdraft	RM			-				40				40
				-				40				40
				861,351				1,489,702				2,351,053

Note 1:

Out of RM1.49 billion, there is an amount of RM866.52 million repayable on the first quarter of 2018 and Management is confident it will be able to negotiate the refinancing on satisfactory terms.

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.

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B8. Group Loans and Borrowings (Cont'd)

The details of the loans and borrowings as at 30 September 2016 are as follows:-

	3rd 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			984	RM			984
Revolving Credit	RM			-	RM			91,000	RM			91,000
Term loans	USD	22,183	4.14	91,840	USD	1,817	4.14	7,520	USD	24,000	4.14	99,360
Term loans	JPY		0.04	-	JPY	2,517,824	0.04	102,979	JPY	2,517,824	0.04	102,979
Term loans	AUD	434,350	3.16	1,372,546	AUD	30,230	3.16	95,527	AUD	464,580	3.16	1,468,073
Finance Lease	AUD	2,782	3.16	8,791	AUD	34	3.16	107	AUD	2,816	3.16	8,898
Bonds	AUD	31,859	3.16	100,674	AUD	1,269	3.16	4,009	AUD	33,128	3.16	104,683
Bonds	USD	90,000	4.14	372,600	USD		4.14	-	USD	90,000	4.14	372,600
				1,946,451				302,126				2,248,577

B9. Material Litigation

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

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

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

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

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. Profit/(Loss) Per Share

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

	9 Months Ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Profit/(Loss) for the period, amount attributable to equity holders of the parent	140,749	(63,514)
	<u>3,194,870</u>	<u>2,133,654</u>
		(Restated)
Weighted average number of ordinary shares in issue	3,194,870	2,133,654
Effect of share buy back	(111)	-
Effect of ordinary share issued on 14 June 2016	-	361,533
Effect of share consolidation	(2,875,284)	(2,245,668)
Weighted average number of ordinary shares at 30 September 2017	<u>319,475</u>	<u>249,519</u>
		(Restated)
		sen
Basic earnings/(loss) per share	44.06	(25.45)

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

	AUDITED	
	AS AT	AS AT
	30.09.2017	31.12.2016
	RM'000	RM'000
Total retained earnings:		
(i) Company and subsidiaries		
- Realised	1,107,461	1,126,442
- Unrealised	28,446	32,569
(ii) Associates		
- Realised	(4,901)	(1,050)
- Unrealised	323	323
- Breakdown unavailable *	(363,484)	(451,879)
(iii) Joint ventures		
- Breakdown unavailable *	3,448	3,408
	<u>771,293</u>	<u>709,813</u>
Less: Consolidated Adjustments	(23,816)	(95,314)
Total group retained earnings as per consolidated accounts	<u>747,477</u>	<u>614,499</u>

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