

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2017

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 30.06.2017 RM'000	COMPARATIVE QUARTER ENDED 30.06.2016 RM'000	6 MONTHS CUMULATIVE TO 30.06.2017 RM'000	6 MONTHS CUMULATIVE TO 30.06.2016 RM'000
	<i>Note</i>				
Revenue		202,615	205,483	511,888	407,925
Operating expenses		(218,739)	(221,108)	(530,104)	(448,937)
Other operating income		51,671	14,853	67,659	45,184
Profit/(Loss) from operations		35,547	(772)	49,443	4,172
Finance costs		(25,215)	(27,387)	(50,416)	(56,088)
Share of profit of associates		79,879	5,553	98,672	22,463
Share of profit/(loss) of joint ventures		26	208	(59)	292
Profit/(Loss) before tax	B5	90,237	(22,398)	97,640	(29,161)
Income tax benefit/(expense)	B6	4,946	574	(3,607)	3,514
Profit/(Loss) for the period		95,183	(21,824)	94,033	(25,647)
Attributable to:					
Owners of the Company		95,183	(21,824)	94,033	(25,647)
Profit/(Loss) per share (sen):-					
- Basic/Diluted	B11	29.78	(9.72)*	29.42	(11.51)*

*Restated

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

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I(B) CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED <u>30.06.2017</u> RM'000	COMPARATIVE QUARTER ENDED <u>30.06.2016</u> RM'000	6 MONTHS CUMULATIVE TO <u>30.06.2017</u> RM'000	6 MONTHS CUMULATIVE TO <u>30.06.2016</u> RM'000
Profit/(Loss) for the period	95,183	(21,824)	94,033	(25,647)
Foreign currency translation differences for foreign operations	(56,340)	(9,836)	42,143	(65,462)
Fair value movement of available- for-sale financial assets	39,128	-	47,154	-
Share of other comprehensive (expense)/ income of associates	(596)	2,124	(596)	1,505
Reclassification to profit or loss on: - dilution of interest in an associate	-	-	-	(1,301)
Other comprehensive (expense)/ income for the period, net of tax	<u>(17,808)</u>	<u>(7,712)</u>	<u>88,701</u>	<u>(65,258)</u>
Total comprehensive income/ (expense) for the period	<u>77,375</u>	<u>(29,536)</u>	<u>182,734</u>	<u>(90,905)</u>
Attributable to:				
Owners of the Company	<u>77,375</u>	<u>(29,536)</u>	<u>182,734</u>	<u>(90,905)</u>

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

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.06.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,132,453	1,160,661
Investment properties		825,155	813,098
Investment in associates		1,363,757	1,243,438
Investment in joint ventures		7,415	7,496
Investment securities		404,715	361,161
Other investments		5,080	5,080
Goodwill		2,734	2,731
Inventories		779,020	739,553
Trade and other receivable		9,612	13,085
Other non-current assets		5,957	10,511
Deferred tax assets		29,117	31,738
		4,565,015	4,388,552
Current assets			
Inventories		694,194	723,082
Trade and other receivables		262,584	233,766
Other current assets		21,761	17,972
Investment securities		3,122	2,765
Income tax recoverable		1,552	2,014
Cash and cash equivalents		381,420	365,017
		1,364,633	1,344,616
TOTAL ASSETS		5,929,648	5,733,168

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 30.06.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		2,037,459	1,598,096
Share premium		-	217,861
Treasury shares	A6	(318)	(266)
Reserves		422,396	547,426
Retained earnings		700,761	614,499
Total equity		3,160,298	2,977,616
Non-current liabilities			
Trade and other payables		11,081	18,219
Provision for liabilities		1,854	1,719
Loans and borrowings	B8	951,549	2,238,583
		964,484	2,258,521
Current liabilities			
Trade and other payables		365,928	292,668
Provision for liabilities		26,516	27,721
Loans and borrowings	B8	1,412,416	175,555
Derivative liabilities		-	1,063
Income tax payable		6	24
		1,804,866	497,031
Total liabilities		2,769,350	2,755,552
TOTAL EQUITY AND LIABILITIES		5,929,648	5,733,168
Net assets per share (RM)		9.89	9.32*

*Restated

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

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III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<----- Attributable to Owners of the Company ----->

	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Other Reserve RM'000	Treasury shares RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2017	1,598,096	217,861	278,684	215,037	66,252	(12,547)	(266)	614,499	2,977,616
Total comprehensive income for the period	-	-	41,547	-	-	47,154	-	94,033	182,734
Purchase of treasury shares	-	-	-	-	-	-	(52)	-	(52)
Realisation of reserves	-	-	1,306	6,465	-	-	-	(7,771)	-
Transfer to Share Capital in accordance with Section 618(2) of the Companies Act 2016 ^	439,363	(217,861)	-	(221,502)	-	-	-	-	-
Total transactions with owners of the Company	439,363	(217,861)	1,306	(215,037)	-	-	(52)	(7,771)	(52)
At 30 June 2017	2,037,459	-	321,537	-	66,252	34,607	(318)	700,761	3,160,298
At 1 January 2016	1,177,957	579,863	209,632	101,763	-	(5,787)	(92,137)	597,699	2,568,990
Total comprehensive expense for the period	-	-	(65,258)	-	-	-	-	(25,647)	(90,905)
Issuance of shares pursuant to right issue	533,413	(266,707)	-	-	-	-	-	-	266,706
Share issuance expense	-	(1,803)	-	-	-	-	-	-	(1,803)
Total transactions with owners of the Company	533,413	(268,510)	-	-	-	-	-	-	264,903
At 30 June 2016	1,711,370	311,353	144,374	101,763	-	(5,787)	(92,137)	572,052	2,742,988

^ In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act 2016, use the amount standing to the credit of its share premium account and capital redemption reserves of RM217.86 million and RM221.50 million respectively for purpose as set in Section 618 (3).

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

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---6 MONTHS ENDED-->	
		30.06.2017	30.06.2016
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		97,640	(29,161)
Adjustments for non-cash items:			
Bad debts recovered		(6)	(6)
Bad debts written off		1	501
Depreciation of property, plant and equipment		33,607	28,840
Dividend income		(10)	(11)
Fair value adjustment on investment properties		738	-
Fair value (gain)/loss on financial assets at fair value through profit or loss		(332)	303
Gain on disposal of investment properties		(2,325)	-
Gain on disposal of property, plant and equipment		(7)	-
Gain on dilution of interests in an associate		-	(15,879)
Impairment loss on property, plant and equipment		33,100	-
Impairment loss on trade and other receivables		684	262
Interest expense		50,416	56,088
Interest income		(11,684)	(1,923)
Inventories written down		4	-
Unrealised foreign exchange loss		27	153
Property, plant and equipment written off		3	50
Provision for staff benefits		9,722	7,122
(Reversal)/Impairment loss on investment securities		(89)	80
Share of profit of associates		(98,672)	(22,463)
Share of (loss)/profit of joint ventures		59	(292)
Operating profit before changes in working capital		112,876	23,664
Changes in working capital			
Inventories		4,027	(126,551)
Receivables		(25,290)	22,858
Other current assets		(3,789)	252
Other non-current assets		7,529	(1,900)
Payables		67,494	(16,999)
Other non-current liabilities		(7,418)	2,007
Net change in working capital		42,553	(120,333)
Cash generated from/(used in) operations		155,429	(96,669)
Interest paid		(50,771)	(56,088)
Interest received		2,352	1,923
Income tax refund		301	5,470
Staff benefits paid		(10,167)	(6,663)
Net cash generated from/(used in) operating activities		97,144	(152,027)

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PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---6 MONTHS ENDED-->	
		30.06.2017	30.06.2016
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in joint ventures		-	(296)
Dividend received from associates and joint ventures		132	5,940
Dividend received from other investments		10	11
Purchase of property, plant and equipment		(24,092)	(17,552)
Purchase of an investment property		-	(66,192)
Proceeds from disposal of investment properties		4,889	-
Proceeds from disposal of investment securities		15	-
Refurbishment of investment properties		(1,030)	(12)
Net cash used in investing activities		<u>(20,076)</u>	<u>(78,101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(56)	(72)
Proceeds from issuance of shares pursuant to rights issue		-	266,706
Purchase of treasury shares		(52)	-
Share issuance expenses for rights issue		-	(1,803)
(Placement)/Uplift of pledged cash and deposits		(27,387)	89,700
Net (repayment)/drawdown of borrowings		(63,010)	53,527
Net cash (used in)/generated from financing activities		<u>(90,505)</u>	<u>408,058</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(13,437)	177,930
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		355,506	154,623
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,130	(1,261)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	Note A	<u>343,199</u>	<u>331,292</u>
Note A			
Included in cash and cash equivalents as at 30 June are the following:			
- Cash and deposits with licensed banks		381,419	626,279
- Bank overdrafts		(1,700)	(832)
- Cash and deposits pledged		(36,520)	(294,155)
		<u>343,199</u>	<u>331,292</u>

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

PART A

Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2016.

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016 except for the adoption of the following:

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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

Aveo Group ("AVEO"), an Australian-listed associate with its financial year ending in June, releases its financial statements on half-yearly basis i.e. for the periods ending June and December. In accounting for the Group's share of results in AVEO for the quarters ending March and September, the Group relies on the full year profit guidance issued by AVEO adjusted to its quarterly components. AVEO's profit guidance do not include any non-operational exceptional items. Accordingly, the Group's share of results in AVEO for March and September quarters are based on AVEO's profit guidance while for June and December periods are based on AVEO's public released results.

A2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A3. Seasonal or Cyclicity of Operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 30 June 2017 except for the temporary closure of Hayman Island Resort in Australia following Tropical Cyclone Debbie on 27 March 2017 for major refurbishment.

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.

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SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

A6. Changes in Debt And Equity Securities

On 5 April 2017, the Company has repurchased 200,000 of its issued ordinary shares from the open market at RM0.26 per share. The shares repurchased are retained as treasury shares in accordance with Section 67A of the Companies Act, 1965. The total treasury shares held by the Company at this date stood at 1,522,100.

On 30 June 2017 being the entitlement date, the Company's issued share capital of 3,196,192,137 ordinary shares have been consolidated into 319,618,640 ordinary shares.

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

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

<u>Revenue</u>	Revenue		Profit/(Loss) Before Tax	
	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000 (Restated)	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000 (Restated)
Business Segment				
Property	240,014	145,043	74,403	42,864
Hospitality	239,924	234,151	(10,040)	8,880
Investment and others	31,950	28,731	(14,920)	(47,572)
	<u>511,888</u>	<u>407,925</u>	<u>49,443</u>	<u>4,172</u>
Finance costs	-	-	(50,416)	(56,088)
Share of results of associates/ joint ventures	-	-	98,613	22,755
	<u>511,888</u>	<u>407,925</u>	<u>97,640</u>	<u>(29,161)</u>

The change of comparative figures is arising from the restructuring of internal organisation in a manner that causes the composition of its reportable segments to change.

A9. Related Party Disclosures

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

A. Associates	2nd Quarter Ended		6 Months Ended	
	<u>30.06.2017</u> RM'000	<u>30.06.2016</u> RM'000	<u>30.06.2017</u> RM'000	<u>30.06.2016</u> RM'000
Asset management service income	936	475	1,828	475
Director fees received	72	65	144	131
Rental income	1,121	420	2,459	820
Rental expense	796	190	796	380
Share service (reversal)/expense	(130)	252	392	780

A9. Related Party Disclosures (Cont'd)

	2nd Quarter Ended		6 Months Ended	
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
	RM'000	RM'000	RM'000	RM'000
B. Other related parties				
A company related to a director				
- Rendering of services	285	279	2,765	729
- Rental expense	57	-	115	-
- Share service income	157	88	315	384
- Other expense	-	57	-	71
A company related to a person connected to a director				
- Rendering of services	1,202	-	1,202	1,673
- Rental income	145	199	373	425
- Share service income	-	69	-	139

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

A10. Valuation Of Property, Plant And Equipment

The carrying value of the property, plant and equipment is stated at cost less depreciation and impairment losses.

During the financial period, an impairment loss of RM33.1 million was recognised in profit or loss account in relation to Hayman Island Resort assets damaged by Tropical Cyclone Debbie. The impairment loss was based on the said property was covered under a property insurance policies subject to a deductible of up to RM33.1 million.

A11. Capital Commitments

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

	RM'000
(a) Approved and contracted for	7,410
(b) Approved but not contracted for	9,120

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 30 June 2017 to be disclosed.

A13. Changes in The Composition Of the Group

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

A14. Changes in Contingent Liabilities or Contingent Assets

There are no contingent assets and liabilities as at the date of this report.

MULPHA INTERNATIONAL BHD
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

PART B

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

B1. Review of performance

	INDIVIDUAL PERIOD		CHANGES		CUMULATIVE PERIOD		CHANGES	
	CURRENT QUARTER ENDED 30.06.2017	COMPARATIVE QUARTER ENDED 30.06.2016			6 MONTHS ENDED 30.06.2017	6 MONTHS ENDED 30.06.2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	202,615	205,483	(2,868)	(1%)	511,888	407,925	103,963	25%
Profit/(Loss) from operations	35,547	(772)	36,319	>(100%)	49,443	4,172	45,271	>100%
Profit before interest and tax	115,452	4,989	110,463	>100%	148,056	26,927	121,129	>100%
Profit/(Loss) before tax	90,237	(22,398)	112,635	>(100%)	97,640	(29,161)	126,801	>(100%)
Profit/(Loss) after tax	95,183	(21,824)	117,007	>(100%)	94,033	(25,647)	119,680	>(100%)
Profit/(Loss) attributable to: Owners of the Company	95,183	(21,824)	117,007	>(100%)	94,033	(25,647)	119,680	>(100%)

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

The Group recorded revenue of RM202.62 million and pre-tax profit of RM90.24 million for the current quarter of 2017 compared to revenue of RM205.48 million and pre-tax loss of RM22.40 million in the previous year's corresponding quarter. Despite the Group's revenue being marginally lower by 1% due primarily to the temporary closure of Hayman Island Resort following Tropical Cyclone Debbie on 27 March 2017, the pre-tax profit improved significantly by RM112.64 million. The better performance was mainly attributed to an increased share of associates profits by RM74.33 million and higher contributions from all the divisions as elaborated below.

The property division recorded revenue of RM95.46 million and pre-tax profit of RM30.47 million for the current quarter of 2017 as compared to revenue of RM80.29 million and pre-tax profit of RM25.61 million in the previous year's corresponding quarter. The better performance was mainly attributed to higher settlements in the Mulpha Norwest development in Sydney, Australia.

The hospitality division recorded revenue of RM88.96 million and pre-tax profit of RM8.43 million for the current quarter of 2017 compared with revenue of RM108.74 million and pre-tax loss of RM0.28 million in the previous year's corresponding quarter. Despite the decrease in revenue which was mainly attributed to the temporary closure of Hayman Island Resort, the higher pre-tax profit was mainly arising from insurance proceeds for business interruption losses recognised in the current quarter.

The investments and other activities division recorded a pre-tax loss of RM3.35 million for the current quarter of 2017 as compared to pre-tax loss of RM26.10 million in the previous year's corresponding quarter. The lower pre-tax loss was mainly attributed to a higher foreign exchange loss in the previous year's corresponding quarter.

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

The Group reported revenue of RM511.89 million and pre-tax profit of RM97.64 million for the 6-month period ended 30 June 2017 as compared to revenue of RM407.93 million and pre-tax loss of RM29.16 million in the previous year's corresponding period. The Group pre-tax profit recorded a significant improvement by RM126.80 million, mainly attributable to a higher share of associates profits by RM76.21 million as well as higher contributions from investment and property divisions by RM32.65 million and RM31.54 million respectively. However, these positive variances were partially offset by a weaker performance in the hospitality division by RM18.92 million as further explained below.

MULPHA INTERNATIONAL BHD
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

B1. Review of performance (Cont'd)

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

The property division recorded revenue of RM240.01 million and pre-tax profit of RM74.40 million for the period ended 30 June 2017 as compared to revenue of RM145.04 million and pre-tax profit of RM42.86 million in the previous year's corresponding period. The better performance was attributed to higher sales in the Mulpha Norwest development in Sydney.

The hospitality division recorded revenue of RM239.92 million and pre-tax loss of RM10.04 million for the period ended 30 June 2017 as compared to revenue of RM234.15 million and pre-tax profit of RM8.89 million in the previous year's corresponding period. The weaker performance was mainly attributed to the impairment of Hayman Island Resort assets of RM33.10 million following Cyclone Debbie at the end of March 2017.

The investment and other activities division recorded a pre-tax loss of RM14.92 million for the period ended 30 June 2017 as compared to a pre-tax loss of RM47.57 million in the previous year's corresponding period. The lower pre-tax loss was mainly attributed to an unfavourable foreign exchange movement on the Group's cash and deposits which were denominated in US Dollars in the previous corresponding period.

B2. Comparisons With Preceding Quarter's Results

	CURRENT	PRECEDING	CHANGES	
	QUARTER	QUARTER		
	ENDED	ENDED		
	30.06.2017	31.03.2017		
	RM'000	RM'000	RM'000	%
Revenue	202,615	309,273	(106,658)	(34%)
Profit from operations	35,547	13,896	21,651	>100%
Profit before interest and tax	115,452	32,604	82,848	>100%
Profit before tax	90,237	7,403	82,834	>100%
Profit/(Loss) after tax	95,183	(1,150)	96,333	>(100%)
Profit/(Loss) attributable to:				
Owners of the Company	95,183	(1,150)	96,333	>(100%)

The Group recorded revenue of RM202.62 million and pre-tax profit of RM90.24 million for the 2nd quarter 2017 compared with revenue of RM309.27 million and pre-tax profit of RM7.40 million for 1st quarter of 2017. Despite the Group's revenue being lower by 34% due to the temporary closure of Hayman Island Resort, the pre-tax profit increased substantially by RM82.83 million. This was mainly attributed to a higher share of associates profits by RM61.09 million as well as higher pre-tax profits in the hospitality and investment divisions by RM26.89 million and RM8.22 million respectively. This was partially offset by a weaker performance in the property segment by RM13.46 million.

The property division recorded revenue of RM95.46 million and pre-tax profit of RM30.47 million for the 2nd quarter 2017 compared with revenue of RM144.55 million and pre-tax profit of RM43.93 million for 1st quarter of 2017. The weaker performance mainly attributed to lower settlements in the Mulpha Norwest development in Sydney in the current quarter.

The hospitality division recorded revenue of RM88.96 million and pre-tax profit of RM8.43 million for the 2nd quarter 2017 compared with revenue of RM150.97 million and pre-tax loss of RM18.47 million for 1st quarter of 2017. Despite the decrease in revenue which was mainly attributed to the temporary closure of the Hayman Island Resort, the higher pre-tax profit was mainly due to the recognition of insurance proceeds for business interruption losses in the current quarter.

The investment division recorded a pre-tax loss of RM3.35 million for the 2nd quarter 2017 compared with pre-tax loss of RM11.57 million for 1st quarter of 2017. The lower pre-tax loss was mainly attributed to a favourable foreign exchange impact on Group's borrowings denominated in HK Dollar.

B3. Prospects

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

The Australian property development business has seen some slowing in demand from greater restrictions on lending by Australian and offshore banks, increased taxes on foreign property purchasers and greater fears of oversupply in the Sydney apartment market. These pressures have not as yet had any material impact on results but may slow the rate of sales to foreign buyers in future years. Accordingly greater emphasis is being placed on attracting local buyers.

Real estate demand at Leisure Farm in Iskandar Malaysia remains weak after a significant slowing in interest from Chinese buyers and increased local competition. These influences are expected to remain for some years.

Real estate investment properties continue to benefit from strong underlying fundamentals and we expect this division to deliver consistent results supported by strong underlying tenant leases. The Group remains cautious in relation to further acquisitions in investment properties in the short term given the historic low capitalisation rates being experienced in the Australian market.

B4. Variance from Profit Forecast or Profit Guarantee

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

B5. Profit/(Loss) Before Tax

	2nd Quarter Ended		6 Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Bad debt recovered	-	-	(6)	(6)
Bad debt written off	-	501	1	501
Depreciation and amortisation	17,124	14,519	33,607	28,840
Dividend income	(4)	(3)	(10)	(11)
Fair value loss of investment properties	151	-	738	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(285)	9	(332)	303
Foreign exchange (gain)/loss				
- Realised	(7,498)	5,181	(6,873)	26,184
- Unrealised	(5)	30	27	153
Gain on disposal of investment properties	14	-	(2,325)	-
Gain on disposal of property, plant and equipment	(7)	-	(7)	-
Gain on dilution of interests in an associate	-	-	-	(15,879)
Interest income	(5,809)	(1,144)	(11,684)	(1,923)
Interest expense	25,215	27,387	50,416	56,088
Inventories written down	4	-	4	-
(Reversal)/Impairment loss on investment securities	41	10	(89)	80
Impairment loss on property, plant and equipment	(200)	-	33,100	-
Impairment loss on trade and other receivables	6	123	684	262
Loss on derivatives	693	1,869	2,065	2,263
Property, plant and equipment written off	3	(1)	3	50
Rental income	(3,818)	(9,537)	(7,717)	(19,920)

B6. Income tax expense/(benefit)

	2nd Quarter Ended		6 Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
Malaysian - current	58	100	143	204
- prior year	-	-	-	13
Overseas - prior year	-	16	-	(2,305)
	<u>58</u>	<u>116</u>	<u>143</u>	<u>(2,088)</u>
Deferred tax				
Origination and reversal of temporary differences	(11,803)	(690)	(3,258)	(1,426)
Underprovision in prior year	6,799	-	6,722	-
	<u>(5,004)</u>	<u>(690)</u>	<u>3,464</u>	<u>(1,426)</u>
Income tax expense/(benefit)	<u>(4,946)</u>	<u>(574)</u>	<u>3,607</u>	<u>(3,514)</u>

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

B7. Status of Corporate Proposals

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

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

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

Purpose	Proposed	Actual	Intended	Deviation		Explanations
	Utilisation	Utilisation		Amount	%	
	RM'000	RM'000	Timeframe for Utilisation	RM'000		
(i) Repayment of borrowings	200,000	200,000	July 2016	N/A	-	Note 1
(ii) Working capital	65,626	52,999	June 2018	N/A	-	
(iii) Estimated expenses in relation to the Corporate Exercise	1,080	1,803	June 2016	723	66.9%	Note 2

Note:

- 1 The repayment resulted to interest cost savings of RM17 million per annum based on the effective interest rate of approximately 8.5% per annum.
- 2 Disbursement expenses in excess of estimated cost were borne by the Company's internally generated funds.

B7. Status of Corporate Proposals (Cont'd)

(b) Share consolidation

The Company has undertaken a share consolidation involving the consolidation of every 10 existing ordinary shares into 1 ordinary share ("Share Consolidation"). Based on the issued share capital of the Company on 30 June 2017 (i.e. the entitlement date), 3,196,192,137 ordinary shares have been consolidated into 319,618,640 ordinary shares ("Consolidated Shares"). The Share Consolidation was completed on 3 July 2017 following the listing of and quotation for the Consolidated Shares on the Main Market of Bursa Malaysia Securities Berhad, being the next market day immediately after the entitlement date.

B8. Group Loans and Borrowings

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

		RM'000	RM'000
Short term - Secured	Note 1	1,410,559	
- Unsecured		<u>1,857</u>	1,412,416
Long term - Secured			<u>951,549</u>
			<u>2,363,965</u>

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

			RM'000 equivalent
Australian Dollar	AUD '000	475,232	1,568,265
Hong Kong Dollar	HKD '000	372,686	205,089
US Dollar	USD '000	112,650	<u>497,911</u>

It is the Group policy to maintain a natural hedge, whenever possible, by borrowing in the currency of the country, in which the operation, property, or investments is located or by borrowing in currencies that the future income stream to be generated from its investment.

These loan and borrowings are translated to Ringgit Malaysia at the exchange rate of AUD1: RM3.30; HKD1: RM0.55; and USD1: RM4.42.

Note 1:

Out of RM1.41 billion, there is an amount of RM861.30 million repayable on the first quarter of 2018 and Management is confident it will be able to negotiate the refinancing on satisfactory terms.

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.

B9. Material Litigation (Cont'd)

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

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

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

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

B10. Dividend

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

B11. Profit/(Loss) Per Share

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

	6 Months Ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Profit/(Loss) for the period, amount attributable to equity holders of the parent	94,033	(25,647)
	6 Months Ended	
	30.06.2017	30.06.2016
	'000	'000
		(Restated)
Weighted average number of ordinary shares in issue	3,194,870	2,133,654
Effect of share buy back	(96)	
Effect of ordinary share issued on 14 June 2016	-	94,039
Effect of share consolidation	(2,875,156)	(2,004,923)
Weighted average number of ordinary shares at 30 June	319,618	222,770
	6 Months Ended	
	30.06.2017	30.06.2016
	sen	sen
		(Restated)
Basic earnings/(loss) per share	29.42	(11.51)

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

PART C

Disclosure of Realised and Unrealised Profits or Losses

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

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

	AS AT	AUDITED
	30.06.2017	AS AT
	RM'000	31.12.2016
		RM'000
Total retained earnings:		
(i) Company and subsidiaries		
- Realised	1,292,521	1,126,442
- Unrealised	29,028	32,569
(ii) Associates		
- Realised	(3,718)	(1,050)
- Unrealised	323	323
- Breakdown unavailable *	(349,868)	(451,879)
(iii) Joint ventures		
- Breakdown unavailable *	3,284	3,408
	<u>971,570</u>	<u>709,813</u>
Less: Consolidated Adjustments	(270,809)	(95,314)
Total group retained earnings as per consolidated accounts	<u>700,761</u>	<u>614,499</u>

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