

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the first financial quarter ended 31 March 2017
The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 31.03.2017 RM'000	COMPARATIVE QUARTER ENDED 31.03.2016 RM'000	3 MONTHS CUMULATIVE TO 31.03.2017 RM'000	3 MONTHS CUMULATIVE TO 31.03.2016 RM'000
<i>Continuing operations</i>					
Revenue		309,273	202,442	309,273	202,442
Operating expenses		(311,365)	(227,829)	(311,365)	(227,829)
Other operating income		15,988	30,331	15,988	30,331
Profit from operations		13,896	4,944	13,896	4,944
Finance costs		(25,201)	(28,701)	(25,201)	(28,701)
Share of profit of associates		18,793	16,910	18,793	16,910
Share of (loss)/profit of jointly-controlled entities		(85)	84	(85)	84
Profit/(Loss) before tax	B5	7,403	(6,763)	7,403	(6,763)
Income tax (expense)/benefit	B6	(8,553)	2,940	(8,553)	2,940
Loss for the period		(1,150)	(3,823)	(1,150)	(3,823)
Attributable to:					
Owners of the Company		(1,150)	(3,823)	(1,150)	(3,823)
Loss per share (sen):-					
- Basic/Diluted	B11	(0.04)	(0.18)	(0.04)	(0.18)

(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)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

I(B) CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 31.03.2017 RM'000	COMPARATIVE QUARTER ENDED 31.03.2016 RM'000	3 MONTHS CUMULATIVE TO 31.03.2017 RM'000	3 MONTHS CUMULATIVE TO 31.03.2016 RM'000
Loss for the period	(1,150)	(3,823)	(1,150)	(3,823)
Foreign currency translation differences for foreign operations	98,483	(55,626)	98,483	(55,626)
Fair value movement of available- for-sale financial assets	8,026	-	8,026	-
Share of other comprehensive expense of associates	-	(619)	-	(619)
Reclassification to profit or loss on: - dilution of interest in an associate	-	(1,301)	-	(1,301)
Other comprehensive income/ (expense) for the period, net of tax	106,509	(57,546)	106,509	(57,546)
Total comprehensive income/ (expense) for the period	105,359	(61,369)	105,359	(61,369)
Attributable to:				
Owners of the Company	105,359	(61,369)	105,359	(61,369)

(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)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,156,329	1,160,661
Investment properties		843,655	813,098
Investment in associates		1,307,170	1,243,438
Investment in jointly-controlled entities		7,701	7,496
Investment securities		365,587	361,161
Other investments		5,080	5,080
Goodwill		2,740	2,731
Inventories		631,681	739,553
Trade and other receivable		12,020	13,085
Other non-current assets		5,549	10,511
Deferred tax assets		23,885	31,738
		4,361,397	4,388,552
Current assets			
Inventories		833,148	723,082
Trade and other receivables		247,583	233,766
Other current assets		31,411	17,972
Investment securities		2,914	2,765
Income tax recoverable		1,947	2,014
Cash and cash equivalents		320,160	365,017
		1,437,163	1,344,616
TOTAL ASSETS		5,798,560	5,733,168

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.03.2017 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	(266)	(266)
Reserves		440,204	547,426
Retained earnings		605,578	614,499
Total equity		3,082,975	2,977,616
Non-current liabilities			
Trade and other payables		20,070	18,219
Provision for liabilities		1,938	1,719
Loans and borrowings	B8	1,194,740	2,238,583
		1,216,748	2,258,521
Current liabilities			
Trade and other payables		236,340	292,668
Other current liabilities		1,237	-
Provision for liabilities		30,075	27,721
Loans and borrowings	B8	1,231,182	175,555
Derivative liabilities		-	1,063
Income tax payable		3	24
		1,498,837	497,031
Total liabilities		2,715,585	2,755,552
TOTAL EQUITY AND LIABILITIES		5,798,560	5,733,168
Net assets per share (RM)		0.96	0.93

(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)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

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	-	-	98,483	-	-	8,026	-	(1,150)	105,359
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)	-	-	-	-	-
At 31 March 2017	2,037,459	-	378,473	-	66,252	(4,521)	(266)	605,578	3,082,975
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	-	-	(57,546)	-	-	-	-	(3,823)	(61,369)
At 31 March 2016	1,177,957	579,863	152,086	101,763	-	(5,787)	(92,137)	593,876	2,507,621

^ 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)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<---3 MONTHS ENDED-->	
Note	31.03.2017	31.03.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	7,403	(6,763)
Adjustments for non-cash items:		
Bad debts recovered	(5)	(6)
Depreciation of property, plant and equipment	16,483	14,321
Dividend income	(6)	(8)
Fair value adjustment on investment properties	587	-
Fair value adjustment on financial assets at fair value through profit or loss	(47)	294
Gain on disposal of investment properties	(2,339)	-
Gain on dilution of interests in an associate	-	(15,879)
Impairment loss on property, plant and equipment	33,300	-
Impairment loss on trade and other receivables	678	139
Interest expense	25,201	28,701
Interest income	(5,875)	(779)
Unrealised foreign exchange loss	32	123
Property, plant and equipment written off	-	51
Provision for staff benefits	5,232	3,521
(Reversal)/Impairment loss on investment securities	(130)	70
Share of profit of associates	(18,793)	(16,910)
Share of profit/(loss) of jointly-controlled entities	85	(84)
Operating profit before changes in working capital	61,806	6,791
Changes in working capital		
Inventories	34,334	(56,404)
Receivables	(22,542)	(4,635)
Other current assets	(13,439)	(2,080)
Other non-current assets	8,076	(3,289)
Payables	(69,741)	1,699
Other non-current liabilities	1,122	989
Net change in working capital	(62,190)	(63,720)
Cash generated from operations	(384)	(56,929)
Interest paid	(25,558)	(28,701)
Interest received	5,875	779
Income tax (paid)/refund	(39)	2,155
Staff benefits paid	(5,036)	(3,609)
Net cash used in operating activities	(25,142)	(86,305)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---3 MONTHS ENDED-->	
		31.03.2017	31.03.2016
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in a jointly-controlled entity		-	(27)
Dividend received from associates and jointly-controlled entity		-	181
Dividend received from other investments		6	8
Purchase of property, plant and equipment		(6,556)	(12,116)
Purchase of an investment property		-	(66,192)
Proceeds from disposal of investment properties		5,007	-
Refurbishment of investment properties		(28)	(12)
Net cash used in investing activities		<u>(1,571)</u>	<u>(78,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(40)	(39)
Uplift of pledged cash and deposits		6,474	85,978
Net (repayment)/drawdown of borrowings		(28,346)	11,790
Net cash (used in)/generated from financing activities		<u>(21,912)</u>	<u>97,729</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(48,625)	(66,734)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		355,506	154,623
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		9,921	(695)
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	Note A	<u>316,802</u>	<u>87,194</u>
Note A			
Included in cash and cash equivalents as at 31 March are the following:			
- Cash and deposits with licensed banks		320,160	385,352
- Bank overdrafts		(699)	(281)
- Cash and deposits pledged		(2,659)	(297,877)
		<u>316,802</u>	<u>87,194</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 current quarter ended 31 March 2017.

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.

MULPHA INTERNATIONAL BHD (19764-T)
FIRST FINANCIAL QUARTER ENDED 31 MARCH 2017

A6. Changes in Debt And Equity Securities

As at 31 March 2017, 1,322,100 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 31 March 2017 and 2016 are set out below:

<u>Revenue</u>	Revenue		Profit/(Loss) Before Tax	
	3 months ended <u>31.03.2017</u> RM'000	3 months ended <u>31.03.2016</u> RM'000	3 months ended <u>31.03.2017</u> RM'000	3 months ended <u>31.03.2016</u> RM'000
Business Segment				
Property	140,110	64,230	42,349	16,431
Hospitality	159,354	133,637	(18,840)	8,867
Investment and others	9,809	4,575	(9,613)	(20,354)
	<u>309,273</u>	<u>202,442</u>	<u>13,896</u>	<u>4,944</u>
Finance costs	-	-	(25,201)	(28,701)
Share of results of associates/ jointly-controlled entities	-	-	18,708	16,994
	<u>309,273</u>	<u>202,442</u>	<u>7,403</u>	<u>(6,763)</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:

	3 Months Ended	
	<u>31.03.2017</u> RM'000	<u>31.03.2016</u> RM'000
A. Associates		
Asset management service income	892	-
Director fees received	72	66
Rental income	1,338	400
Rental expense	-	190
Share service expense	522	528

A9. Related Party Disclosures (Cont'd)

	3 Months Ended	
	<u>31.03.2017</u>	<u>31.03.2016</u>
	RM'000	RM'000
B. Other related parties		
A company related to a director		
- Rendering of services	2,480	450
- Rental expense	58	-
- Share service income	158	296
- Other expense	-	14
A company related to a person connected to a director		
- Rendering of services	-	1,673
- Rental income	228	226
- Share service income	-	70

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 investment property, property, plant and equipment as at 31 March 2017 are as below:

	RM'000
(a) Approved and contracted for	6,121
(b) Approved but not contracted for	8,732
	<u>14,853</u>

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 31 March 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.

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-to-date vs. Previous Year-to-date

The Group reported revenue of RM309.27 million and pre-tax profit of RM7.40 million for the quarter ended 31 March 2017 as compared to revenue of RM202.44 million and pre-tax loss of RM6.76 million in the previous year's corresponding quarter. In the current quarter, the Group's property and investment division's pre-tax profits were higher by RM25.92 million and RM10.74 million respectively. However, these improved performances were offset by weaker performance in the Group's hospitality division which reduced by RM27.71 million. This was primarily due to impairment of property, plant and equipment of RM33.30 million as a result of wind and water damage from Cyclone Debbie in One&Only Hayman Island which hit our Group's hotel in Hayman Island, Australia on 27 March 2017.

The property division recorded revenue of RM140.11 million and pre-tax profit of RM42.35 million for the quarter ended 31 March 2017 as compared to revenue of RM64.23 million and pre-tax profit of RM16.43 million in the previous year's corresponding quarter. The better performance was attributed to higher sales in Mulpha Norwest development in Sydney.

The investment and other activities division reported a pre-tax loss of RM9.61 million for the quarter ended 31 March 2017 as compared to a pre-tax loss of RM20.35 million in the previous year's corresponding quarter. The better performance in the current quarter was mainly attributed to unfavourable exchange rate movement of Group's cash and deposit which were denominated in US Dollar in previous year's corresponding quarter.

Excluding the impairment of property, plant and equipment of RM33.30 million, the hospitality division recorded revenue of RM159.35 million and pre-tax profit of RM14.46 million for the quarter ended 31 March 2017 as compared to revenue of RM133.64 million and pre-tax profit of RM8.87 million. The better performance in the current quarter was mainly due to the contribution from Rydges Cairns, a newly acquired hotel in December 2016.

B2. Comparisons With Preceding Quarter's Results

The Group recorded revenue of RM309.27 million and pre-tax profit of RM7.40 million for the 1st quarter 2017 compared with revenue of RM533.92 million and pre-tax profit of RM74.93 million for 4th quarter of 2016. The weaker performance was mainly attributed to the poor performance in the hospitality division by RM35.74 million caused by impairment of property, plant and equipment of RM33.30 million in the current quarter as well as reduced share of associates' profits by RM49.74 million. The above was offset by better performance in the investment and property divisions by RM10.33 million and RM8.80 million respectively.

Excluding the impairment of property, plant and equipment of RM33.30 million in the current quarter, the hospitality division recorded revenue of RM159.35 million and pre-tax profit of RM14.46 million for the 1st quarter 2017 compared with revenue of RM154.62 million and pre-tax profit of RM16.90 million for 4th quarter of 2016. Despite the higher revenue contributed by Rydges Cairns, the pre-tax profit was marginally lower as a result of reduced average room rate as compared to the peak season in 4th quarter 2016.

The investment division recorded a pre-tax loss of RM9.61 million for the 1st quarter 2017 compared with pre-tax loss of RM19.94 million for 4th quarter of 2016. The better performance in current quarter was mainly due to the recognition of impairment loss in associates of RM12.24 million in 4th quarter of 2016.

The property division recorded revenue of RM140.11 million and pre-tax profit of RM42.35 million for the 1st quarter 2017 compared with revenue of RM374.64 million and pre-tax profit of RM33.55 million for 4th quarter of 2016. Despite lower revenue in the current quarter, the higher pre-tax profit was mainly attributable to the recognition of Hayman development impairment loss of RM90.48 million in 4th quarter of 2016.

B3. Prospects

We believe the Group is well positioned to take advantage of future growth opportunities based on its strong and geographically diversified property portfolio located in Malaysia, Australia and the United Kingdom. Barring any unforeseen circumstances, the Group remains cautiously optimistic of its performance for the mid to longer term.

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

	3 Months Ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):		
Bad debt recovered	(6)	(6)
Bad debt written off	1	-
Depreciation and amortisation	16,483	14,321
Dividend income	(6)	(8)
Fair value adjustment on financial assets at fair value through profit or loss	(47)	294
Fair value adjustment of investment properties	587	-
Foreign exchange loss		
- Realised	625	21,003
- Unrealised	32	123
Gain on dilution of interests in an associate	-	(15,879)
Gain on on disposal of investment properties	(2,339)	-
Interest income	(5,875)	(779)
Interest expense	25,201	28,701
(Reversal)/Impairment loss on investment securities	(130)	70
Impairment loss on property, plant and equipment	33,300	-
Impairment loss on trade and other receivables	678	139
Loss on derivatives	1,372	394
Property, plant and equipment written off	-	51
Rental income	(3,899)	(10,383)

B6. Income tax expense/(benefit)

	3 Months Ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Current year income tax		
Malaysian - current	85	104
- prior year	-	13
Overseas - prior year	-	(2,321)
	<u>85</u>	<u>(2,204)</u>
Deferred tax		
Origination and reversal of temporary differences	8,545	(736)
Overprovision in prior year	(77)	-
	<u>8,468</u>	<u>(736)</u>
	<u>8,553</u>	<u>(2,940)</u>
Income tax expense/(benefit)	8,553	(2,940)

The effective tax rate of the Group for the financial period ended 31 March 2017 under review is higher than the statutory rate of 24% mainly due to certain expenses which are not deductible and certain deferred tax assets not recognised. This was mitigated by certain income not subject to taxation and tax benefit arising from previously unrecognised tax losses.

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 31 March 2017 in the following manner:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
				Amount	%	
	RM'000	RM'000		RM'000		
(i) Repayment of borrowings	200,000	200,000	July 2016	N/A	-	
(ii) Working capital	65,626	47,573	June 2018	N/A	-	
(iii) Estimated expenses in relation to the Corporate Exercise	1,080	1,803	June 2016	723	66.9%	See Note 1

Note:

1 Disbursement expenses in excess of estimated cost were borne by the Company's internally generated funds.

B7. Status of Corporate Proposals (Cont'd)

(b) Proposed share consolidation

On 21 March 2017, the Company announced its proposal to undertake a share consolidation involving the consolidation of every 10 existing ordinary shares of the Company into 1 ordinary share ("Proposal"). The Proposal is conditional upon approvals being obtained from the following parties:

(a) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the consolidated shares on the Main Market of Bursa Securities. The approval was obtained on 4 April 2017;

(b) The shareholders of the Company at an extraordinary general meeting of the Company to be convened; and

(c) Any other relevant authority, if required.

The Proposal is not conditional upon any other proposals undertaken or to be undertaken by the Company.

B8. Group Loans and Borrowings

The details of the loans and borrowings as at 31 March 2017 are as follows:-

		RM'000	RM'000
Short term - Secured	Note 1	1,226,428	
- Unsecured		<u>4,754</u>	1,231,182
Long term - Secured			<u>1,194,740</u>
			<u>2,425,922</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	478,965	1,618,902
Hong Kong Dollar	HKD '000	372,686	212,170
US Dollar	USD '000	114,247	<u>504,970</u>

Note 1:

Out of RM1.23 billion, there is an amount of RM927.81 million repayable on the first quarter of 2018 and Management has commenced negotiation on refinancing of these loans.

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. 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:

	3 Months Ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Loss for the period, amount attributable to equity holders of the parent	(1,150)	(3,823)
Weighted average number of ordinary shares in issue ('000)	3,196,192	2,133,654
Basic loss per share (sen)	<u>(0.04)</u>	<u>(0.18)</u>

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
	31.03.2017	AS AT
	RM'000	31.12.2016
		RM'000
Total retained earnings:		
(i) Company and subsidiaries		
- Realised	1,068,291	1,126,442
- Unrealised	23,313	32,569
(ii) Associates		
- Realised	(2,129)	(1,050)
- Unrealised	323	323
- Breakdown unavailable *	(431,337)	(451,879)
(iii) Jointly-controlled entities		
- Breakdown unavailable *	3,324	3,408
	<u>661,785</u>	<u>709,813</u>
Less: Consolidated Adjustments	(56,207)	(95,314)
Total group retained earnings as per consolidated accounts	<u>605,578</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.