MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2018

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	CURRENT QUARTER ENDED 30.06.2018 RM'000	COMPARATIVE QUARTER ENDED 30.06.2017 RM'000	6 MONTHS CUMULATIVE TO 30.06.2018 RM'000	6 MONTHS CUMULATIVE TO 30.06.2017 RM'000
Revenue		**159,987**	202,615	**341,810**	511,888
Operating expenses		**(158,242)**	(218,739)	**(335,694)**	(530,104)
Other operating income		**7,472**	51,671	**34,077**	67,659
Profit from operations		**9,217**	35,547	**40,193**	49,443
Finance costs		**(21,837)**	(25,215)	**(43,811)**	(50,416)
Share of profit of associates		**122,367**	79,879	**149,824**	98,672
Share of profit/(loss) of joint ventures		**39**	26	**137**	(59)
Profit before tax	*B5*	**109,786**	90,237	**146,343**	97,640
Income tax benefit/(expense)	*B6*	**4,410**	4,946	**77**	(3,607)
Profit for the period		**114,196**	95,183	**146,420**	94,033
Attributable to:					
Owners of the Company		**114,014**	95,183	**146,444**	94,033
Non-controlling interests		**182**	-	**(24)**	-
Profit for the period		**114,196**	95,183	**146,420**	94,033
Earnings per share (sen):-					
- Basic/Diluted	*B11*	**35.69**	29.78	**45.84**	29.42

(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 2017 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

I(B) CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 30.06.2018 RM'000	COMPARATIVE QUARTER ENDED 30.06.2017 RM'000	6 MONTHS CUMULATIVE TO 30.06.2018 RM'000	6 MONTHS CUMULATIVE TO 30.06.2017 RM'000
Profit for the period	**114,196**	95,183	**146,420**	94,033
Foreign currency translation differences for foreign operations	**(17,985)**	(56,340)	**(164,911)**	42,143
Fair value movement of available-for-sale financial assets	**(21,679)**	39,128	**(40,196)**	47,154
Share of other comprehensive expense of associates	-	(596)	-	(596)
Other comprehensive (loss)/income for the period, net of tax	**(39,664)**	(17,808)	**(205,107)**	88,701
Total comprehensive income/(loss) for the period	**74,532**	77,375	**(58,687)**	182,734
Attributable to:				
Owners of the Company	**74,358**	77,375	**(58,671)**	182,734
Non-controlling interests	**174**	-	**(16)**	-
Total comprehensive income/(loss) for the period	**74,532**	77,375	**(58,687)**	182,734

(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 2017 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	*A10*	**971,433**	955,760
Investment properties		**884,996**	941,078
Investment in associates		**1,494,534**	1,433,525
Investment in joint ventures		**18,846**	20,217
Investment securities		**287,271**	328,667
Other investments		**5,080**	5,080
Goodwill		**2,712**	2,725
Inventories		**613,637**	665,651
Trade and other receivable		**33,084**	10,189
Other non-current assets		**7,434**	8,431
Deferred tax assets		**12,935**	12,935
		4,331,962	4,384,258
Current assets			
Inventories		**769,959**	714,622
Trade and other receivables		**272,866**	259,382
Other current assets		**22,779**	17,705
Investment securities		**2,820**	3,167
Income tax recoverable		**1,815**	1,278
Cash and cash equivalents		**193,212**	488,350
		1,263,451	1,484,504
TOTAL ASSETS		**5,595,413**	5,868,762

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,037,459**	2,037,459
Treasury shares	*A6*	**(318)**	(318)
Reserves		**96,753**	301,868
Retained earnings		**1,128,391**	981,947
		3,262,285	3,320,956
Non-controlling interests		**(136)**	(120)
Total equity		**3,262,149**	3,320,836
Non-current liabilities			
Trade and other payables		**786**	1,923
Provision for liabilities		**4,029**	3,429
Deferred tax liabilities		**55,625**	41,140
Loans and borrowings	*B8*	**1,292,980**	1,313,718
		1,353,420	1,360,210
Current liabilities			
Trade and other payables		**142,848**	227,469
Provision for liabilities		**95,815**	112,977
Loans and borrowings	*B8*	**741,178**	827,795
Income tax payable		**3**	19,475
		979,844	1,187,716
Total liabilities		**2,333,264**	2,547,926
TOTAL EQUITY AND LIABILITIES		**5,595,413**	5,868,762
Net assets per share (RM)		10.21	10.40

(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 2017 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 CHANGES IN EQUITY

	< ---- *Attributable to owners of the Company*							---->			
	< ---- *Non-distributable*						---->	*Distributable*			
	Share Capital	**Share Premium**	**Exchange Reserve**	**Capital Reserve**	**Revaluation Reserve**	**Other Reserve**	**Treasury Shares**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	2,037,459	-	245,416	-	66,252	(9,800)	(318)	976,043	3,315,052	(120)	3,314,932
Adjustments due to adoption of MFRS 9	-	-	-	-	-	-	-	(270)	(270)	-	(270)
Adjustments due to adoption of MFRS 15	-	-	-	-	-	-	-	6,174	6,174	-	6,174
At 1 January 2018, restated	2,037,459	-	245,416	-	66,252	(9,800)	(318)	981,947	3,320,956	(120)	3,320,836
Total comprehensive income/(loss) for the period	-	-	(164,919)	-	-	(40,196)	-	146,444	(58,671)	(16)	(58,687)
At 30 June 2018	**2,037,459**	**-**	**80,497**	**-**	**66,252**	**(49,996)**	**(318)**	**1,128,391**	**3,262,285**	**(136)**	**3,262,149**
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	-	-	41,547	-	-	47,154	-	94,033	182,734	-	182,734
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 June 2017	**2,037,459**	**-**	**321,537**	**-**	**66,252**	**34,607**	**(318)**	**700,761**	**3,160,298**	**-**	**3,160,298**

(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 2017 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

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

	Note	<---6 MONTHS ENDED-->	
		30.06.2018	**30.06.2017**
		RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		146,343	97,640
Adjustments for non-cash items:			
Bad debts recovered		-	(6)
Bad debts written off		-	1
Change in fair value of investment properties		522	738
Dividend income		(16)	(10)
Fair value loss/(gain) on financial assets at fair value through profit or loss		284	(332)
Gain on disposal of investment properties		-	(2,325)
Impairment loss on trade and other receivables		328	684
Impairment/(Reversal of impairment) loss on investment securities		52	(89)
Interest income		(10,356)	(11,684)
Interest expense		43,811	50,416
Inventories written down		114	4
Net unrealised foreign exchange loss		120	27
Property, plant and equipment			
- Depreciation		18,550	33,607
- Gain on disposal		(178)	(7)
- Impairment loss		-	33,100
- Written off		37	3
Provision for staff benefits		8,045	9,722
Share of profit of associates		(149,824)	(98,672)
Share of (profit)/loss of joint ventures		(137)	59
Operating profit before changes in working capital		57,695	112,876
Changes in working capital			
Inventories		(54,305)	4,027
Other current assets		(5,074)	(3,789)
Other non-current assets		(23,405)	7,529
Other non-current liabilities		(1,016)	(7,418)
Payables		(85,727)	67,494
Receivables		(21,419)	(25,290)
Net change in working capital		(190,946)	42,553
Cash (used in)/generated from operations		(133,251)	155,429

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---6 MONTHS ENDED--> 30.06.2018 RM'000	30.06.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Interest paid		(44,810)	(50,771)
Interest received		10,552	2,352
Income tax paid		(1,686)	301
Staff benefits paid		(6,728)	(10,167)
Net cash (used in)/generated from operating activities		(175,923)	97,144
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		16	10
Dividend received from associates and joint ventures		244	132
Purchase of property, plant and equipment		(89,345)	(24,092)
Proceeds from disposal of:			
- Investment properties		-	4,889
- Investment securities		-	15
- Property, plant and equipment		219	-
Refurbishment of investment properties		(1,008)	(1,030)
Net cash used in investing activities		(89,874)	(20,076)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(21)	(56)
Purchase of treasury shares		-	(52)
Withdrawal/(Placement) of pledged deposits		27,329	(27,387)
Net drawdown/(repayment) of borrowings		5,322	(63,010)
Net cash generated from/(used in) financing activities		32,630	(90,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(233,167)	(13,437)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		383,839	355,506
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(34,031)	1,130
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	**Note A**	116,641	343,199

Note A

Included in cash and cash equivalents as at 30 June are the following:		
- Cash and deposits with licensed banks	193,212	381,419
- Bank overdrafts	(187)	(1,700)
- Bank balances and deposits pledged	(76,384)	(36,520)
	116,641	343,199

(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 2017 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 2017.

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 2017 except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

The adoption of the above is not expected to have any material impact on the financial statements of the Group except as mentioned below:

i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers on the basis of the core principle by applying the 5 steps revenue recognition model. The Group applies MFRS 15 according to cumulative effect transition approach in the initial application of MFRS 15.

ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Upon adoption of MFRS 9, the Group classifies and measures financial assets and liabilities based on the principle-based approach, classification of financial assets are based on the entity’s business model for managing the financial assets and the cash flow characteristics of the financial assets and impairment of financial assets based on expected credit loss on its financial assets and commitments to extend its credit. The Group applies MFRS 9 retrospectively for its initial application.

A1. Basis of Preparation (Cont'd)

The impact of the adoption is summarised as follows:

	Audited as at 31.12.2017	Adjustment on the adoption of MFRS 15 Increase/ (Decrease)	Adjustment on the adoption of MFRS 9 Increase/ (Decrease)	Adjusted opening balance at 01.01.2018
	RM'000	RM'000	RM'000	RM'000
Investment in associates	1,427,056	6,469	-	1,433,525
Trade and other payables (current liabilities)	227,174	295	-	227,469
Trade and other receivables (current assets)	259,652	-	(270)	259,382
Retained earnings	976,043	6,174	(270)	981,947

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 2017 was not subject to any qualification.

A3. Seasonal or Cyclicality of Operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 30 June 2018.

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 quarter.

A6. Changes in Debt And Equity Securities

There were no changes in debt and equity securities during the current financial quarter.

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

Segment analysis for the year ended 30 June 2018 and 2017 are set out below:

	Revenue		Profit Before Tax	
	6 months ended 30.06.2018	6 months ended 30.06.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
	RM'000	RM'000	RM'000	RM'000
Business Segment				
Property	127,346	240,014	46,456	74,403
Hospitality	174,155	239,924	7,193	(10,040)
Investment and others	40,309	31,950	(13,456)	(14,920)
	341,810	511,888	40,193	49,443
Finance costs	-	-	(43,811)	(50,416)
Share of results of associates/ joint ventures	-	-	149,961	98,613
	341,810	511,888	146,343	97,640

	Total Assets		Total Liabilities	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Business Segment				
Property	1,533,772	1,556,375	894,319	1,053,437
Hospitality	825,640	815,707	333,632	374,239
Investment and others	4,334,530	4,695,545	2,624,437	2,768,021
	6,693,942	7,067,627	3,852,388	4,195,697
Adjustment and eliminations	(1,098,529)	(1,198,865)	(1,519,124)	(1,647,771)
	5,595,413	5,868,762	2,333,264	2,547,926

The change of comparative figures is arising from adoption of MFRS 9 and MFRS 15 as mentioned in Section A1.

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

	Revenue		Non-current assets ^	
	30.06.2018	30.06.2017	30.06.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Australia	317,792	500,597	2,069,914	2,161,155
Malaysia	24,018	11,291	402,864	404,059
	341,810	511,888	2,472,778	2,565,214

^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:

	2nd Quarter Ended		6 Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
A. Associates				
Asset management service income	(6)	936	379	1,828
Director fees received	93	72	226	144
Project services fee and net sales commission	(4,455)	-	9,149	-
Rental income	1,166	1,121	2,371	2,459
Rental expense	319	796	558	796
Share service expense/(reversal)	111	(130)	244	392
B. Joint Ventures				
Dividend income	120	-	244	-
C. Other related parties				
Companies related to directors				
- Rendering of services	-	285	1,288	2,765
- Rental expense	60	57	121	115
- Share service income	24	157	292	315
Companies related to a person connected to a director				
- Rendering of services	-	1,202	731	1,202
- Rental income	117	145	241	373

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.

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 30 June 2018 are as below:

	RM'000
(a) Approved and contracted for	25,289
(b) Approved but not contracted for	203,343*

* *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 June 2018 to be disclosed.

A13. Changes in The Composition Of the Group

Incorporation/Cessation of subsidiaries

(i) Mulpha Finance Holdings Pty Ltd ("MFH"), a wholly-owned subsidiary of the Mulpha Australia Limited ("MAL"), which in turn is a wholly-owned subsidiary of the Company had on 10 January 2018, incorporated a limited company, Multiple Finance SPV 1 Pty Ltd ("MFSPV"). MFSPV is a company incorporated in Australia with a paid-up share capital of A$2.00.

On 23 January 2018, MFSPV has renamed and known as Hay Street Capital Pty Ltd ("HSC"). MFH has on 22 January 2018, disposed of its 81% equity interest in HSC, comprising 162 ordinary shares to the following parties for a total cash consideration of A$1.62 (equivalent to approximately RM5.10). As a result of the disposal, MFH's shareholding in HSC reduced from 100% to 19% and HSC ceased to be a wholly-owned subsidiary of MFH. The financial impact on the disposal is immaterial to the Group.

(ii) Mulpha Sanctuary Cove Pty Ltd ("MSCPL"), a wholly-owned subsidiary of MAL, which in turn is a wholly-owned subsidiary of the Company had on 26 June 2018, incorporated two companies, Mulpha Sanctuary Cove Investments Pty Ltd ("MSCI") and Mulpha Sanctuary Cove Rec Club Pty Ltd ("MSCRC"). MSCI and MSCRC are company incorporated in Australia and are currently dormant with a paid-up share capital of A$2.00 respectively.

(iii) Mulpha Education Group Pty Ltd, a wholly-owned subsidiary of MAL, which in turn is a wholly-owned subsidiary of the Company had on 29 June 2018, incorporated a limited company, Mulpha HTMI Australia Pty Ltd (“MHA”). MHA incorporated in Australia with a paid-up share capital of A$2.00 and currently dormant and its intended principal activity is to provide education courses.

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

(i) Profit or Loss Analysis

	INDIVIDUAL PERIOD		CHANGES		CUMULATIVE PERIOD		CHANGES	
	CURRENT QUARTER ENDED 30.06.2018	COMPARATIVE QUARTER ENDED 30.06.2017			6 MONTHS ENDED 30.06.2018	6 MONTHS ENDED 30.06.2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	**159,987**	202,615	(42,628)	(21%)	**341,810**	511,888	(170,078)	(33%)
Profit from operations	**9,217**	35,547	(26,330)	(74%)	**40,193**	49,443	(9,250)	(19%)
Profit before interest and tax	**131,623**	115,452	16,171	14%	**190,154**	148,056	42,098	28%
Profit before tax	**109,786**	90,237	19,549	22%	**146,343**	97,640	48,703	50%
Profit after tax	**114,196**	95,183	19,013	20%	**146,420**	94,033	52,387	56%
Profit attributable to:								
Owners of the Company	**114,014**	95,183	18,831	20%	**146,444**	94,033	52,411	56%

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

The Group reported revenue of RM159.99 million and pre-tax profit of RM109.79 million for the 2nd quarter ended 30 June 2018 as compared to revenue of RM202.62 million and pre-tax profit of RM90.24 million in the previous year's corresponding quarter. The Group's pre-tax profit was uplifted by RM19.55 million mainly due to a higher share of associates profit by RM42.49 million, partially offset by the weaker performance in property, hospitality and investment divisions by RM14.51 million, RM8.84 million and RM2.98 million respectively.

The property division recorded revenue of RM53.80 million and pre-tax profit of RM15.97 million for the 2nd quarter ended 30 June 2018 as compared to revenue of RM95.46 million and pre-tax profit of RM30.47 million in the previous year's corresponding quarter. The under performance was mainly attributed to lower settlements in the Sanctuary Cove and Mulpha Norwest developments in Australia impacted by greater restriction on lending policies and increased taxes on foreign buyers.

The hospitality division registered revenue of RM81.45 million and pre-tax loss of RM0.41 million for the 2nd quarter ended 30 June 2018 as compared to revenue of RM88.96 million and pre-tax profit of RM8.43 million in the previous year's corresponding quarter. The under performance was mainly attributed to lower occupancy rates in InterContinental Sydney and recognition of insurance recoveries for Hayman Island Resort in the previous year's corresponding quarter. Hayman Island Resort is temporary closed for major refurbishment and is expected to open in mid 2019.

The investment and other activities division recorded a pre-tax loss of RM6.33 million for the 2nd quarter ended 30 June 2018 as compared to pre-tax loss of RM3.35 million in the previous year's corresponding quarter. The higher pre-tax loss was mainly attributed to unfavourable foreign exchange movement on loans denominated in Hong Kong Dollar in the current quarter.

B1. Review of performance (Cont'd)

(i) Profit or Loss Analysis (Cont'd)

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

The Group reported revenue of RM341.81 million and pre-tax profit of RM146.34 million for the 6-month period ended 30 June 2018 as compared to revenue of RM511.89 million and pre-tax profit of RM97.64 million in the previous year's corresponding period. The Group's pre-tax profit increased by RM48.70 million mainly due to a higher share of associates profits by RM51.15 million.

The property division recorded revenue of RM127.35 million and pre-tax profit of RM46.46 million for the 6-month period ended 30 June 2018 as compared to revenue of RM240.01 million and pre-tax profit of RM74.40 million in the previous year's corresponding period. The under performance was mainly attributed to lower settlements in the Mulpha Norwest and Sanctuary Cove developments in Australia.

The hospitality division recorded revenue of RM174.16 million and pre-tax profit of RM7.19 million for the 6-month period ended 30 June 2018 as compared to revenue of RM239.92 million and pre-tax loss of RM10.04 million in the previous year's corresponding period. Despite the lower revenue due to the temporary closure of Hayman Island Resort and lower occupancy rates in InterContinental Sydney, the higher pre-tax profit was mainly due to Hayman Island Resort's impairment loss on its assets of RM33.3 million in the previous year's corresponding period.

The investment and other activities division recorded pre-tax loss of RM13.46 million for the period ended 30 June 2018 as compared to pre-tax loss of RM14.92 million in the previous year due to improved performances from education and expansion in commercial property lending businesses.

(ii) Financial Position Analysis

Total Assets	**AS AT 30.06.2018 RM'000**	**RESTATED AS AT 31.12.2017 RM'000**
Property, plant and equipment	**971,433**	955,760
Inventories	**1,383,596**	1,380,273
Investment in associates	**1,494,534**	1,433,525
Investment properties	**884,996**	941,078
Investment securities	**290,091**	331,834
Cash and cash equivalents	**193,212**	488,350
Trade and other receivables	**305,950**	269,571
Others	**71,601**	68,371
Total	**5,595,413**	5,868,762

The Group assets' decrease by 5% to RM5.60 billion as at 30 June 2018 was mainly attributable to a decrease in cash and cash equivalents, investment properties and investment securities, partially offset by the increase in investment in associates, trade and other receivables and property, plant and equipment.

Generally, the decreases were mainly attributable to unfavourable foreign exchange on the assets and investments denominated in Australian and US dollars. In addition, the decrease in cash and cash equivalent was attributed to funds used for Hayman Island Resort's rebuild construction cost and the decrease in investment securities was mainly attributable to a fair value loss through reserves of RM40.20 million.

The increase in trade and other receivables was mainly due to increased commercial lending business activities during the period and an increase in investment in associates due to a higher share of associates profits recognised in the current period.

B1. Review of performance (Cont'd)

(ii) Financial Position Analysis (Cont'd)

Total Liabilities	AS AT 30.06.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
Loans and Borrowings	**2,034,158**	2,141,513
Others	**299,106**	406,413
Total	**2,333,264**	2,547,926

The Group's total liabilities decreased by 8% to RM2.33 billion as at 30 June 2018, mainly attributable to the repayment of borrowings and a favourable foreign exchange movement for loans and borrowings denominated in Australian dollars during the period.

Total Equity	AS AT 30.06.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
Share capital	**2,037,459**	2,037,459
Treasury shares	**(318)**	(318)
Reserves	**96,753**	301,868
Retained earnings	**1,128,391**	981,947
Total	**3,262,285**	3,320,956

The Group's total equity decreased by 2% to RM3.26 billion as at 30 June 2018, mainly due to decrease in foreign exchange reserves related to foreign currency translation differences for foreign subsidiaries. This was partially offset by profit recognised for the financial period amounting to RM146.42 million.

B2. Comparisons With Preceding Quarter's Results

	CURRENT QUARTER ENDED 30.06.2018	PRECEDING QUARTER ENDED 31.03.2018	CHANGES	
	RM'000	RM'000	RM'000	%
Revenue	**159,987**	181,823	(21,836)	(12%)
Profit from operations	**9,217**	30,976	(21,759)	(70%)
Profit before interest and tax	**131,623**	58,531	73,092	>100%
Profit before tax	**109,786**	36,557	73,229	>100%
Profit after tax	**114,196**	32,224	81,972	>100%
Profit attributable to:				
Owners of the Company	**114,014**	32,430	81,584	>100%

The Group recorded revenue of RM159.99 million and pre-tax profit of RM109.79 million for the 2nd quarter 2018 compared with revenue of RM181.82 million and pre-tax profit of RM36.56 million for 1st quarter of 2018. The higher performance was mainly due to a higher share of associates profit by RM94.91 million, partially offset by the weaker performance in property and hospitality divisions by RM14.53 million and RM8.03 million respectively.

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

The property division recorded revenue of RM53.80 million and pre-tax profit of RM15.97 million for the 2nd quarter 2018 compared with revenue of RM73.55 million and pre-tax profit of RM30.49 million for the 1st quarter of 2018. The weaker performance was mainly due to lower settlements in Leisure Farm in Iskandar Malaysia and Sanctuary Cove in Australia.

The hospitality division recorded revenue of RM81.45 million and pre-tax loss of RM0.42 million for the 2nd quarter 2018 compared with revenue of RM92.71 million and pre-tax profit of RM7.61 million for the 1st quarter of 2018. The weaker performance was mainly due to lower occupancy rates in InterContinental Sydney and InterContinental Sanctuary Cove as compared to the previous quarter.

The investment and others division recorded a pre-tax loss of RM6.33 million for the 2nd quarter 2018 compared with pre-tax loss of RM7.13 million for the 1st quarter of 2018 due to improved performances from education and commercial property lending businesses.

B3. Prospects

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

The Australian residential property development business has seen some slowing in demand from greater restrictions on lending by Australian and offshore banks, increased taxes on foreign property purchasers and greater fears of oversupply in the Sydney apartment market. These pressures have resulted in lower sales rates in the Sydney market in the current financial period. We anticipate that these conditions will exist for some time. On a positive note, the reduction in lending by Australian banks has created an opportunity for Mulpha to participate in providing first mortgage lending to quality Australian developers.

Following an operational restructure and the implementation of a revised pricing strategy, performance at Leisure Farm in Iskandar Malaysia has shown improvement despite a challenging real estate market in Iskandar Malaysia after a significant slowing in interest from Chinese buyers and increased local competition.

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

The Group is also investigating further opportunities to expand its interests in the Winery and Education sectors following the successful acquisition of the Education Perfect business in late 2017.

B4. Variance from Profit Forecast or Profit Guarantee

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

B5. Profit Before Tax

	2nd Quarter Ended		6 Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Bad debt recovered	-	-	-	(5)
Depreciation and amortisation	9,132	17,124	18,550	33,607
Dividend income	(8)	(4)	(16)	(10)
Fair value adjustment of investment properties	256	151	522	738
Fair value (gain)/loss on financial assets at fair value through profit or loss	(171)	(285)	284	(332)
Net foreign exchange loss/(gain)				
- Realised	(2,807)	(7,498)	4,722	(6,873)
- Unrealised	23	(5)	120	27
Gain on disposal of investment properties	-	14	-	(2,325)
Interest income	(4,820)	(5,809)	(10,356)	(11,684)
Interest expense	21,837	25,215	43,811	50,416
Impairment loss on trade and other receivables	66	6	328	684
Impairment loss on property, plant and equipment	-	(200)	-	33,100
Inventories written down	67	4	114	4
Impairment/(Reversal of impairment) loss on investment securities	52	41	52	(89)
Gain on disposal of property, plant and equipment	(74)	(7)	(178)	(7)
Loss on derivatives	-	693	-	2,065
Property, plant and equipment written off	(1)	3	37	3
Rental income	(3,911)	(3,818)	(7,989)	(7,717)

B6. Income tax (benefit)/expense

	2nd Quarter Ended		6 Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Current tax (benefit)/expense				
Malaysian - current period	17	58	51	143
Overseas - current period	(13,673)	-	(17,650)	-
	(13,656)	58	(17,599)	143
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	9,579	(11,803)	17,867	(3,258)
(Over)/Underprovision in prior year	(333)	6,799	(345)	6,722
	9,246	(5,004)	17,522	3,464
Income tax (benefit)/expense	(4,410)	(4,946)	(77)	3,607

The effective tax rate of the Group for the financial period ended 30 June 2018 under review is lower than the statutory rate of 24% was mainly due to certain income which not subject to tax. This is alleviated by certain expenses which are not deductible and deferred tax assets not recognised.

B7. Status of Corporate Proposals

There were no corporate proposals announced as at the date of this report.

B8. Group Loans and Borrowings

The details of the loans and borrowings as at 30 June 2018 are as follows:-

	As at 2nd Quarter Ended 2018											
	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			187	RM			187
Revolving Credit	RM			-	RM			85,152	RM			85,152
Term Loan	RM			24,742	RM			925	RM			25,667
Term Loan	HKD	357,686	0.52	184,244	HKD	-	0.52	-	HKD	357,686	0.52	184,244
Term Loan	USD	18,965	4.04	76,617	USD	1,865	4.04	7,535	USD	20,830	4.04	84,152
Term Loan	AUD	196,000	2.97	582,120	AUD	215,850	2.97	641,074	AUD	411,850	2.97	1,223,194
Finance Lease	AUD	2,770	2.97	8,227	AUD	-	2.97	-	AUD	2,770	2.97	8,227
Bills Payable	AUD	16,215	2.97	48,160	AUD	667	2.97	1,980	AUD	16,882	2.97	50,140
Bonds	AUD	28,980	2.97	86,070	AUD	1,456	2.97	4,325	AUD	30,436	2.97	90,395
Bonds	USD	70,000	4.04	282,800	USD	-	4.04	-	USD	70,000	4.04	282,800
				1,292,980				741,178				2,034,158

B8. Group Loans and Borrowings (Cont'd)

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

	As at 2nd 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			1,700	RM			1,700
Revolving Credit	RM			-	RM			91,000	RM			91,000
Term Loan	HKD	372,686	0.55	205,089	HKD	-	0.55	-	HKD	372,686	0.55	205,089
Term Loan	USD	20,804	4.42	91,954	USD	1,846	4.42	8,157	USD	22,650	4.42	100,111
Term Loan	AUD	27,000	3.30	89,100	AUD	394,850	3.30	1,303,005	AUD	421,850	3.30	1,392,105
Finance Lease	AUD	2,770	3.30	9,141	AUD	17	3.30	56	AUD	2,787	3.30	9,197
Bills Payable	AUD	16,888	3.30	55,730	AUD	667	3.30	2,200	AUD	17,555	3.30	57,930
Bonds	AUD	31,132	3.30	102,735	AUD	1,346	3.30	4,441	AUD	32,478	3.30	107,176
Bonds	USD	90,000	4.42	397,800	USD	-	4.42	-	USD	90,000	4.42	397,800
				951,549				1,410,559				2,362,108
Unsecured												
Other Borrowings	AUD	-	3.30	-	AUD	563	3.30	1,857	AUD	563	3.30	1,857
				-				1,857				1,857
				951,549				1,412,416				2,363,965

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 Trial continued on 4 June 2018 with MIB's witnesses completing their evidence in Court and resume on 26 to 27 June 2018 and 29 June 2018 with Mula's witnesses giving evidence in Court. The Court has fixed a new Trial date on 7 September 2018, in addition to the Trial dates which had already been fixed on 9 November 2018, 19 November 2018 and 21 to 22 November 2018 for the continuation of the Trial.

The outcome of this litigation is not expected to have any material financial and operational impact on the Group as the net receivables in the Group’s accounts of RM103 million is below 5% of the net assets of the Group. Furthermore, the net receivables are secured by the Land. The Company is pursuing the Full Outstanding Amount of RM301,506,429 as at 30 June 2012 and if successful, the Company expects to be able to recover substantially more than the net receivables of RM103 million. The net receivables recognised in the Company’s accounts have been reduced to RM103 million, mainly due to past impairments and the loss incurred upon disposal of Bestari Sepang Sdn Bhd.

The Company’s solicitors have advised that the Group has a strong case based on contemporaneous documentary evidence and the express terms of the documents with Mula and Bestari Group. Accordingly, it will be forcefully argued that the counterclaim filed by Mula and Bestari Group is without merit.

B10. Dividend

The Board of Directors does not recommend any dividend for the current financial quarter.

B11. Earnings Per Share

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

	6 Months Ended	
	30.06.2018	**30.06.2017**
	RM'000	**RM'000**
Profit for the period, amount attributable to equity holders of the parent	146,444	94,033

	6 Months Ended	
	30.06.2018	**30.06.2017**
	RM'000	**RM'000**
Weighted average number of ordinary shares in issue	319,467	3,194,870
Effect of share buy back	-	(96)
Effect of share consolidation of every 10 existing ordinary shares into 1 ordinary share	-	(2,875,156)
Weighted average number of ordinary shares at 30 June	319,467	319,618

	6 Months Ended	
	30.06.2018	**30.06.2017**
	sen	**sen**
Basic earnings per share	45.84	29.42