

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the first financial quarter ended 31 March 2019

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 31.03.2019	COMPARATIVE QUARTER ENDED 31.03.2018	3 MONTHS CUMULATIVE TO 31.03.2019	3 MONTHS CUMULATIVE TO 31.03.2018
	<i>Note</i>	RM'000	RM'000	RM'000	RM'000
Revenue		146,552	181,823	146,552	181,823
Operating expenses		(157,967)	(177,452)	(157,967)	(177,452)
Other operating income		102,065	26,605	102,065	26,605
Profit from operations		90,650	30,976	90,650	30,976
Finance costs		(24,012)	(21,974)	(24,012)	(21,974)
Share of profit of associates		23,534	27,457	23,534	27,457
Share of profit of joint ventures		14	98	14	98
Profit before tax	B5	90,186	36,557	90,186	36,557
Income tax expense	B6	(20,914)	(4,333)	(20,914)	(4,333)
Profit for the period		69,272	32,224	69,272	32,224
Attributable to:					
Owners of the Company		69,240	32,430	69,240	32,430
Non-controlling interests		32	(206)	32	(206)
Profit for the period		69,272	32,224	69,272	32,224
Earnings per share (sen):-					
- Basic/Diluted	B10	21.67	10.15	21.67	10.15

(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 2018 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 <u>31.03.2019</u> RM'000	COMPARATIVE QUARTER ENDED <u>31.03.2018</u> RM'000	3 MONTHS CUMULATIVE TO <u>31.03.2019</u> RM'000	3 MONTHS CUMULATIVE TO <u>31.03.2018</u> RM'000
Profit for the period	69,272	32,224	69,272	32,224
Foreign currency translation differences for foreign operations	(22,164)	(146,926)	(22,164)	(146,926)
Fair value movement of available- for-sale financial assets	-	(18,517)	-	(18,517)
Other comprehensive loss for the period, net of tax	<u>(22,164)</u>	<u>(165,443)</u>	<u>(22,164)</u>	<u>(165,443)</u>
Total comprehensive income/(loss) for the period	<u>47,108</u>	<u>(133,219)</u>	<u>47,108</u>	<u>(133,219)</u>
Attributable to:				
Owners of the Company	47,076	(133,029)	47,076	(133,029)
Non-controlling interests	<u>32</u>	<u>(190)</u>	<u>32</u>	<u>(190)</u>
Total comprehensive income/(loss) for the period	<u>47,108</u>	<u>(133,219)</u>	<u>47,108</u>	<u>(133,219)</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 2018 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* ----- >
 < ----- *Non-distributable* ----- > *Distributable*

	Share Capital	Exchange 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
At 1 January 2019	2,037,459	27,255	68,545	(62,205)	(318)	1,186,024	3,256,760	(81)	3,256,679
Total comprehensive income/(loss) for the period	-	(22,164)	-	-	-	69,240	47,076	32	47,108
At 31 March 2019	2,037,459	5,091	68,545	(62,205)	(318)	1,255,264	3,303,836	(49)	3,303,787
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)
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	-	(146,942)	-	(18,517)	-	32,430	(133,029)	(190)	(133,219)
At 31 March 2018	2,037,459	98,474	66,252	(28,317)	(318)	1,014,377	3,187,927	(310)	3,187,617

(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 2018 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 31.03.2019 RM'000	AS AT 31.12.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,116,547	1,068,355
Investment properties		1,096,237	1,104,808
Investment in associates		1,486,321	1,475,785
Investment in joint ventures		18,110	18,398
Investment securities		1,205	1,205
Other investments		5,084	5,084
Goodwill		10,246	2,708
Inventories		625,778	629,009
Trade and other receivable		26,603	31,645
Other non-current assets		12,761	12,807
		4,411,827	4,362,739
Current assets			
Inventories		742,381	752,435
Contract assets		1,419	573
Trade and other receivables		302,868	324,073
Other current assets		31,543	29,402
Investment securities		247,275	251,189
Income tax recoverable		12,562	8,842
Cash and cash equivalents		191,935	150,570
		1,529,983	1,517,084
Assets classified as held for distribution		-	31,460
		1,529,983	1,548,544
TOTAL ASSETS		5,941,810	5,911,283

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.03.2019 RM'000	AS AT 31.12.2018 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		11,431	33,595
Retained earnings		1,255,264	1,186,024
		<u>3,303,836</u>	<u>3,256,760</u>
Non-controlling interests		(49)	(81)
Total equity		<u>3,303,787</u>	<u>3,256,679</u>
Non-current liabilities			
Trade and other payables		35,334	32,174
Provision for liabilities		4,473	5,696
Deferred tax liabilities		144,593	125,942
Loans and borrowings	B8	1,753,535	1,408,625
		<u>1,937,935</u>	<u>1,572,437</u>
Current liabilities			
Trade and other payables		129,137	192,651
Contract liabilities		34,726	19,241
Provision for liabilities		23,370	24,043
Loans and borrowings	B8	511,246	845,105
Current tax liabilities		1,609	1,127
		<u>700,088</u>	<u>1,082,167</u>
Total liabilities		<u>2,638,023</u>	<u>2,654,604</u>
TOTAL EQUITY AND LIABILITIES		<u>5,941,810</u>	<u>5,911,283</u>
Net assets per share (RM)		<u>10.34</u>	<u>10.19</u>

(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 2018 and the accompanying explanatory notes attached to the interim financial statements)

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---3 MONTHS ENDED-->	
		31.03.2019	31.03.2018
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		90,186	36,557
Adjustments for non-cash items:			
Change in fair value of investment properties		254	266
Dividend income		(11)	(8)
Fair value (gain)/loss on financial assets at fair value through profit or loss		(368)	455
Impairment loss on investments securities		41	-
Interest income		(4,945)	(5,536)
Interest expense		24,012	21,974
Inventories written down		-	47
Net unrealised foreign exchange (gain)/loss		(10)	97
Property, plant and equipment			
- Depreciation		9,833	9,418
- Gain on disposal		-	(104)
- Written off		8	38
Provision for staff benefits		6,868	4,144
(Reversal of)/Impairment loss on trade and other receivables		(155)	262
Share of profit of associates		(23,534)	(27,457)
Share of profit of joint ventures		(14)	(98)
Operating profit before changes in working capital		<u>102,165</u>	<u>40,055</u>
Changes in working capital			
Contract assets		(1,419)	-
Contract liabilities		34,726	-
Inventories		6,180	(16,954)
Other current assets		29,892	(16,201)
Other non-current assets		4,797	1,900
Other non-current liabilities		8,662	11,645
Payables		(82,170)	(54,116)
Receivables		15,231	(116,953)
Net change in working capital		<u>15,899</u>	<u>(190,679)</u>
Cash from/(used in) operations		118,064	(150,624)

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PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---3 MONTHS ENDED-->	
		31.03.2019	31.03.2018
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Interest paid		(24,810)	(22,279)
Interest received		9,320	5,536
Income tax refund		(3,853)	(42)
Staff benefits paid		(8,168)	(4,333)
Net cash from/(used in) operating activities		<u>90,553</u>	<u>(171,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash and cash equivalents acquired		(4,424)	-
Dividend received		11	8
Dividend received from joint ventures		117	124
Purchase of property, plant and equipment		(58,401)	(32,042)
Proceeds from disposal of property, plant and equipment		57	146
Refurbishment of investment properties		(1,577)	(444)
Net cash used in investing activities		<u>(64,217)</u>	<u>(32,208)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(162)	-
Payment of finance lease liabilities		(390)	(16)
(Placement)/Withdrawal of pledged deposits		(6,359)	37,204
Net drawdown/(repayment) of borrowings		20,214	(56,294)
Net cash from/(used in) financing activities		<u>13,303</u>	<u>(19,106)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		39,639	(223,056)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		124,031	383,839
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(3,775)	(18,579)
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	Note A	<u>159,895</u>	<u>142,204</u>
Note A			
Included in cash and cash equivalents as at 31 March are the following:			
- Cash and deposits with licensed banks		191,935	209,569
- Bank overdrafts		(753)	(856)
- Bank balances and deposits pledged		(31,287)	(66,509)
		<u>159,895</u>	<u>142,204</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 2018 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 2018.

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 2018 except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has applied MFRS 16 to its leases retrospectively with cumulative effect of initially applying the Standard recognised at the date of initial application of 1 January 2019. As such, the comparative figures are not restated as permitted by the Standard.

A1. Basis of Preparation (Cont'd)

i) MFRS 16, Leases (Cont'd)

The impact of the adoption is summarised as follows:

	Audited as at 31.12.2018 RM'000	Adjustments due to adoption of MFRS 16 RM'000	Adjusted opening balance at 01.01.2019 RM'000
Right-of-use assets	-	11,938	11,938
Lease liabilities	-	(11,938)	(11,938)

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 has relied 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. However, in its Annual General Meeting held on 14 November 2018, AVEO announced that it would not re-confirm FY2019 profit guidance. Accordingly, until such time that AVEO provides more specific guidance, for the intervening quarters of March and September, the Group's share of results in AVEO will be modified based on equity research analysts reports adjusted to the quarterly components. The Group's share of results for the June and December financial periods will continue to be based on AVEO's publicly 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 2018 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 financial year ended 31 March 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 quarter.

A6. Changes in Debt And Equity Securities

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

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FIRST FINANCIAL QUARTER ENDED 31 MARCH 2019

A7. Dividend Paid

A Dividend-In-Specie to the shareholders of the Company for the financial year ended 31 December 2018 has been declared by the Board of Directors by way of distribution of 89,884,299 ordinary shares in Mudajaya Group Berhad (“Mudajaya”), on the basis of 1 Mudajaya share for every 3.537 shares held in the Company. The dividend was paid as detailed below:-

	Total Amount RM'000	Payment Date
<u>2018</u>		
a) Entitled shareholders of the Company who hold 354 or more of the Company shares: Distribution of 89,884,299 ordinary shares in Mudajaya	31,460	18 Jan 2019
b) Entitled shareholders of the Company who hold less than 354 of the Company shares: Distribution by cash payment	162	18 Jan 2019
Total	<u>31,622</u>	

A8. Segment Information

Segment analysis for the period ended 31 March 2019 and 2018 are set out below:

	Revenue		Profit Before Tax	
	3 months ended 31.03.2019 RM'000	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2019 RM'000	3 months ended 31.03.2018 RM'000
Business Segment				
Property	38,789	73,550	7,064	30,491
Hospitality	86,522	92,706	89,571	7,610
Investment and others	21,241	15,567	(5,985)	(7,125)
	<u>146,552</u>	<u>181,823</u>	<u>90,650</u>	<u>30,976</u>
Finance costs	-	-	(24,012)	(21,974)
Share of results of associates/ joint ventures	-	-	23,548	27,555
	<u>146,552</u>	<u>181,823</u>	<u>90,186</u>	<u>36,557</u>

	Total Assets		Total Liabilities	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Business Segment				
Property	2,414,587	1,600,379	1,057,538	1,059,335
Hospitality	1,128,715	1,092,374	432,488	391,688
Investment and others	3,751,032	4,552,177	2,909,692	2,950,779
	<u>7,294,334</u>	<u>7,244,930</u>	<u>4,399,718</u>	<u>4,401,802</u>
Adjustment and eliminations	(1,352,524)	(1,333,647)	(1,761,695)	(1,747,198)
	<u>5,941,810</u>	<u>5,911,283</u>	<u>2,638,023</u>	<u>2,654,604</u>

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 [^]	
	31.03.2019	31.03.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Australia	136,321	163,121	2,257,340	2,208,315
Malaysia	6,149	18,702	400,611	405,358
New Zealand	4,082	-	190,857	191,207
	<u>146,552</u>	<u>181,823</u>	<u>2,848,808</u>	<u>2,804,880</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:

	3 Months Ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
A. Associates		
Asset management service income	-	385
Director fees received	64	133
Project services fee and net sales commission	-	13,604
Rental income	1,033	1,205
Rental expense	370	239
Share service expense	110	133
	<u>1,577</u>	<u>15,604</u>
B. Joint Ventures		
Dividend income	117	124
	<u>117</u>	<u>124</u>
C. Other related parties		
Companies related to directors		
- Rendering of services	1,873	1,288
- Rental (income)/expense	(25)	61
- Share service income	111	268
Companies related to a person connected to a director		
- Rendering of services	803	731
- Rental income	135	124
	<u>2,897</u>	<u>2,472</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.

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 31 March 2019 are as below:

	RM'000
(a) Approved and contracted for	16,017
(b) Approved but not contracted for	46,627*
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* *The capital commitment are mainly for Hayman Island Resort's pre-opening refurbishment cost.*

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 31 March 2019 to be disclosed.

A13. Changes in The Composition Of the Group

Acquisition of subsidiaries

Mulpha Finance Holdings Pty Ltd, a wholly-owned subsidiary of the Mulpha Australia Limited, which in turn is a wholly-owned subsidiary of the Company has on 29 March 2019 acquired Pindari Capital Pty Ltd and Pindari Capital Asset Management Pty Ltd. Both companies are incorporated in Australia and principally involved in fund and investment management.

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

Current Quarter-to-date vs. Previous Year's Quarter-to-date

	CUMULATIVE PERIOD		CHANGES	
	3 MONTHS ENDED 31.03.2019	3 MONTHS ENDED 31.03.2018		
	RM'000	RM'000	RM'000	%
Revenue	146,552	181,823	(35,271)	(19%)
Profit from operations	90,650	30,976	59,674	>100%
Profit before interest	114,198	58,531	55,667	95%
Profit before tax	90,186	36,557	53,629	>100%
Profit after tax	69,272	32,224	37,048	>100%
Profit attributable to: Owners of the Company	69,240	32,430	36,810	>100%

The Group reported revenue of RM146.55 million and pre-tax profit of RM90.19 million for the current quarter of 2019 as compared to revenue of RM181.82 million and pre-tax profit of RM36.56 million in the previous year's corresponding quarter. The decrease in the Group's revenue by 19% was primarily attributed to the property and hospitality divisions. The Group's pre-tax profit increased by RM53.63 million was mainly due to better performance in the hospitality and investment divisions by RM81.96 million and RM1.14 million respectively, partially offset by the weaker performances in the property division by RM23.43 million.

The property division recorded revenue of RM38.79 million and pre-tax profit of RM7.06 million for the current quarter of 2019 as compared to revenue of RM73.55 million and pre-tax profit of RM30.49 million in the previous year's corresponding quarter. The underperformance was mainly attributed to lesser settlements in the Mulpha Norwest and Sanctuary Cove developments in Australia which continues to be impacted by greater restrictive lending policies and increased taxes for foreign property buyers.

The hospitality division registered revenue of RM86.52 million and pre-tax profit of RM89.57 million for the current quarter of 2019 as compared to revenue of RM92.71 million and pre-tax profit of RM7.61 million in the previous year's corresponding quarter. The higher pre-tax profit was due to a receipt of final insurance claims on Hayman Island Resort in the current financial quarter attributable to the Cyclone Debbie catastrophe in 2017.

The investment and other activities division recorded a pre-tax loss of RM5.99 million for the current quarter of 2019 as compared to pre-tax loss of RM7.13 million in the previous year's corresponding quarter. The better performance was due to a favourable foreign exchange movement on US Dollar denominated bonds and deposits held by the Group in the current quarter.

B1. Review of performance (Cont'd)

(ii) Financial Position Analysis

	AS AT 31.03.2019	AS AT 31.12.2018
	RM'000	RM'000
Total Assets		
Property, plant and equipment	1,116,547	1,068,355
Inventories	1,368,159	1,381,444
Investment in associates	1,486,321	1,475,785
Investment properties	1,096,237	1,104,808
Investment securities	248,480	252,394
Cash and cash equivalents	191,935	150,570
Trade and other receivables	329,471	355,718
Others	104,660	122,209
Total	5,941,810	5,911,283

The Group's assets increased by 1% to RM5.94 billion as at 31 March 2019, mainly attributable to increases in property, plant and equipment, cash and cash equivalents and investment in associates partially offset by decreases in trade and other receivables, inventories, investment properties and investment securities.

The increase in property, plant and equipment was mainly due to Hayman Island Resort's rebuilding works post Cyclone Debbie. The increase in cash and cash equivalents was due to the higher drawdown of loans during the current period. A higher share of associated companies profits recognised in the current period further uplifted investment in associates.

The decrease in inventories, trade receivables, investment properties and investment securities were mainly due to an unfavourable foreign exchange movement in the Australian dollar.

	AS AT 31.03.2019	AS AT 31.12.2018
	RM'000	RM'000
Total Liabilities		
Loans and Borrowings	2,264,781	2,253,730
Others	373,242	400,874
Total	2,638,023	2,654,604

The Group's total liabilities decreased by 0.62% to RM2.64 billion as at 31 March 2019, mainly attributable to drawdown of loans for funding operations offset by favourable foreign exchange movement for Australian dollar denominated loans and borrowings.

	AS AT 31.03.2019	AS AT 31.12.2018
	RM'000	RM'000
Total Equity		
Share capital	2,037,459	2,037,459
Treasury shares	(318)	(318)
Reserves	11,431	33,595
Retained earnings	1,255,264	1,186,024
Total	3,303,836	3,256,760

The Group's total equity increased by 1% to RM3.30 billion as at 31 March 2019, mainly due to the profit for the financial period of RM69.27 million and offset by the decrease in foreign exchange reserves arising from translation losses for foreign subsidiaries.

B2. Comparisons With Preceding Quarter's Results

	CURRENT QUARTER ENDED 31.03.2019	PRECEDING QUARTER ENDED 31.12.2018	CHANGES	
	RM'000	RM'000	RM'000	%
Revenue	146,552	274,549	(127,997)	(47%)
Profit from operations	90,650	160,815	(70,165)	(44%)
Profit before interest and tax	114,198	186,658	(72,460)	(39%)
Profit before tax	90,186	161,979	(71,793)	(44%)
Profit/(Loss) after tax	69,272	95,891	(26,619)	(28%)
Profit/(Loss) attributable to: Owners of the Company	69,240	95,904	(26,664)	(28%)

The Group recorded revenue of RM146.55 million and pre-tax profit of RM90.19 million for the 1st quarter of 2019 compared with revenue of RM274.55 million and pre-tax profit of RM161.98 million for 4th quarter of 2018. The decrease in the Group's performance was mainly due to the property division by RM80.65 million.

The property division recorded revenue of RM38.79 million and pre-tax profit of RM7.06 million for the 1st quarter 2019 compared with revenue of RM147.65 million and pre-tax profit of RM87.72 million for the 4th quarter of 2018. The stronger performance in the preceding quarter was mainly due to the completion of Mulpha Norwest's Haven premium apartment units which delivered more settlements in December 2018.

The hospitality division recorded revenue of RM86.52 million and pre-tax profit of RM89.57 million for the 1st quarter 2019 compared with revenue of RM104.69 million and pre-tax profit of RM80.40 million for the 4th quarter of 2018. Despite the lower revenue generated due to seasonal factors in Australia, the better performance in the pre-tax profit was mainly due to higher Hayman insurance recoveries received in the current quarter.

The investment and others division recorded a pre-tax loss of RM5.99 million for the 1st quarter 2019 marginally underperformed compared with a pre-tax loss of RM7.83 million for the 4th quarter of 2018.

B3. Prospects

The Group anticipates that trading in its hospitality division will be stable in the Sydney market with solid demand in the tourism and business sectors. In the Cairns market, new increases in supply of rooms may have a short term impact on occupancies while the medium and longer term outlook remains positive. Strong demand is expected upon the reopening of InterContinental Hayman Island on 1 July 2019 while InterContinental Sanctuary Cove trading will be impacted by the rooms refurbishment program planned for the second half of 2019.

The Australian residential property development business has experienced a material slowdown in the rate of sales with a direct impact on residential property pricing. This slowing commenced with 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. There are now early indications that owner occupiers are re-entering the market following recent price reductions with the rate of sales improving in the first quarter of 2019 when compared to the second half of 2018. 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. This business has grown in scale over the past twelve months as developers have found it increasingly difficult to obtain funding from the major trading banks.

B3. Prospects (Cont'd)

The Leisure Farm project in Iskandar Malaysia has returned to profit through operational restructuring despite a challenging real estate market. We anticipate tough market conditions will continue for some years as a result of significant over-supply and reduced interest from offshore buyers.

Commercial real estate investment properties continue to benefit from strong underlying fundamentals and we expect this division to deliver consistent results supported by underlying leases to quality tenants. While the Group remains cautious in relation to further acquisitions in investment properties, good buying opportunities are starting to emerge given the shortage of funding and the withdrawal of some foreign owners.

The current disruption occurring in finance markets is expected to result in more lending and acquisition opportunities in the coming year. The Group is also exploring opportunities to expand its interests in operating businesses particularly where the Group has established operational capability.

B4. Variance from Profit Forecast or Profit Guarantee

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

B5. Profit Before Tax

	3 Months Ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):		
Depreciation and amortisation	9,833	9,418
Dividend income	(11)	(8)
Fair value adjustment of investment properties	254	266
Fair value (gain)/loss on financial assets at fair value	(368)	455
Interest income	(4,945)	(5,536)
Interest expense	24,012	21,974
Inventories written down	-	47
Insurance recoveries	(87,900)	-
Impairment loss on investment securities	41	-
Gain on disposal of property, plant and equipment	-	(104)
Net foreign exchange loss/(gain)		
- Realised	2,971	7,529
- Unrealised	(10)	97
Property, plant and equipment written off	8	38
(Reversal of)/Impairment loss on trade and other receivables	(155)	262
Rental income	(4,353)	(4,078)

B6. Income tax expense

	3 Months Ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Current tax expense/(benefit)		
Malaysian - current year	16	34
- prior year	15	-
Overseas - current year	600	(3,977)
	<u>631</u>	<u>(3,943)</u>
Deferred tax expense		
Origination and reversal of temporary differences	26,267	8,288
Underprovision in prior year	(5,984)	(12)
	<u>20,283</u>	<u>8,276</u>
Income tax expense	<u>20,914</u>	<u>4,333</u>

The effective tax rate of the Group for the financial period ended 31 March 2019 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.

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B8. Group Loans and Borrowings

The details of the loans and borrowings as at 31 March 2019 are as follows:-

	As at 1st Quarter Ended 2019											
	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
<u>Secured</u>												
Overdraft	RM			-	RM			753	RM			753
Revolving Credit	RM			-	RM			96,000	RM			96,000
Term Loan	RM			20,117	RM			3,700	RM			23,817
Term Loan	HKD	-	0.52	-	HKD	440,610	0.52	228,985	HKD	440,610	0.52	228,985
Term Loan	USD	17,528	4.08	71,516	USD	3,127	4.08	12,758	USD	20,655	4.08	84,274
Term Loan	AUD	409,500	2.89	1,183,455	AUD	36,939	2.89	106,754	AUD	446,439	2.89	1,290,209
Term Loan	NZD	34,084	2.77	94,413	NZD	-	2.77	-	NZD	34,084	2.77	94,413
Finance Lease	AUD	5,983	2.89	17,291	AUD	711	2.89	2,055	AUD	6,694	2.89	19,346
Bills Payable	AUD	-	2.89	-	AUD	16,902	2.89	48,848	AUD	16,902	2.89	48,848
Bonds	AUD	28,077	2.89	81,143	AUD	1,545	2.89	4,465	AUD	29,622	2.89	85,608
Bonds	USD	70,000	4.08	285,600	USD	-	4.08	-	USD	70,000	4.08	285,600
				1,753,535				504,318				2,257,853
<u>Unsecured</u>												
				-				6,928				6,928
				1,753,535				511,246				2,264,781

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B8. Group Loans and Borrowings (Cont'd)

The details of the loans and borrowings as at 31 March 2018 are as follows:-

	As at 1st 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			856	RM			856
Revolving Credit	RM			-	RM			70,370	RM			70,370
Term Loans	RM			24,742	RM			925	RM			25,667
Term Loan	HKD	357,686	0.49	176,196	HKD	-	0.49	-	HKD	357,686	0.49	176,196
Term Loan	USD	19,438	3.87	75,225	USD	1,845	3.87	7,140	USD	21,283	3.87	82,365
Term Loan	AUD	176,500	2.97	524,206	AUD	225,850	2.97	670,775	AUD	402,350	2.97	1,194,981
Finance Lease	AUD	2,770	2.97	8,227	AUD	2	2.97	5	AUD	2,772	2.97	8,232
Bills Payable	AUD	16,385	2.97	48,664	AUD	667	2.97	1,980	AUD	17,052	2.97	50,644
Bonds	AUD	29,267	2.97	86,923	AUD	1,428	2.97	4,241	AUD	30,695	2.97	91,164
Bonds	USD	70,000	3.87	270,900	USD	-	3.87	-	USD	70,000	3.87	270,900
				1,215,083				756,292				1,971,375

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 then continued on 4 June 2018 with MIB's witnesses completing their evidence in Court and resumed once again on 26 to 27 June 2018, 29 June 2018, 7 September 2018 and 21 to 22 November 2018 with Mula's witnesses giving evidence in Court while the Trial date fixed on 19 November 2018 was vacated by the Court. Trial resumed on 18 February 2019 until 19 February 2019 with Mula’s witnesses giving further evidence in Court while the Trial dates of 20 to 22 February 2019 were vacated by the Court. The Trial then continued on 9 May 2019 with Mula's witnesses giving further evidence in Court and on 23 May 2019 with MIB's witnesses giving further evidence in Court. The next Trial dates have been fixed on 8 July 2019, 11 July 2019 and 12 July 2019.

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. 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:

	3 Months Ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Profit for the period, amount attributable to equity holders of the parent	69,240	32,430
	3 Months Ended	
	31.03.2019	31.03.2018
	'000	'000
Weighted average number of ordinary shares in issue	319,467	319,474
Weighted average number of ordinary shares at 31 March	319,467	319,474
	3 Months Ended	
	31.03.2019	31.03.2018
	sen	sen
Basic earnings per share	21.67	10.15