

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

## PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the third financial quarter ended 30 September 2014

The figures have not been audited

### I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 30.09.2014 RM'000	COMPARATIVE QUARTER ENDED 30.09.2013 RM'000 (restated)	9 MONTHS CUMULATIVE TO 30.09.2014 RM'000	9 MONTHS CUMULATIVE TO 30.09.2013 RM'000 (restated)
<i>Continuing operations</i>					
Revenue		296,797	176,931	601,530	509,396
Operating expenses		(279,017)	(177,672)	(617,605)	(538,027)
Other operating income		54,926	13,184	77,694	72,216
Profit from operations		<u>72,706</u>	<u>12,443</u>	<u>61,619</u>	<u>43,585</u>
Finance costs		(25,102)	(15,288)	(66,963)	(48,580)
Share of profit of associates		13,163	19,132	38,701	(75,564)
Share of profit of jointly-controlled entities		(17)	712	5,227	4,264
Profit/(Loss) before tax	B5	<u>60,750</u>	<u>16,999</u>	<u>38,584</u>	<u>(76,295)</u>
Income tax (expense)/benefit	B6	(10,808)	(6,653)	(14,396)	2,556
Profit/(Loss) for the period from continuing operations		<u>49,942</u>	<u>10,346</u>	<u>24,188</u>	<u>(73,739)</u>
<i>Discontinued operation</i>					
Profit for the period from discontinued operation	A13(a)	-	887	29,025	2,077
Profit/(Loss) for the period		<u>49,942</u>	<u>11,233</u>	<u>53,213</u>	<u>(71,662)</u>
Attributable to:					
Owners of the Company		44,052	8,668	48,971	(74,231)
Non-controlling interests		5,890	2,565	4,242	2,569
Profit/(Loss) for the period		<u>49,942</u>	<u>11,233</u>	<u>53,213</u>	<u>(71,662)</u>
Earnings/(Loss) per share (sen):-	B11				
- Basic/Diluted		<u>2.06</u>	<u>0.40</u>	<u>2.30</u>	<u>(3.42)</u>

(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 2013 and the accompanying explanatory notes attached to the interim financial statements )

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

## PART A1 : QUARTERLY REPORT

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

	CURRENT QUARTER ENDED 30.09.2014 RM'000	COMPARATIVE QUARTER ENDED 30.09.2013 RM'000	9 MONTHS CUMULATIVE TO 30.09.2014 RM'000	9 MONTHS CUMULATIVE TO 30.09.2013 RM'000
Profit/(Loss) for the period	49,942	11,233	53,213	(71,662)
Foreign currency translation differences for foreign operations	(116,073)	49,402	(29,711)	(107,709)
Fair value movement of available- for-sale financial assets	(10,742)	9,175	(646)	4,713
Share of other comprehensive expense of associates	(2,194)	(2,612)	(3,840)	(4,333)
Reclassification to profit or loss on disposal of subsidiaries	-	-	(10,552)	-
Other comprehensive (expense)/income for the period, net of tax	(129,009)	55,965	(44,749)	(107,329)
<b>Total comprehensive (expense)/ income for the period</b>	<b>(79,067)</b>	<b>67,198</b>	<b>8,464</b>	<b>(178,991)</b>
<b>Attributable to :</b>				
Owners of the Company	(84,148)	64,675	4,222	(181,560)
Non-controlling interests	5,081	2,523	4,242	2,569
Total comprehensive (expense)/ income for the period	(79,067)	67,198	8,464	(178,991)

*(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 2013 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

	<i>Note</i>	UNAUDITED AS AT 30.09.2014 RM'000	AS AT 31.12.2013 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>A10</i>	1,100,090	993,556
Investment properties		18,321	18,449
Prepaid land lease payments		-	733
Investment in associates		1,188,159	1,072,071
Investment in jointly-controlled entities		18,946	157,557
Investment securities		82,953	74,951
Other investment		5,080	5,061
Goodwill		9,113	9,119
Inventories		396,582	428,084
Other non-current assets		5,140	5,500
Deferred tax assets		54,859	23,915
		2,879,243	2,788,996
<b>Current assets</b>			
Inventories		881,972	514,495
Trade and other receivables		280,866	236,143
Other current assets		35,453	34,479
Investment securities		6,853	5,304
Income tax recoverable		9,459	247
Cash and bank balances		614,634	659,553
		1,829,237	1,450,221
Asset classified as held for sale		-	18,865
		1,829,237	1,469,086
<b>TOTAL ASSETS</b>		<b>4,708,480</b>	<b>4,258,082</b>

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## PART A1 : QUARTERLY REPORT

### II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.09.2014 RM'000	AS AT 31.12.2013 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,177,957	1,177,957
Share premium		579,863	579,863
Treasury shares	A6	(92,115)	(92,049)
Reserves		268,667	311,075
Retained earnings		357,534	308,565
		<b>2,291,906</b>	<b>2,285,411</b>
Non-controlling interests		48,177	52,130
<b>Total equity</b>		<b>2,340,083</b>	<b>2,337,541</b>
<b>Non-current liabilities</b>			
Trade and other payables		14,524	11,267
Provision for liabilities		16,336	3,015
Loans and borrowings	B8	865,787	817,853
		<b>896,647</b>	<b>832,135</b>
<b>Current liabilities</b>			
Trade and other payables		303,694	155,388
Other current liabilities		46,093	98,215
Provision for liabilities		20,016	17,851
Loans and borrowings	B8	1,095,778	805,178
Derivative liabilities		80	1,027
Income tax payable		6,089	10,747
		<b>1,471,750</b>	<b>1,088,406</b>
<b>Total liabilities</b>		<b>2,368,397</b>	<b>1,920,541</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,708,480</b>	<b>4,258,082</b>
<b>Net assets per share (RM)</b>		<b>1.07</b>	<b>1.05</b>

(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 2013 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 Parent ----->  
 <----- *Non-distributable* -----> <*Distributable*>

	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Other Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 January 2014	1,177,957	579,863	179,982	115,386	15,707	(92,049)	308,565	2,285,411	52,130	2,337,541
Total comprehensive income for the period	-	-	(39,005)	-	(5,744)	-	48,971	4,222	4,242	8,464
Purchase of treasury shares	-	-	-	-	-	(66)	-	(66)	-	(66)
Changes in ownership interest in a subsidiary	-	-	-	2,341	-	-	-	2,341	(2,641)	(300)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(3,745)	(3,745)
Disposal of shares in subsidiaries	-	-	-	-	-	-	(2)	(2)	(1,809)	(1,811)
<b>At 30 September 2014</b>	<b>1,177,957</b>	<b>579,863</b>	<b>140,977</b>	<b>117,727</b>	<b>9,963</b>	<b>(92,115)</b>	<b>357,534</b>	<b>2,291,906</b>	<b>48,177</b>	<b>2,340,083</b>
At 1 January 2013	1,177,957	579,863	347,815	110,033	(2,993)	(66,255)	340,866	2,487,286	34,926	2,522,212
Total comprehensive expense for the period	-	-	(111,565)	-	4,236	-	(74,231)	(181,560)	2,569	(178,991)
Transfer within reserves	-	-	-	-	21	-	(21)	-	-	-
Purchase of treasury shares	-	-	-	-	-	(25,794)	-	(25,794)	-	(25,794)
Partial disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	7,198	7,198
<b>At 30 September 2013</b>	<b>1,177,957</b>	<b>579,863</b>	<b>236,250</b>	<b>110,033</b>	<b>1,264</b>	<b>(92,049)</b>	<b>266,614</b>	<b>2,279,932</b>	<b>44,693</b>	<b>2,324,625</b>

*(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 2013 and the accompanying explanatory notes attached to the interim financial statements )*

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<-----9 MONTHS ENDED----->	
	30.09.2014	30.09.2013
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
- Continuing operations	38,584	(76,295)
- Discontinued operation	29,087	2,077
	67,671	(74,218)
Adjustments for non-cash items:		
Amortisation of prepaid lease payments	-	84
Bad debts recovery	(2)	(655)
Depreciation of property, plant and equipment (including discontinued operation)	39,896	46,232
Dividend income	(3,349)	(4,145)
Financial assets at fair value through profit or loss	(2,155)	(665)
Gain on disposal of investment properties and other investments	(14,094)	(2,308)
Gain on sale of discontinued operation	(28,431)	-
Impairment loss on investment securities	5,896	-
Interest expense (including discontinued operation)	67,000	48,580
Interest income (including discontinued operation)	(4,224)	(8,266)
Inventories written down	7	-
Loss/(Gain) on disposal of property, plant and equipment	4	(2,049)
Property, plant and equipment written off	12	-
Provision for liabilities	15,150	-
Provision for staff benefits	9,291	11,390
(Reversal)/Impairment on allowance of doubtful debts	(4,050)	993
Reversal of impairment loss on associates	(3,000)	-
Share of (profit)/loss of associates	(38,701)	75,564
Share of profit of jointly-controlled entities	(5,385)	(4,264)
Writeback of inventories	-	(330)
Operating profit before changes in working capital	101,536	85,943
Changes in working capital		
Inventories	16,515	(5,473)
Receivables	(41,237)	(44,873)
Other current assets	(947)	(1,663)
Other non-current assets	210	-
Financial assets at fair value through profit or loss	(91)	3,653
Payables	(20,231)	76,203
Net change in working capital	(45,781)	27,847
Cash generated from operations	55,755	113,790
Interest paid	(67,000)	(48,580)
Interest received	4,224	8,266
Income tax paid	(21,347)	(11,231)
Staff benefits paid	(8,021)	(11,926)
Net cash (used in)/generated from operating activities	(36,389)	50,319

# MULPHA INTERNATIONAL BHD (19764-T)

## PART A1 : QUARTERLY REPORT

### IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<-----9 MONTHS ENDED----->	
	<u>30.09.2014</u>	<u>30.09.2013</u>
	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of non-controlling interest	(300)	-
Acquisition of subsidiary, net of cash and cash equivalents acquired	5,537	-
Additional investment in a jointly-controlled entity	(3,669)	-
Additional investment in an associate	(115,883)	-
Capital repayment from jointly-controlled entities	-	4,545
Dividend received from associates and jointly-controlled entity	26,409	19,532
Dividend received from other investments	3,349	4,145
Purchase of property, plant and equipment	(192,409)	(11,477)
Purchase of investment securities	-	(2,374)
Proceeds from disposal of property, plant and equipment	354	2,653
Proceeds from disposal of investment properties and other investments	33,120	8,765
Proceeds from disposal of investment securities	2,781	-
Proceeds from disposal of discontinued operation, net of cash and cash equivalents disposed of	29,795	-
Refurbishment of investment properties	(205)	(1,781)
Net cash (used in)/generated from investing activities	<u>(211,121)</u>	<u>24,008</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(6,076)	(3,684)
Purchase of treasury shares by the Company	(66)	(25,794)
Dividend paid to non-controlling interests	(3,745)	-
Uplift/(placement) of pledged deposits	5,472	(141,789)
Net drawdown of borrowings	218,415	117,852
Net cash generated from/(used in) financing activities	<u>214,000</u>	<u>(53,415)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(33,510)	20,912
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	134,941	159,741
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(13,661)	(15,252)
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	<u>87,770</u>	<u>165,401</u>
	<b>Note A</b>	
<b>Note A</b>		
Included in cash and cash equivalents as at 30 September are the following:		
- Cash and deposits with licensed banks	614,634	617,265
- Bank overdrafts	(9,282)	(2,655)
- Deposits pledged	(517,582)	(448,754)
	<u>87,770</u>	<u>165,856</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 2013 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 2013.

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 2013 except for the adoption of the following:

- Amendments to MFRS 10, *Consolidation Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets*
- Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*

The adoption of the above is not expected to have any material impact on the financial statements of the Group.

Aveo Group (formerly known as FKP Property 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 2013 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 current quarter ended 30 September 2014.



**MULPHA INTERNATIONAL BHD (19764-T)**  
**THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

**A5. Changes in Estimates**

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

**A6. Changes in Debt And Equity Securities**

During the financial period ended 30 September 2014, the Company has bought back 150,000 ordinary shares of RM0.50 each at average cost of RM0.45 per share. As at 30 September 2014, 222,199,800 ordinary shares of RM0.50 each were retained as treasury shares.

**A7. Dividend Paid**

There was no dividend paid during the current financial quarter.

**A8. Segment Information**

Segment analysis for the period ended 30 September 2014 is set out below:

	9 months ended 30.09.2014			9 months ended 30.09.2013		
	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
<u>Revenue</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Business Segment</b>						
Property	338,334	-	338,334	227,986	-	227,986
Hospitality	261,452	2,697	264,149	281,410	5,499	286,909
Investment and others	1,744	-	1,744	-	-	-
	<u>601,530</u>	<u>2,697</u>	<u>604,227</u>	<u>509,396</u>	<u>5,499</u>	<u>514,895</u>
<b><u>Profit/(Loss) Before Tax</u></b>						
Property	116,075	-	116,075	71,859	-	71,859
Hospitality	(49,747)	656	(49,091)	(31,839)	2,532	(29,307)
Investment and others	(4,709)	28,431	23,722	3,565	-	3,565
	<u>61,619</u>	<u>29,087</u>	<u>90,706</u>	<u>43,585</u>	<u>2,532</u>	<u>46,117</u>
Finance costs	(66,963)	-	(66,963)	(48,580)	-	(48,580)
Share of results of associates/ jointly-controlled entities	43,928	-	43,928	(71,300)	-	(71,300)
	<u>38,584</u>	<u>29,087</u>	<u>67,671</u>	<u>(76,295)</u>	<u>2,532</u>	<u>(73,763)</u>

**A9. Related Party Disclosures**

Below are the significant related party transactions, which were carried out on terms and conditions negotiated amongst the related parties:

	<b>3rd Quarter Ended</b>		<b>9 Months Ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>A. Associates</b>				
Rental income	192	518	949	1,415
Dividend income	18,114	8,904	25,331	11,911
Director fees received	64	224	194	224
Share service income	541	54	1,791	1,836
Sale proceeds from disposal of land	-	-	44,700	-
Agency fee	388	-	984	-
Rental expense	180	180	540	450
<b>B. Other related parties</b>				
Non-controlling interests of a subsidiary				
- Interest expense	25	25	75	75
A company related to a person connected to a director				
- Other expense	160	-	160	-
- Interest expense	98	98	291	291

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 September 2014 are as below:

	<b>RM'000</b>
(a) Approved and contracted for	48,081
(b) Approved but not contracted for	46,455
	<u>          </u>

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

There were no material events subsequent to 30 September 2014 to be disclosed other than those disclosed in Note B7(i) and (ii).

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

**(a) Disposal of AF Investments Limited Group**

The Company had on 16 May 2014 entered into a Share Purchase Agreement with Lemongrass Master Fund I (“Purchaser”) to dispose of its entire 100% equity interest in AF Investments Limited (“AFIL”) to the Purchaser for a total consideration of USD10 million (equivalent to approximately RM32 million). AFIL is a company incorporated in Hong Kong with an authorised and paid-up share capital of HKD10,000 and HKD2 respectively. The principal activity of AFIL is investment holding which holds 70% equity interest in Indochine Park Tower Joint Venture Company (“IPT”). IPT is the owner and operator of Indochine Park Tower, an 18-storey serviced residences building located at Ho Chi Minh City, Vietnam, which comprises 55 fully serviced 3-bedroom apartments and penthouses ranging from 128 to 249 square metres each. The disposal was completed in the second quarter of 2014.

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

(i) Results of discontinued operations

	<b>Period to disposal date RM'000</b>	<b>9 Months Ended 30.09.2013 RM'000</b>
Revenue	2,697	5,499
Operating expenses	(2,025)	(3,199)
Other operating income	21	232
Profit from operations	<u>693</u>	<u>2,532</u>
Finance costs	(37)	-
Gain on sale of discontinued operations	<u>28,431</u>	<u>-</u>
Profit before tax from discontinued operations	<u>29,087</u>	<u>2,532</u>
Income tax expense	(62)	(455)
Profit for the period from discontinued operations	<u><u>29,025</u></u>	<u><u>2,077</u></u>

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

	<b>Period to disposal date RM'000</b>	<b>9 Months Ended 30.09.2013 RM'000</b>
Interest income	(3)	(55)
Interest expense	37	-
Depreciation and amortisation	506	880
Foreign exchange loss/(gain)	4	(42)
	<u><u>4</u></u>	<u><u>(42)</u></u>

**A13. Changes in The Composition Of the Group (Cont'd)**

**(b) Acquisition of Mulpha Norwest Pty Limited**

Mulpha Investments Pty Limited (“MIPL”), an indirect wholly-owned foreign subsidiary of the Company has on 12 February 2014 entered into a conditional share sale agreement (“SSA”) with Aveo Group Limited, Mulpha Australia Limited (“MAL”), Mulpha FKP Pty Limited (“MFKP”) and Norwest Real Estate Pty Ltd to acquire the remaining 49.99% of the total issued and paid-up share capital of MFKP, from Aveo Group Limited for a total purchase consideration of AUD55,952,344 (equivalent to approximately RM167.88 million) (“Proposed Acquisition”). MIPL currently holds 50.01% of the total issued and paid-up share capital of MFKP, which is a joint venture of MIPL. The Proposed Acquisition was completed in the second quarter of 2014 and MFKP (currently known as Mulpha Norwest Pty Limited), has become a wholly-owned subsidiary of MIPL.

**(c) Deregistration/ceasation of subsidiaries**

Mulpha Hotel Melbourne Trust, HDFI Nominees Pty Ltd, Mulpha (SPV 1) Pty Limited, Mulpha Aviation Australia Pty Limited and Mulpha Hotel (Melbourne) Pty Limited, subsidiaries of Mulpha Australia Limited (“MAL”), which in turn is a wholly-owned subsidiary of Company, had been deregistered or ceased to be subsidiaries of MAL during the current financial period.

**(d) Status of Corporate Proposals**

View Link Global Limited, a wholly-owned subsidiary of Mulpha Strategic Limited which is wholly-owned by Mulpha Group Services Sdn. Bhd. and is in turn a wholly-owned subsidiary of the Company, had on 20 February 2014 subscribed for 33 shares of USD1.00 each, representing 33% of the share capital of New Pegasus Holdings Limited, a company incorporated in the British Virgin Islands for a total consideration of GBP21.34 million (equivalent to approximately RM115.88 million). The principle activity of New Pegasus Holdings Limited is investment holding which owns a property in London through its wholly-owned subsidiary.

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

(a) Changes in the contingent liabilities since 31 December 2013 are as follows:-

	<b>Decrease RM'000</b>
Guarantees given to third parties	<u>5,065</u>

(b) There are no contingent assets as at the date of this report.

**PART B**

**Explanatory Notes Pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of performance**

**(a) Current Year Quarter vs. Previous Year's Corresponding Quarter**

The Group reported revenue of RM296.80 million and pre-tax profit of RM60.75 million for the current quarter ended 30 September 2014 as compared to revenue of RM176.93 million and pre-tax profit (excluding discontinued operations) of RM17.96 million in the corresponding quarter of the previous financial year. The Group's revenue and pre-tax profit showed significant improvement by 67.75% and 238.25% respectively, mainly attributed to higher contributions from the property and investment segments as further elaborated below.

The property division recorded revenue of RM191.23 million and pre-tax profit of RM61.96 million for the 3rd quarter of 2014 as compared to revenue of RM82.83 million and pre-tax profit of RM43.66 million in the previous year's corresponding quarter. The stronger performance in the current quarter was mainly attributed to higher revenue from Leisure Farm project in Iskandar Malaysia and gain on disposal of investment properties namely Raintrees Residence, a 5-storey building comprising 12 condominium units.

The hospitality division (excluding discontinued operation) recorded revenue of RM104.77 million and pre-tax loss of RM16.08 million for the 3rd quarter of 2014 as compared to revenue of RM94.10 million and pre-tax loss of RM14.50 million for the previous year's corresponding quarter. The increase in revenue was mainly due to better occupancy and average room rates in Intercontinental Sanctuary Cove and One&Only Hayman Island in Australia. The overall financial results of the hospitality division were however, lower mainly due to the impact of the initial high operating costs related to the One&Only Hayman Island which reopened in July 2014 after a temporary closure for major refurbishment.

The investments and other activities recorded a pre-tax profit (including discontinued operation) of RM26.83 million for the 3rd quarter of 2014 as compared to a pre-tax loss of RM16.41 million in the previous year's corresponding quarter. The better performance in the current quarter was mainly due to favourable foreign exchange rate movement on the Group's loans which were denominated in Australian Dollars and Japanese Yen respectively.

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

The Group's revenue increased by RM92.13 million or 18.09% to RM601.53 million for the 9-month period ended 30 September 2014 compared to the corresponding period in the previous year ("2013 corresponding period") The Group posted pre-tax profit (including discontinued operations) of RM67.67 million, which represented a substantial improvement by RM141.43 million from a pre-tax loss of RM73.76 million in the 2013 corresponding period. The improved overall performance was mainly attributed to:

(a) a higher contribution from an associated company, whereby the Group's share of profit from the AVEO Group in Australia amounted to RM28.27 million, an improvement of RM131.68 million as compared to 2013 corresponding period when the Group recorded a share of loss from the AVEO Group amounting to RM103.41 million. AVEO's weaker performance in 2013 was mainly due to non-operating items particularly an impairment of its development assets;

(b) the Group's property segment in 2014 also contributed to higher pre-tax profit by strengthening its performance in the current period by RM44.22 million as compared to 2013 corresponding period; and

(c) better performance in the investment and other segments of RM20.16 million,

and partially offset by a weaker performance in the hospitality segment (excluding discontinued operations) of RM17.91 million.

**B1. Review of performance (Cont'd)**

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

The property division recorded revenue of RM338.33 million and pre-tax profit of RM116.08 million for the 9-month period ended 30 September 2014 as compared to the revenue of RM227.99 million and pre-tax profit of RM71.86 million for the 2013 corresponding period. The better performance in the current period was mainly attributed to higher sales generated from the Leisure Farm project comprising bungalows and semi-detached units in Iskandar Malaysia, gain on disposal of investment properties in Mulpha Land Group and higher profit margins from a better portfolio mix in the Sanctuary Cove project in Australia.

The hospitality division (excluding discontinued operations) registered revenue of RM261.45 million and pre-tax loss of RM49.75 million for the 9-month period ended 30 September 2014 as compared to the revenue of RM281.41 million and pre-tax loss of RM31.84 million for the 2013 corresponding period. The weaker performance was mainly attributed to the temporary closure of Hayman Island Resort in January 2014 in order to undertake an extensive refurbishment and rebranding program. The resort has been reopened in July 2014 as the One&Only Hayman Island and is currently managed by a world renowned international resort operator, Kerzner International. The division's weaker results were alleviated by improved performance in Intercontinental Sydney and Intercontinental Sanctuary Cove Resort as a result of improved occupancy as well as average room rates in 2014.

The Group's investments and other activities posted pre-tax profit (including discontinued operations) of RM23.72 million in the current financial period as compared to pre-tax profit of RM3.56 million in 2013 corresponding period. The good performance in the current period was mainly attributed to favourable movements in foreign exchange in relation to the Group's loans which are denominated in Australian Dollars and Japanese Yen respectively.

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

The Group recorded revenue of RM296.80 million and pre-tax profit (including discontinued operations) of RM60.75 million for the 3rd quarter of 2014 as compared to revenue of RM179.00 million and pre-tax profit (including discontinued operations) of RM23.34 million for the 2nd quarter of 2014. The stronger performance was mainly attributed to the property segment and favourable movements in foreign exchange in relation to the Group's loans and borrowings.

The property division registered revenue of RM191.23 million and pre-tax profit of RM61.96 million for the 3rd quarter of 2014 as compared to the revenue of RM105.23 million and pre-tax profit of RM39.82 million for the 2nd quarter of 2014. The stronger performance in the current quarter was mainly attributed to higher sales from the Leisure Farm project in Malaysia and gain on disposal of investment property in Mulpha Land Group namely Raintree Residence as mentioned above.

The hospitality division (excluding discontinued operations) recorded revenue of RM104.77 million and pre-tax loss of RM16.08 million for the 3rd quarter of 2014 as compared to the revenue of RM73.07 million and pre-tax loss of RM26.94 million for the 2nd quarter of 2014. The overall improved financial results in the current quarter was mainly arising from higher contribution from One&Only Hayman Island as well as higher occupancy rate achieved by the Group's other hotels in Australia.

The Group's investments and other activities segments reported pre-tax profit of RM26.83 million for the 3rd quarter of 2014 as compared to pre-tax loss of RM13.71 million for the 2nd quarter of 2014. The better performance in the current quarter was mainly due to favourable movements in foreign exchange in relation to the Group's loans as explained above.

**B3. Prospects**

The Group continues to rationalise its portfolio of assets by disposing of the non-core assets and reinvesting in the existing core assets. We remain optimistic that the Group is well positioned for future growth opportunities based on its strong balance sheet in particular owning prime hotels and development assets strategically located across Malaysia, Australia and United Kingdom. Barring any unforeseen circumstances, the Group's performance for the financial year ending 31 December 2014 is expected to be satisfactory.

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

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

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

	3rd Quarter Ended		9 Months Ended	
	30.09.2014 RM'000	30.09.2013 RM'000 (restated)	30.09.2014 RM'000	30.09.2013 RM'000 (restated)
The following items have been included in arriving at profit/(loss) before tax from continuing operations:-				
Bad debt recovery	(9)	(696)	(9)	(655)
Depreciation and amortisation	14,334	14,706	39,390	45,436
Dividend income	(2,116)	(2,749)	(3,349)	(4,145)
Fair value adjustment for assets held at fair value through profit or loss	(2,286)	(516)	(2,155)	(665)
Foreign exchange (gain)/loss	(31,685)	7,653	(13,378)	(17,525)
Gain on derivatives	(1,048)	(1,052)	(1,429)	(7,829)
Gain on discontinued operation	-	-	(28,431)	-
Gain on disposal of investment properties and other investments	(13,829)	(1,864)	(14,094)	(2,308)
(Gain)/Loss on on disposal of property plant and equipment	(198)	(201)	4	(2,049)
Interest income	(1,375)	(4,112)	(4,221)	(8,211)
Interest expense	25,102	15,288	66,963	48,580
Impairment loss on investment securities	15,150	-	15,150	-
Property, plant and equipment written off (Reversal)/Impairment on allowance of doubtful debts	(3,794)	(804)	(4,050)	993
Rental income	(7,062)	(6,713)	(19,087)	(21,303)
Reversal of impairment loss of associates	(3,000)	-	(3,000)	-
Write back of inventories	-	(26)	-	(330)

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

	3rd Quarter Ended		9 Months Ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
- Malaysia	3,498	12,369	6,993	15,933
- Foreign	-	-	-	-
	<u>3,498</u>	<u>12,369</u>	<u>6,993</u>	<u>15,933</u>
Deferred tax				
- Malaysia	7,849	(3,874)	8,161	(8,525)
- Foreign	(806)	(2,570)	(806)	(10,783)
	<u>7,043</u>	<u>(6,444)</u>	<u>7,355</u>	<u>(19,308)</u>
Underprovision of taxation in prior years	<u>267</u>	<u>728</u>	<u>48</u>	<u>819</u>
Income tax expense/(benefit) from continuing operations	10,808	6,653	14,396	(2,556)
to discontinued operation	-	69	62	455
	<u>10,808</u>	<u>6,722</u>	<u>14,458</u>	<u>(2,101)</u>

The effective tax rate of the Group for the financial period ended 30 September 2014 under review is higher than the statutory rate of 25% mainly due to certain expenses are not deductible, differential tax rates in other countries and certain deferred tax assets have not been recognised in respect of unutilised tax losses because it is not probable that future taxable profit will be available in certain subsidiaries of the Group against which the Group can utilise the benefits there from.

**B7. Status of Corporate Proposals**

- (i) On 29 July 2013, Mulpha Land Berhad ("MLB"), 61.93% owned subsidiary of the Company announced the following proposals:-

MLB has proposed to dispose of a parcel of freehold land held under Geran 449268, Lot 137699, Mukim Pulai, Daerah Johor Bahru, Negeri Johor, to Leisure Farm Equestrian Sdn Bhd ("LFESB"), a wholly-owned subsidiary of Leisure Farm Corporation Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, for a consideration of RM14,915,000 ("Proposed Land Disposal"). The Proposed Land Disposal was approved by the shareholders of MLB on 6 December 2013.

On 29 January 2014, MLB had entered into a supplemental letter with LFESB to mutually extend the cut-off date of the Proposed Land Disposal for a period of three (3) months until 29 April 2014 for the purpose of enabling LFESB to obtain the remaining outstanding condition precedent to the Proposed Land Disposal.

On 29 April 2014, MLB had entered into a further supplemental letter with LFESB to mutually extend the cut-off date of the Proposed Land Disposal for a period of three (3) months from 29 April 2014 until 29 July 2014 for the purpose of enabling LFESB to obtain the remaining outstanding condition precedent to the Proposed Land Disposal.



**B7. Status of Corporate Proposals (Cont'd)**

- (i) On 25 July 2014, the Company had entered into a further supplemental letter with LFESB to mutually extend the cut-off date for a period of three (3) months from 29 July 2014 until 29 October 2014 for the purpose of enabling LFESB to obtain the remaining outstanding condition precedent to the Proposed Land Disposal.

On 25 October 2014, the Company had entered into a further supplemental letter with LFESB to mutually extend the completion date of the Proposed Land Disposal for a period of three (3) months from 30 October 2014 until 29 January 2015 for the settlement of the balance consideration of LFESB.

- (ii) Mulpha Norwest Pty Limited ("Norwest") and Mulpha Sanctuary Cove (Developments) Pty Limited ("SC"), subsidiaries of Mulpha Australia Limited, which in turn is a wholly-owned subsidiary of the Company, had on 20 May 2014 entered into 3 separate conditional contracts of sale of land for the disposal of lands to two subsidiaries of Aveo Group, namely Aveo Southern Gateway Pty Limited and Aveo Sanctuary Cove Pty Limited for a total consideration of AUD53.6 million (equivalent to approximately RM161 million) ("Proposed Disposals"). The Proposed Disposals consist of the following:

- (a) disposal of 2 parcels of land held under Lot 701 comprising part of Lot 6061, and Lots 1 and 2 comprising part of Lot 6065, both located at Norwest Business Park at Baulkham Hills in Western Sydney, New South Wales ("Gateway Land") by Norwest to Aveo Southern Gateway Pty Limited is expected to be completed by the fourth quarter of 2014; and
- (b) disposal of a parcel of land held under Lots 2, 4, 5 and 8 on SP 186788, located at Sanctuary Cove, in the northern end of Queensland's Gold Coast ("SC Land") by SC to Aveo Sanctuary Cove Pty Limited was completed in the second quarter of 2014.

**B8. Group Loans and Borrowings**

The details of the loans and borrowings as at 30 September 2014 are as follows:-

	RM'000	RM'000
Short term - Secured	1,094,271	
- Unsecured	1,507	1,095,778
Long term - Secured		865,787
		1,961,565

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

		RM'000	RM'000
			<b>equivalent</b>
Australian Dollar	AUD '000	417,944	1,191,140
Japanese Yen	JPY '000	3,542,322	106,270
US Dollar	USD '000	150,000	492,000

**B9. Material Litigation**

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

**B10. Dividend**

The Board of Directors does not recommend any dividend for the current financial period ended 30 September 2014.

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

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

	<b>9 Months Ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) <u>Continuing operations</u></b>		
Profit/(Loss) for the period	24,188	(73,739)
Non-controlling interests	(3,971)	(2,089)
Profit/(Loss) attributable to equity holders of the parent	<u>20,217</u>	<u>(75,828)</u>
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares at 1 January (net of treasury shares)	2,133,863	2,197,128
Effect of share buy back	(66)	(28,041)
Weighted average number of ordinary shares at 30 September	<u>2,133,797</u>	<u>2,169,087</u>
Basic loss per share (sen)	<u>0.95</u>	<u>(3.50)</u>
<b>(b) <u>Discontinued operation</u></b>		
Profit for the period	29,025	2,077
Non-controlling interests	(271)	(480)
Profit attributable to equity holders of the parent	<u>28,754</u>	<u>1,597</u>
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares at 1 January (net of treasury shares)	2,133,863	2,197,128
Effect of share buy back	(66)	(28,041)
Weighted average number of ordinary shares at 30 September	<u>2,133,797</u>	<u>2,169,087</u>
Basic earnings per share (sen)	<u>1.35</u>	<u>0.07</u>
<b>(c) <u>Total basic earnings/(loss) per share (sen)</u></b>	<u>2.30</u>	<u>(3.43)</u>

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

**PART C**

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

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

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

	<b>As at 30.09.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Total retained earnings/(accumulated losses):		
(i) Company and subsidiaries		
- Realised	860,462	778,273
- Unrealised	57,015	27,455
(ii) Associates		
- Realised	204,634	208,906
- Breakdown unavailable *	(579,198)	(595,762)
(iii) Jointly-controlled entities		
- Realised	-	31,336
- Unrealised	-	3,441
	<u>542,913</u>	<u>453,649</u>
Less: Consolidated Adjustments	(185,379)	(145,084)
Total group retained earnings as per consolidated accounts	<u>357,534</u>	<u>308,565</u>

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