

MULPHA INTERNATIONAL BHD

Registration No. 197401002704 (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2023

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 30.06.2023 RM'000	COMPARATIVE QUARTER ENDED 30.06.2022 RM'000	6 MONTHS CUMULATIVE TO 30.06.2023 RM'000	6 MONTHS CUMULATIVE TO 30.06.2022 RM'000
Revenue		207,666	251,171	401,077	445,764
Operating expenses		(225,752)	(233,550)	(430,113)	(399,063)
Other operating income		20,951	32,135	34,937	51,435
Profit from operations		2,865	49,756	5,901	98,136
Finance costs		(31,747)	(12,382)	(59,372)	(23,786)
Share of profit/(loss) of associates		710	2,125	(7,897)	1,514
Share of profit of joint ventures		606	1,272	10,096	2,600
(Loss)/Profit before tax	B5	(27,566)	40,771	(51,272)	78,464
Tax benefit/(expense)	B6	8,605	(4,222)	12,836	(13,093)
(Loss)/Profit for the period		(18,961)	36,549	(38,436)	65,371
Attributable to:					
Owners of the Company		(19,073)	35,770	(38,649)	64,493
Non-controlling interests		112	779	213	878
(Loss)/Profit for the period		(18,961)	36,549	(38,436)	65,371
(Loss)/Earnings per share (sen):-					
- Basic/Diluted	B11	(6.13)	11.50	(12.42)	20.73

(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 2022 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 30.06.2023 RM'000	COMPARATIVE QUARTER ENDED 30.06.2022 RM'000	6 MONTHS CUMULATIVE TO 30.06.2023 RM'000	6 MONTHS CUMULATIVE TO 30.06.2022 RM'000
(Loss)/Profit for the period	(18,961)	36,549	(38,436)	65,371
Foreign currency translation differences for foreign operations	122,521	(116,526)	108,854	(19,327)
Net change in fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")	14,442	(10,472)	24,019	(98)
Other comprehensive income/(loss) for the period, net of tax	136,963	(126,998)	132,873	(19,425)
Total comprehensive income/(loss) for the period	118,002	(90,449)	94,437	45,946
Attributable to:				
Owners of the Company	116,171	(89,749)	92,239	45,148
Non-controlling interests	1,831	(700)	2,198	798
Total comprehensive income/(loss) for the period	118,002	(90,449)	94,437	45,946

(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 2022 and the accompanying explanatory notes attached to the interim financial statements)

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		UNAUDITED AS AT <i>Note</i> 30.06.2023 RM'000	AUDITED AS AT 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,568,067	1,481,514
Right-of-use assets		22,435	24,186
Investment properties		1,530,962	1,470,278
Investment in associates		106,650	104,651
Investment in joint ventures		72,935	66,383
Investment securities		736,690	686,821
Other investments		5,090	5,090
Goodwill		55,465	45,359
Inventories		605,141	585,423
Trade and other receivables		17,162	4,978
Other non-current assets		22,825	22,503
Deferred tax assets		584	617
		4,744,006	4,497,803
Current assets			
Inventories		931,813	769,702
Trade and other receivables		306,545	388,102
Other current assets		32,299	16,735
Current tax assets		15,589	14,211
Cash and deposits		243,182	231,129
		1,529,428	1,419,879
TOTAL ASSETS		6,273,434	5,917,682

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	UNAUDITED	AUDITED
	AS AT	AS AT
<i>Note</i>	30.06.2023	31.12.2022
	RM'000	RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	1,983,858	1,983,858
Reserves	311,233	180,345
Retained earnings	1,324,635	1,363,284
Equity attributable to owners of the Company	3,619,726	3,527,487
Non-controlling interests	27,613	25,940
Total equity	3,647,339	3,553,427
Non-current liabilities		
Trade and other payables	27,316	14,950
Contract liabilities	-	12,791
Provision for liabilities	5,873	5,671
Deferred tax liabilities	88,368	78,262
Loans and borrowings	615,666	1,445,499
Lease liabilities	53,855	55,518
	791,078	1,612,691
Current liabilities		
Trade and other payables	197,649	158,610
Contract liabilities	43,118	38,606
Provision for liabilities	32,677	42,579
Loans and borrowings	1,554,231	505,692
Lease liabilities	6,256	5,339
Current tax liabilities	1,086	738
	1,835,017	751,564
Total liabilities	2,626,095	2,364,255
TOTAL EQUITY AND LIABILITIES	6,273,434	5,917,682
Net assets per share (RM)	11.63	11.34

(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 2022 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-Controlling Interests	Total Equity
	< ----- Non-distributable ----- >				Distributable			
	Share Capital	Exchange Reserve	Revaluation Reserve	Other Reserve	Retained Earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2023	1,983,858	(14,877)	89,444	105,778	1,363,284	3,527,487	25,940	3,553,427
Foreign currency translation differences for foreign operations	-	107,876	-	-	-	107,876	978	108,854
Net change in fair value of equity instruments designated at FVOCI	-	-	-	23,012	-	23,012	1,007	24,019
Total other comprehensive income for the period	-	107,876	-	23,012	-	130,888	1,985	132,873
(Loss)/Profit for the period	-	-	-	-	(38,649)	(38,649)	213	(38,436)
Total comprehensive income/(loss) for the period	-	107,876	-	23,012	(38,649)	92,239	2,198	94,437
Dividends paid to non-controlling interests	-	-	-	-	-	-	(525)	(525)
Total transactions with owners	-	-	-	-	-	-	(525)	(525)
At 30 June 2023	1,983,858	92,999	89,444	128,790	1,324,635	3,619,726	27,613	3,647,339

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III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

	< ----- Attributable to owners of the Company ----- >								
	< ----- Non-distributable ----- >				<i>Distributable</i>			Non-	
	Share Capital	Exchange Reserve	Revaluation Reserve	Other Reserve	Treasury Shares	Retained Earnings	Total	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 2022	2,036,698	28,461	68,545	84,372	(17,586)	1,243,151	3,443,641	26,298	3,469,939
Foreign currency translation differences for foreign operations	-	(19,251)	-	-	-	-	(19,251)	(76)	(19,327)
Net change in fair value of equity instruments designated at FVOCI	-	-	-	(94)	-	-	(94)	(4)	(98)
Total other comprehensive loss for the period	-	(19,251)	-	(94)	-	-	(19,345)	(80)	(19,425)
Profit for the period	-	-	-	-	-	64,493	64,493	878	65,371
Total comprehensive (loss)/income for the period	-	(19,251)	-	(94)	-	64,493	45,148	798	45,946
Capital returned to non-controlling interests	-	-	-	-	-	-	-	(1,686)	(1,686)
Cancellation of treasury shares	(52,840)	-	-	-	17,586	35,254	-	-	-
Total transactions with owners	(52,840)	-	-	-	17,586	35,254	-	(1,686)	(1,686)
Share of other reserve of an associate	-	-	-	(422)	-	-	(422)	-	(422)
At 30 June 2022	1,983,858	9,210	68,545	83,856	-	1,342,898	3,488,367	25,410	3,513,777

(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 2022 and the accompanying explanatory notes attached to the interim financial statements)

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<---6 MONTHS ENDED-->	
	30.06.2023	30.06.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(51,272)	78,464
Adjustments for non-cash items:		
Change in fair value of investment properties	701	529
Dividend income	-	(24,695)
Interest income	(10,433)	(6,473)
Interest expense	59,372	23,786
Inventories written down	338	321
Net unrealised foreign exchange (gain)/loss	(722)	7
Property, plant and equipment:		
- Depreciation	38,173	28,087
- Loss on disposal	-	1
- Written off	-	653
Provision for staff benefits	23,704	14,826
Reversal of provision for repairs	(1,205)	(709)
Depreciation on right-of-use assets	2,564	1,905
Impairment loss on trade and other receivables	-	33
Share of loss/(profit) of associates	7,897	(1,514)
Share of profit of joint ventures	(10,096)	(2,600)
Operating profit before changes in working capital	<u>59,021</u>	<u>112,621</u>
Changes in working capital		
Contract liabilities	(9,836)	28,752
Inventories	(149,602)	(36,237)
Other current assets	(14,557)	(12,190)
Other non-current assets	491	(3,730)
Other non-current liabilities	11,473	-
Payables	32,409	(32,070)
Receivables	86,629	(38,641)
Net change in working capital	<u>(42,993)</u>	<u>(94,116)</u>
Cash generated from operations	16,028	18,505
Interest paid	(59,145)	(23,489)
Interest received	4,219	287
Income tax refunded/(paid)	19,527	(1,373)
Staff benefits paid	(34,876)	(25,845)
Net cash used in operating activities	<u>(54,247)</u>	<u>(31,915)</u>

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	<---6 MONTHS ENDED-->	
	30.06.2023	30.06.2022
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties	-	(212,111)
Acquisition of property, plant and equipment	(69,868)	(144,942)
Acquisition of business, net of cash and cash equivalents acquired	(7,205)	(29,381)
Acquisition of investment securities	-	(4,580)
Capital expenditure of investment properties	(8,731)	(1,612)
Dividend received from joint ventures	1,720	2,113
Dividend received from investment securities	-	24,695
Proceeds from disposal of property, plant and equipment	-	20
Withdrawal of fixed deposits with maturity profile more than three months	22,050	-
Net cash used in investing activities	<u>(62,034)</u>	<u>(365,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital returned to non-controlling interests	-	(1,686)
Dividend paid to non-controlling interests of subsidiaries	(525)	-
Payment of lease liabilities	(2,752)	(2,084)
Net placement of pledged deposits	(10,555)	(28)
Net drawdown of borrowings	147,308	303,793
Net cash from financing activities	<u>133,476</u>	<u>299,995</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,195	(97,718)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	164,351	340,298
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,353	(1,892)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	Note A <u>187,899</u>	<u>240,688</u>

Note A

Included in cash and cash equivalents as at 30 June are the following:

- Cash and deposits with licensed banks	243,182	269,905
- Less: Pledged bank balances and deposits	(55,283)	(29,217)
	<u>187,899</u>	<u>240,688</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 2022 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 2022.

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 2022 except for the adoption of the following:

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 112, Income Taxes – International Tax Reform - Pillar Two Model Rules

The adoption of the above Amendments to MFRSs did not have any material impact on the financial statements of the Group.

As at the date of authorisation of this Condensed Report, the following Standards and amendments to Standards have been issued by the MASB but are not yet effective.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendment to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 2022 was not subject to any qualification.

A3. Seasonal or Cyclicity of Operations

Except for the hospitality 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 the assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter.

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.

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SECOND FINANCIAL QUARTER ENDED 30 JUNE 2023

A8. Segment Information

Segment analysis for the financial period ended 30 June 2023 and 2022 are set out below:

	Revenue		Profit/(Loss) Before Tax	
	6 months ended 30.06.2023	6 months ended 30.06.2022	6 months ended 30.06.2023	6 months ended 30.06.2022
	RM'000	RM'000	RM'000	RM'000 (Restated)
Business Segment				
Hospitality	301,669	253,182	14,629	33,612
Property	62,975	155,586	3,637	64,913
Investment and others	36,433	36,996	(12,365)	(389)
	401,077	445,764	5,901	98,136
Finance costs	-	-	(59,372)	(23,786)
Share of results of associates and joint ventures	-	-	2,199	4,114
	401,077	445,764	(51,272)	78,464
	Total Assets		Total Liabilities	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Business Segment				
Hospitality	1,826,815	1,781,511	462,673	497,754
Property	3,018,955	2,723,955	1,265,774	1,090,253
Investment and others	3,158,087	3,028,136	2,628,071	2,392,184
	8,003,857	7,533,602	4,356,518	3,980,191
Adjustments and eliminations	(1,730,423)	(1,615,920)	(1,730,423)	(1,615,936)
	6,273,434	5,917,682	2,626,095	2,364,255

Following an internal re-organisation within the Group that changed the composition of its reportable business segments, the comparative figures have been revised accordingly.

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

	Revenue		Non-current assets [^]	
	30.06.2023	30.06.2022	30.06.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Australia	379,593	417,145	3,201,469	3,035,950
Malaysia	12,059	16,813	336,718	334,525
New Zealand	9,425	11,806	243,883	236,285
	401,077	445,764	3,782,070	3,606,760

[^] Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, investment properties, goodwill and inventories.

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SECOND FINANCIAL QUARTER ENDED 30 JUNE 2023**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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
A. Joint Ventures				
Dividend income	1,149	1,413	1,720	2,113
Interest income	11	-	28	-
Share service income	14	-	143	-
B. Other related parties				
Companies related to directors				
- Administration fee	221	211	422	405
- Interest income	-	803	-	1,597
- Rental expenses	175	172	337	344
Companies related to a person connected to a director				
- Rental income	89	60	123	118

These transactions have been entered into in the normal course of business and 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 2023 are as below:

	RM'000
(a) Approved and contracted for	32,333
(b) Approved but not contracted for	89

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 30 June 2023 that the Directors believe warrant disclosure.

A13. Changes in The Composition Of the Group

There were no material changes in the composition of the Group during the current financial quarter.

A14. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2022.

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	
	QUARTER ENDED	QUARTER ENDED			6 MONTHS ENDED	6 MONTHS ENDED		
	30.06.2023	30.06.2022	RM'000	%	30.06.2023	30.06.2022	RM'000	%
Revenue	207,666	251,171	(43,505)	(17)	401,077	445,764	(44,687)	(10)
Profit from operations	2,865	49,756	(46,891)	(94)	5,901	98,136	(92,235)	(94)
Profit before interest and tax	4,181	53,153	(48,972)	(92)	8,100	102,250	(94,150)	(92)
(Loss)/Profit before tax	(27,566)	40,771	(68,337)	>(100)	(51,272)	78,464	(129,736)	>(100)
(Loss)/Profit after tax	(18,961)	36,549	(55,510)	>(100)	(38,436)	65,371	(103,807)	>(100)
(Loss)/Profit attributable to owners of the Company	(19,073)	35,770	(54,843)	>(100)	(38,649)	64,493	(103,142)	>(100)

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

The Group's revenue of RM207.67 million in the current quarter ended 30 June 2023 decreased by 17% compared to RM251.17 million in the previous year's corresponding quarter. The decrease was due to the underperformance of the property and investment and others divisions offset by stronger performance of the hospitality division.

The property division recorded revenue of RM32.02 million attributable to lower settlements in Mulpha Norwest and Sanctuary Cove developments in Australia partly due to the construction delays and the cautious market sentiment because of multiple interest rate rises. The investment and others division's revenue marginally decreased by RM0.11 million due to the lesser debt financing deals offset by higher trading results from corporate merchandises and car wash businesses in the current quarter. The hospitality division revenue increased by RM2.91 million driven by strong trading results from InterContinental Sydney supported by the return of corporate market to the Sydney CBD (Central Business District) for both business travel and corporate conferencing during the quarter.

The Group's pre-tax profit decreased by RM68.34 million as compared to a pre-tax profit of RM40.77 million in the previous year's corresponding quarter mainly due to the reasons set out above, higher finance costs on the Group's debt facilities due to the multiple interest rate hikes and dividend income received of RM24.70 million from the Group's investment securities in the previous year corresponding quarter.

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SECOND FINANCIAL QUARTER ENDED 30 JUNE 2023**B1. Review of performance (Cont'd)****(b) Current Year-to-date vs. Previous Year-to-date**

The Group's revenue of RM401.08 million for the 6 months period ended 30 June 2023 decreased by 10% as compared to revenue of RM445.76 million in the previous year's corresponding period. The underperformance was mainly from the decrease in property and investments and others divisions offset by stronger performance from the hospitality division.

The property division revenue decreased by RM92.61 million for the 6 months period ended 30 June 2023 as compared to previous year's corresponding period due to lower settlements in Mulpha Norwest and Sanctuary Cove developments in Australia as elaborated in B1(a). The investment and others division's revenue decreased by RM0.56 million as compared to previous year's corresponding period due to lower volume of debt financing deals offset by higher contributions from corporate merchandises and car wash businesses. The hospitality division reported a higher revenue of RM48.49 million for the 6 months period ended 30 June 2023 as compared to previous year's corresponding period mainly due to the strong performance driven by InterContinental Sydney since its reopening in October 2022 after the completion of RM360 million major refurbishment.

The Group's pre-tax profit decreased by RM129.73 million as compared to pre-tax profit of RM78.46 million in the previous year's corresponding period mainly attributed to the underperformance of the divisions as elaborated above, higher finance costs and dividend income received of RM24.70 million from the Group's investment securities in previous year's corresponding period.

B2. Comparisons With Preceding Quarter's Results

	CURRENT	PRECEDING	CHANGES	
	QUARTER	QUARTER		
	ENDED	ENDED		
	30.06.2023	31.03.2023	RM'000	%
	RM'000	RM'000		
Revenue	207,666	193,411	14,255	7
Profit from operations	2,865	3,036	(171)	(6)
Profit before interest and tax	4,181	3,919	262	7
Loss before tax	(27,566)	(23,706)	(3,860)	16
Loss after tax	(18,961)	(19,475)	514	(3)
Loss attributable to owners of the Company	(19,073)	(19,576)	503	(3)

The Group's revenue of RM207.67 million in the current quarter ended 30 June 2023 increased by 7% as compared to revenue of RM193.41 million in the preceding quarter. The increase was mainly arising from the hospitality and property divisions and partly offset by the marginal decrease in the investment and others division.

The hospitality division recorded higher revenue by RM13.33 million as compared to the preceding quarter mainly due to the successful Sanctuary Cove International Boat Show event in May 2023. The higher property division revenue of RM1.06 million was mainly arising from The Bond seven storey commercial building project had its first strata office suite settled on 30 June 2023. The investment and others division's revenue decreased by RM0.13 million as compared to the preceding quarter mainly due to lower debt financing deal offset by higher full term student enrolment in as compared to preceding quarter.

The Group's pre-tax loss of RM27.57 million increased by RM3.86 million as compared to pre-tax loss of RM23.71 million in the preceding quarter mainly arising from the increased in finance costs offset by the performance in various divisions as mentioned above.

B3. Prospects

The second quarter saw varied trading at the Group's hotels with resort properties experiencing soft trading conditions and strong demand being experienced in Sydney. Domestic leisure demand at the resorts, InterContinental Hayman Island and Sanctuary Cove has been subdued with increased outbound travel and a more cost conscious traveller resulting in a reduction in room rates against prior year. A slower than expected recovery from international markets has partly resulted from reduced airline capacity travelling to Australia. We do however expect that both markets will gradually rebound as we move into the final quarter of 2024. Intercontinental Sydney provides a different picture to the resorts with the Sydney market performing strongly on the back of the return of the corporate market to the central business district for both business travel and conferencing alongside events such as Vivid in June and the FIFA Women's World Cup in July/August.

The Group's investment properties have continued to maintain solid occupancies in 2023. The Group is cognisant of the high inflation and interest rate environment and how that affects the underlying performance of tenants.

The property market in the second quarter positively impacted Mulpha sales as greater awareness and impact of future supply constraints aligned with expectations of interest rates reaching peak levels. Mulpha has led the industry with price increases across all projects with sales success anchored in the flight to quality by owner-occupiers. Norwest Quarter sales have progressed well during the year with the project nearing pre-sales targets for our debt facility drawdowns. As a result of market conditions, small and mid-size developers are not committing to projects due to construction costs and financing constraints. This reduction in new supply is likely to support strong pricing as we move into 2024 and 2025.

The Bond project, a seven-storey commercial office and medical building adjacent to the Norwest private hospital, is now complete and settlement is occurring in the third quarter.

The Leisure Farm project in Iskandar Malaysia operates in a highly competitive market however enquiry levels have improved since mid-2022. As previously noted, the higher costs of new construction have increased the attractiveness of completed built product, particularly in higher-end villas. Accordingly, it is anticipated that Leisure Farm sales will see a gradual improvement in 2023.

The Group's hospitality and leisure assets will continue to be tested in the higher inflation and interest rates environment resulting in pressure on consumer spending. A strong focus on cost and margin control remains in place. In 2023 so far, the Group opened Isla Cantina, a Mexican restaurant at the Gold Coast, Bar Messenger, a wine bar in Transport House and Pont Brasserie, a restaurant in the InterContinental Sydney. Construction of Swing City, a golf entertainment facility at Norwest, and Palmers Lane Retreat, 60 boutique cabins in the Hunter Valley are scheduled for completion and opening in Q3 2023 after delays from wet weather and changes in builders. Bimbadgen Wine Estate performance is expected to remain resilient with a strong wedding event pipeline, additional accommodation revenue from the cabins and return of more consistent concerts.

The Group is actively looking to build its fund management capability to secure attractive real estate equity and debt investments with third-party capital support. The Group also continues to explore opportunities to expand its interests in operating businesses, particularly where the Group has established operational capability.

As a Group, Mulpha has built a team of highly skilled and specialized professionals in each industry segment and is well positioned to continue to grow the business despite increasing macro-economic challenges in Australia and globally.

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B4. Variance from Profit Forecast or Profit Guarantee

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

B5. (Loss)/Profit Before Tax

	2nd Quarter Ended		6 Months Ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Change in fair value of investment properties	384	274	701	529
Dividend income	-	(24,695)	-	(24,695)
Impairment loss on trade and other receivables	14	2	-	33
Interest income	(5,567)	(3,372)	(10,433)	(6,473)
Interest expense	31,747	12,382	59,372	23,786
Inventories written down	159	163	338	321
Net foreign exchange (gain)/loss	(1,200)	4,245	(769)	7
Property, plant and equipment:				
- Depreciation	20,377	14,298	38,173	28,087
- Gain on disposal	-	(13)	-	1
- Written off	-	653	-	653
Depreciation on right-of-use assets	1,293	940	2,564	1,905
Provision for staff benefits	14,277	3,610	23,704	14,826
(Reversal of provision)/provision for repairs	(1,205)	366	(1,205)	(709)
Rental income and reimbursable expenses	(2,863)	(3,815)	(8,320)	(8,622)

B6. Tax (benefit)/expense

	2nd Quarter Ended		6 Months Ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense/(benefit)				
Malaysian - current year	1,303	697	2,860	1,251
Overseas - current year	151	335	1,120	2,125
Overseas - prior year	(160)	(5)	(24,080)	1,430
	1,294	1,027	(20,100)	4,806
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	(10,059)	3,190	(16,816)	9,707
Over/(Under) provision in prior year	160	5	24,080	(1,420)
	(9,899)	3,195	7,264	8,287
Tax (benefit)/expense	(8,605)	4,222	(12,836)	13,093

The credit to current tax benefit for 6 months ended 30 June 2023 predominantly relates to the tax refunds from overseas tax authorities, which offset the Group's carried forward losses that the deferred tax asset relates. As such, there is a correspondence movement in deferred tax (net of the tax benefit).

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 30 June 2023 are as follows:-

	As at 2nd Quarter Ended 2023											
	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												
Revolving Credit/Loan	RM			-	RM			87,449	RM			87,449
Revolving Credit/Loan	AUD	114,206	3.10	354,040	AUD	100,321	3.10	310,995	AUD	214,527	3.10	665,035
Term Loan	RM			22,668	RM			7,828	RM			30,496
Term Loan	AUD	55,736	3.10	172,782	AUD	334,215	3.10	1,036,067	AUD	389,951	3.10	1,208,849
Term Loan	NZD	-	2.89	-	NZD	34,629	2.89	100,078	NZD	34,629	2.89	100,078
Finance Lease	AUD	2,770	3.10	8,587	AUD	-	3.10	-	AUD	2,770	3.10	8,587
Bonds	AUD	18,577	3.10	57,589	AUD	3,811	3.10	11,814	AUD	22,388	3.10	69,403
				615,666				1,554,231				2,169,897
							(Note 1)					

Note 1: For those loans and borrowings maturing within the next 12 months, the Group does not foresee any issues in renewing the credit facilities upon maturity.

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B8. Group Loans and Borrowings (Cont'd)

The details of the loans and borrowings as at 30 June 2022 are as follows:-

	As at 2nd Quarter Ended 2022											
	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												
Revolving Credit/Loan	RM			-	RM			84,448	RM			84,448
Revolving Credit/Loan	AUD	114,700	3.02	346,394	AUD	33,174	3.02	100,185	AUD	147,874	3.02	446,579
Term Loan	RM			26,208	RM			5,050	RM			31,258
Term Loan	AUD	309,421	3.02	934,453	AUD	77,000	3.02	232,541	AUD	386,421	3.02	1,166,994
Term Loan	NZD		2.74	-	NZD	34,629	2.74	94,883	NZD	34,629	2.74	94,883
Finance Lease	AUD	2,770	3.02	8,365	AUD		3.02	-	AUD	2,770	3.02	8,365
Bonds	AUD	22,014	3.02	66,483	AUD	1,996	3.02	6,028	AUD	24,010	3.02	72,511
				1,381,903				523,135				1,905,038

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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.

Judgment was delivered on 17 July 2020 and declared the amount due and payable to the Company to be RM301 million plus interest and held that the Power Attorney is valid. Further, the defendants are restrained from dealing with the Sepang Land. Moreover the High Court dismissed Mula's counterclaim with costs. On 24 June 2022, the Court of Appeal dismissed Mula’s appeal with costs. Subsequently on 15 November 2022, the Federal Court dismissed Mula’s leave application and the matter is fully litigated.

B10. Dividend

The Board of Directors does not recommend any dividend for the financial period ended 30 June 2023.

B11. (Loss)/Earnings Per Share

(i) Basic (loss)/earnings per share

The basic (loss)/earnings per share of the Group have been computed by dividing the (loss)/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 30.06.2023	6 Months Ended 30.06.2022
(Loss)/Profit for the period, amount attributable to equity holders of the parent (RM'000)	(36,974)	64,493
Weighted average number of ordinary shares ('000)	311,178	311,178
Basic (loss)/earnings per share (sen)	(11.88)	20.73

(ii) Diluted (loss)/earnings per share

The Group has no dilution in its (loss)/earnings per share for the financial period under review as there are no dilutive potential ordinary shares.