

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the first financial quarter ended 31 March 2018

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 31.03.2018 RM'000	COMPARATIVE QUARTER ENDED 31.03.2017 RM'000	3 MONTHS CUMULATIVE TO 31.03.2018 RM'000	3 MONTHS CUMULATIVE TO 31.03.2017 RM'000
	<i>Note</i>				
Revenue		181,823	309,273	181,823	309,273
Operating expenses		(177,452)	(311,365)	(177,452)	(311,365)
Other operating income		26,605	15,988	26,605	15,988
Profit from operations		30,976	13,896	30,976	13,896
Finance costs		(21,974)	(25,201)	(21,974)	(25,201)
Share of profit of associates		27,457	18,793	27,457	18,793
Share of profit/(loss) of joint ventures		98	(85)	98	(85)
Profit before tax	B5	36,557	7,403	36,557	7,403
Income tax expense	B6	(4,333)	(8,553)	(4,333)	(8,553)
Profit/(Loss) for the period		32,224	(1,150)	32,224	(1,150)
Attributable to:					
Owners of the Company		32,430	(1,150)	32,430	(1,150)
Non-controlling interests		(206)	-	(206)	-
Profit/(Loss) for the period		32,224	(1,150)	32,224	(1,150)
Earnings/(Loss) per share (sen):-					
- Basic/Diluted	B11	10.15	(0.36)*	10.15	(0.36)*

*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 2017 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 OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 31.03.2018 RM'000	COMPARATIVE QUARTER ENDED 31.03.2017 RM'000	3 MONTHS CUMULATIVE TO 31.03.2018 RM'000	3 MONTHS CUMULATIVE TO 31.03.2017 RM'000
Profit/(Loss) for the period	32,224	(1,150)	32,224	(1,150)
Foreign currency translation differences for foreign operations	(146,926)	98,483	(146,926)	98,483
Fair value movement of available- for-sale financial assets	(18,517)	8,026	(18,517)	8,026
Other comprehensive (loss)/income for the period, net of tax	<u>(165,443)</u>	<u>106,509</u>	<u>(165,443)</u>	<u>106,509</u>
Total comprehensive (loss)/income for the period	<u>(133,219)</u>	<u>105,359</u>	<u>(133,219)</u>	<u>105,359</u>
Attributable to:				
Owners of the Company	(133,029)	105,359	(133,029)	105,359
Non-controlling interests	<u>(190)</u>	<u>-</u>	<u>(190)</u>	<u>-</u>
Total comprehensive (loss)/ income for the period	<u>(133,219)</u>	<u>105,359</u>	<u>(133,219)</u>	<u>105,359</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 2017 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

	<u>Note</u>	UNAUDITED AS AT 31.03.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	920,355	955,760
Investment properties		883,021	941,078
Investment in associates		1,378,426	1,433,525
Investment in joint ventures		18,926	20,217
Investment securities		298,748	328,667
Other investments		5,080	5,080
Goodwill		2,712	2,725
Inventories		609,380	665,651
Trade and other receivable		8,201	10,189
Other non-current assets		7,701	8,431
Deferred tax assets		12,935	12,935
		4,145,485	4,384,258
Current assets			
Inventories		738,560	714,622
Trade and other receivables		363,644	259,382
Other current assets		33,906	17,705
Investment securities		2,712	3,167
Income tax recoverable		1,290	1,278
Cash and cash equivalents		209,569	488,350
		1,349,681	1,484,504
TOTAL ASSETS		5,495,166	5,868,762

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	UNAUDITED AS AT 31.03.2018 RM'000	RESTATED AS AT 31.12.2017 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		2,037,459	2,037,459
Treasury shares	A6	(318)	(318)
Reserves		136,409	301,868
Retained earnings		<u>1,014,377</u>	<u>981,947</u>
		3,187,927	3,320,956
Non-controlling interests		<u>(310)</u>	<u>(120)</u>
Total equity		<u>3,187,617</u>	<u>3,320,836</u>
Non-current liabilities			
Trade and other payables		2,579	1,923
Provision for liabilities		3,686	3,429
Deferred tax liabilities		46,491	41,140
Loans and borrowings	B8	<u>1,215,083</u>	<u>1,313,718</u>
		<u>1,267,839</u>	<u>1,360,210</u>
Current liabilities			
Trade and other payables		170,474	227,469
Provision for liabilities		98,504	112,977
Loans and borrowings	B8	756,292	827,795
Income tax payable		<u>14,440</u>	<u>19,475</u>
		<u>1,039,710</u>	<u>1,187,716</u>
Total liabilities		<u>2,307,549</u>	<u>2,547,926</u>
TOTAL EQUITY AND LIABILITIES		<u>5,495,166</u>	<u>5,868,762</u>
Net assets per share (RM)		<u>9.98</u>	<u>10.40</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017 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* ----- >

< ----- *Non-distributable* ----- > *Distributable*

	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 RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 January 2018	2,037,459	-	245,416	-	66,252	(9,800)	(318)	976,043	3,315,052	(120)	3,314,932
Adjustments due to adoption of MFRS 9	-	-	-	-	-	-	-	(270)	(270)	-	(270)
Adjustments due to adoption of MFRS 15	-	-	-	-	-	-	-	6,174	6,174	-	6,174
At 1 January 2018, restated	2,037,459	-	245,416	-	66,252	(9,800)	(318)	981,947	3,320,956	(120)	3,320,836
Total comprehensive income for the period	-	-	(146,942)	-	-	(18,517)	-	32,430	(133,029)	(190)	(133,219)
At 31 March 2018	2,037,459	-	98,474	-	66,252	(28,317)	(318)	1,014,377	3,187,927	(310)	3,187,617
At 1 January 2017	1,598,096	217,861	278,684	215,037	66,252	(12,547)	(266)	614,499	2,977,616	-	2,977,616
Total comprehensive income for the period	-	-	98,483	-	-	8,026	-	(1,150)	105,359	-	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)	-	-	-	-	-	-	-
Total transactions with owners of the Company	439,363	(217,861)	1,306	(215,037)	-	-	-	(7,771)	-	-	-
At 31 March 2017	2,037,459	-	378,473	-	66,252	(4,521)	(266)	605,578	3,082,975	-	3,082,975

(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 2017 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

	Note	<---3 MONTHS ENDED-->	
		31.03.2018	31.03.2017
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,557	7,403
Adjustments for non-cash items:			
Bad debts recovered		-	(5)
Change in fair value of investment properties		266	587
Dividend income		(8)	(6)
Fair value loss/(gain) on financial assets at fair value through profit or loss		455	(47)
Gain on disposal of investment properties		-	(2,339)
Impairment loss on trade and other receivables		262	678
Interest income		(5,536)	(5,875)
Interest expense		21,974	25,201
Inventories written down		47	-
Net unrealised foreign exchange loss		97	32
Property, plant and equipment			
- Depreciation		9,418	16,483
- Gain on disposal		(104)	-
- Impairment loss		-	33,300
- Written off		38	-
Provision for staff benefits		4,144	5,232
Reversal impairment loss on investment securities		-	(130)
Share of profit of associates		(27,457)	(18,793)
Share of (profit)/loss of joint ventures		(98)	85
Operating profit before changes in working capital		<u>40,055</u>	<u>61,806</u>
Changes in working capital			
Inventories		(16,954)	34,334
Other current assets		(16,201)	(13,439)
Other non-current assets		1,900	8,076
Other non-current liabilities		11,645	1,122
Payables		(54,116)	(69,741)
Receivables		(116,953)	(22,542)
Net change in working capital		<u>(190,679)</u>	<u>(62,190)</u>
Cash used in operations		(150,624)	(384)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---3 MONTHS ENDED-->	
		31.03.2018	31.03.2017
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Interest paid		(22,279)	(25,558)
Interest received		5,536	5,875
Income tax paid		(42)	(39)
Staff benefits paid		(4,333)	(5,036)
Net cash used in operating activities		<u>(171,742)</u>	<u>(25,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		8	6
Dividend received from associates and joint ventures		124	-
Purchase of property, plant and equipment		(32,042)	(6,556)
Proceeds from disposal of:			
- Investment properties		-	5,007
- Property, plant and equipment		146	-
Refurbishment of investment properties		(444)	(28)
Net cash used in investing activities		<u>(32,208)</u>	<u>(1,571)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(16)	(40)
Withdrawal of pledged deposits		37,204	6,474
Net repayment of borrowings		(56,294)	(28,346)
Net cash used in financing activities		<u>(19,106)</u>	<u>(21,912)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(223,056)	(48,625)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		383,839	355,506
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(18,579)	9,921
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	Note A	<u>142,204</u>	<u>316,802</u>
Note A			
Included in cash and cash equivalents as at 31 March are the following:			
- Cash and deposits with licensed banks		209,569	320,160
- Bank overdrafts		(856)	(699)
- Bank balances and deposits pledged		(66,509)	(2,659)
		<u>142,204</u>	<u>316,802</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 2017 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 2017.

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 2017 except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

The adoption of the above is not expected to have any material impact on the financial statements of the Group except as mentioned below:

i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers on the basis of the core principle by applying the 5 steps revenue recognition model. The Group applies MFRS 15 according to cumulative effect transition approach in the initial application of MFRS 15.

ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Upon adoption of MFRS 9, the Group classifies and measures financial assets and liabilities based on the principle-based approach, classification of financial assets are based on the entity's business model for managing the financial assets and the cash flow characteristics of the financial assets and impairment of financial assets based on expected credit loss on its financial assets and commitments to extend its credit. The Group applies MFRS 9 retrospectively for its initial application.

A1. Basis of Preparation (Cont'd)

The impact of the adoption is summarised as follows:

	Audited as at 31.12.2017	Adjustment on the adoption of		Adjusted opening balance at 01.01.2018
		MFRS 15 Increase/ (Decrease)	MFRS 9 Increase/ (Decrease)	
	RM'000	RM'000	RM'000	RM'000
Investment in associates	1,427,056	6,469	-	1,433,525
Trade and other payables (current liabilities)	227,174	295	-	227,469
Trade and other receivables (current assets)	259,652	-	(270)	259,382
Retained earnings	976,043	6,174	(270)	981,947

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 2017 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 2018.

A5. Changes in Estimates

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

A6. Changes in Debt And Equity Securities

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

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

MULPHA INTERNATIONAL BHD (19764-T)
FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

A8. Segment Information

Segment analysis for the year ended 31 March 2018 and 2017 are set out below:

	Revenue		Profit Before Tax	
	3 months ended	3 months ended	3 months ended	3 months ended
	<u>31.03.2018</u>	<u>31.03.2017</u>	<u>31.03.2018</u>	<u>31.03.2017</u>
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Business Segment				
Property	73,550	144,552	30,491	43,931
Hospitality	92,706	150,965	7,610	(18,465)
Investment and others	15,567	13,756	(7,125)	(11,570)
	<u>181,823</u>	<u>309,273</u>	<u>30,976</u>	<u>13,896</u>
Finance costs	-	-	(21,974)	(25,201)
Share of results of associates/ joint ventures	-	-	27,555	18,708
	<u>181,823</u>	<u>309,273</u>	<u>36,557</u>	<u>7,403</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.

	Total Assets		Total Liabilities	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Business Segment				
Property	1,497,243	1,556,375	887,639	1,053,437
Hospitality	793,603	815,707	340,301	374,239
Investment and others	4,200,603	4,695,545	2,496,482	2,768,021
	<u>6,491,449</u>	<u>7,067,627</u>	<u>3,724,422</u>	<u>4,195,697</u>
Adjustment and eliminations	(996,283)	(1,198,865)	(1,416,873)	(1,647,771)
	<u>5,495,166</u>	<u>5,868,762</u>	<u>2,307,549</u>	<u>2,547,926</u>

The change of comparative figures is arising from adoption of MFRS 9 and MFRS 15 as mentioned in Section A1.

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

	Revenue		Non-current assets [^]	
	31.03.2018	31.03.2017	31.03.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Australia	163,121	302,372	2,016,527	2,161,155
Malaysia	18,702	6,901	398,941	404,059
	<u>181,823</u>	<u>309,273</u>	<u>2,415,468</u>	<u>2,565,214</u>

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

A9. Related Party Disclosures

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

	3 Months Ended	
	<u>31.03.2018</u>	<u>31.03.2017</u>
	RM'000	RM'000
A. Associates		
Asset management service income	385	892
Director fees received	133	72
Project services fee and commission received	13,604	-
Rental income	1,205	1,338
Rental expense	239	-
Share service expense	133	522
	<u> </u>	<u> </u>
B. Joint Ventures		
Dividend income	124	-
	<u> </u>	<u> </u>
C. Other related parties		
Companies related to directors		
- Rendering of services	1,288	2,480
- Rental expense	61	58
- Share service income	268	158
Companies related to a person connected to a director		
- Rendering of services	731	-
- Rental income	124	228
	<u> </u>	<u> </u>

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

A10. Valuation Of Property, Plant And Equipment

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

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 31 March 2018 are as below:

	RM'000
(a) Approved and contracted for	29,921
(b) Approved but not contracted for	233,928
	<u> </u>

~ The capital commitment are mainly for Hayman Island Resort major refurbishment to be funded by insurance proceeds.

A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 31 March 2018 to be disclosed.

A13. Changes in The Composition Of the Group

Incorporation and cessation of an indirect subsidiary

Mulpha Finance Holdings Pty Ltd ("MFH"), a wholly-owned subsidiary of the Mulpha Australia Limited ("MAL"), which in turn is an indirect wholly-owned subsidiary of the Company had on 10 January 2018, incorporated a limited company, Multiple Finance SPV 1 Pty Ltd ("MFSPV"). MFSPV is a company incorporated in Australia with a paid-up share capital of A\$2.00.

On 22 January 2018, MFSPV has renamed and known as Hay Street Capital Pty Ltd ("HSC"). MFH has on 22 January 2018, disposed of its 81% equity interest in HSC, comprising 162 ordinary shares to the following parties for a total cash consideration of A\$1.62 (equivalent to approximately RM5.10). As a result of the disposal, MFH's shareholding in HSC reduced from 100% to 19% and HSC ceased to be a wholly-owned subsidiary of MFH. The financial impact on the disposal is immaterial to the Group.

A14. Changes in Contingent Liabilities or Contingent Assets

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

PART B

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

B1. Review of performance

(i) Profit or Loss Analysis

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

	CUMULATIVE PERIOD		CHANGES	
	3 MONTHS ENDED 31.03.2018	3 MONTHS ENDED 31.03.2017		
	RM'000	RM'000	RM'000	%
Revenue	181,823	309,273	(127,450)	(41%)
Profit from operations	30,976	13,896	17,080	>100%
Profit before interest and tax	58,531	32,604	25,927	80%
Profit before tax	36,557	7,403	29,154	>100%
Profit/(Loss) after tax	32,224	(1,150)	33,374	>100%
Profit/(Loss) attributable to: Owners of the Company	32,430	(1,150)	33,580	>100%

The Group reported revenue of RM181.82 million and pre-tax profit of RM36.56 million for the quarter ended 31 March 2018 as compared to revenue of RM309.27 million and pre-tax profit of RM7.40 million in the previous year's corresponding quarter. The Group's pre-tax profit recorded a significant improvement by RM29.16 million was mainly attributable to higher contributions from the hospitality and investment divisions by RM26.08 million and RM4.45 million respectively as well as higher share of associate company profits by RM8.67 million.

The property division recorded revenue of RM73.55 million and pre-tax profit of RM30.49 million for the quarter ended 31 March 2018 as compared to revenue of RM144.55 million and pre-tax profit of RM43.93 million in the previous year's corresponding quarter. The weaker performance was mainly attributed to lower settlements in the Mulpha Norwest developments in Australia.

The hospitality division registered revenue of RM92.71 million and pre-tax profit of RM7.61 million for the quarter ended 31 March 2018 as compared to revenue of RM150.97 million and pre-tax loss of RM18.47 million in the previous year's corresponding quarter. Despite the decline in revenue which was mainly attributed to the temporary closure of Hayman Island Resort, the higher pre-tax profit was mainly due to Hayman Island Resort recorded an impairment loss amounting to RM33.3 million in the previous year's corresponding quarter.

The investment and other activities division recorded a pre-tax loss of RM7.13 million for the quarter ended 31 March 2018 as compared to a pre-tax loss of RM11.57 million in the previous year's corresponding quarter. The improved performance was mainly attributed to project services fee and commission received in relation to disposal of retail and commercial buildings held by an associated company in the current quarter.

B1. Review of performance (Cont'd)

(ii) Financial Position Analysis

	AS AT	RESTATED
	31.03.2018	31.12.2017
Total Assets	RM'000	RM'000
Property, plant and equipment	920,355	955,760
Inventories	1,347,940	1,380,273
Investment in associates	1,378,426	1,433,525
Investment properties	883,021	941,078
Investment securities	301,460	331,834
Cash and cash equivalents	209,569	488,350
Trade and other receivables	371,845	269,571
Others	82,550	68,371
Total	5,495,166	5,868,762

The Group's assets decreased by 6% to RM5.50 billion as at 31 March 2018 mainly attributable to decrease in investment properties, associated company investments, property, plant and equipment, inventories, and investment securities, partially offset by the increase in trade and other receivables.

Generally, the decrease were mainly attributable to unfavourable foreign exchange on the assets and investments denominated in Australian dollar and US dollar. In addition, decrease in investment securities was mainly attributable to fair value loss through reserves of RM18.52 million.

The increase in trade and other receivables was mainly due to increased commercial lending business activities during the period.

	AS AT	RESTATED
	31.03.2018	31.12.2017
Total Liabilities	RM'000	RM'000
Loans and Borrowings	1,971,375	2,141,513
Others	336,174	406,413
Total	2,307,549	2,547,926

The Group's total liabilities decreased by 9% to RM2.31 billion as at 31 March 2018 which was mainly attributable to repayment of borrowings and favourable foreign exchange movement for loans and borrowings denominated in Australian dollar during the period.

B1. Review of performance (Cont'd)

(ii) Financial Position Analysis (Cont'd)

	AS AT	RESTATED
	31.03.2018	AS AT 31.12.2017
Total Equity	RM'000	RM'000
Share capital	2,037,459	2,037,459
Treasury shares	(318)	(318)
Reserves	136,409	301,868
Retained earnings	1,014,377	981,947
Total	3,187,927	3,320,956

The Group's total equity decreased by 4% to RM3.19 billion as at 31 March 2018 mainly due to decrease in foreign exchange reserves. This was partially offset by profit recognised for the period amounting to RM32.70 million.

B2. Comparisons With Preceding Quarter's Results

	CURRENT	PRECEDING	CHANGES	
	QUARTER ENDED 31.03.2018	QUARTER ENDED 31.12.2017	RM'000	%
	RM'000	RM'000		
Revenue	181,823	387,282	(205,459)	(53%)
Profit from operations	30,976	205,064	(174,088)	(85%)
Profit before interest and tax	58,531	314,435	(255,904)	(81%)
Profit before tax	36,557	290,228	(253,671)	(87%)
Profit after tax	32,224	228,418	(196,194)	(86%)
Profit attributable to:				
Owners of the Company	32,430	228,566	(196,136)	(86%)

The Group recorded revenue of RM181.82 million and pre-tax profit of RM36.56 million for the 1st quarter 2018 compared with revenue of RM387.28 million and pre-tax profit of RM290.23 million for 4th quarter of 2017. The weaker performance was mainly due to lower pre-tax profit from property and hospitality divisions by RM172.09 million and RM19.61 million respectively as well as lower share of associate company profits by RM63.06 million. The above was offset by the better performance in investment and other divisions by RM17.47 million.

The property division recorded revenue of RM73.55 million and pre-tax profit of RM30.49 million for the 1st quarter 2018 compared with revenue of RM261.44 million and pre-tax profit of RM202.58 million for the 4th quarter of 2017. The weaker performance was mainly due to the fair value gain on investment properties amounting to RM153.30 million recognised in the previous quarter.

The hospitality division recorded revenue of RM92.71 million and pre-tax profit of RM7.61 million for the 1st quarter 2018 compared with revenue of RM111.38 million and pre-tax profit of RM27.08 million for the 4th quarter of 2017. The weaker performance was mainly due to seasonal factors and the recognition of insurance recoveries net off impairment of assets, asset written off and provision for repair relating to Hayman Island Resort in previous quarter.

The investment and others division recorded a pre-tax loss of RM7.13 million for the 1st quarter 2018 compared with pre-tax loss of RM24.60 million for the 4th quarter of 2017. The better performance was mainly attributed to project service fee and commission received as mentioned above.

B3. Prospects

The Group anticipates that trading in its hospitality division will remain positive in the short term with continued 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 residential 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 resulted in lower sales rates in the Sydney market in the first quarter of 2018.

Real estate demand at Leisure Farm in Iskandar Malaysia remains weak after a significant slowing in interest from Chinese buyers and increased local competition. As these influences are expected to remain for some time, initiatives have been taken to reduce our operating cost base at the property.

Commercial 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 historically high sales prices being achieved 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 Before Tax

	3 Months Ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):		
Bad debt recovered	-	(5)
Depreciation and amortisation	9,418	16,483
Dividend income	(8)	(6)
Fair value adjustment of investment properties	266	587
Fair value gain/(loss) on financial assets at fair value through profit or loss	455	(47)
Foreign exchange loss		
- Realised	7,529	625
- Unrealised	97	32
Gain on disposal of investment properties	-	(2,339)
Interest income	(5,536)	(5,875)
Interest expense	21,974	25,201
Impairment loss on trade and other receivables	262	678
Impairment loss on property, plant and equipment	-	33,300
Inventories written down	47	-
Loss on disposal of property, plant and equipment	(104)	-
Loss on derivatives	-	1,372
Property, plant and equipment written off	38	-
Reversal impairment loss on investment securities	-	(130)
Rental income	(4,078)	(3,899)

B6. Income tax expense

	3 Months Ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Current tax (benefit)/expense		
Malaysian - current period	34	85
Overseas - current period	(3,977)	-
	<u>(3,943)</u>	<u>85</u>
Deferred tax expense		
Origination and reversal of temporary differences	8,288	8,545
Overprovision in prior year	(12)	(77)
	<u>8,276</u>	<u>8,468</u>
Income tax expense	<u>4,333</u>	<u>8,553</u>

The effective tax rate of the Group for the financial year ended 31 March 2018 under review is lower than the statutory rate of 24% was mainly due to certain income which not subject to tax. This is alleviated by certain expenses which are not deductible and deferred tax assets not recognised.

B7. Status of Corporate Proposals

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

On 14 June 2016, the Company had 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 had raised gross proceeds of RM266.71 million, which have been fully utilised as at 31 March 2018 in the following manner:-

Purpose	Proposed	Actual	Intended	Deviation		Explanations
	Utilisation	Utilisation	Timeframe for Utilisation	Amount	%	
	RM'000	RM'000		RM'000		
(i) Repayment of borrowings	200,000	200,000	July 2016	N/A	-	Note 1
(ii) Working capital	65,626	65,626	June 2018	N/A	-	Note 2
(iii) Estimated expenses in relation to the Corporate Exercise	1,080	1,803	June 2016	723	66.9%	Note 3

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 The gross proceeds for working capital has been fully utilised on 14 February 2018.
- 3 Disbursement expenses in excess of estimated cost were borne by the Company's internally generated funds.

MULPHA INTERNATIONAL BHD (19764-T)
FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B8. Group Loans and Borrowings

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

	As at 1st Quarter Ended 2018											
	Long term				Short term				Total borrowings			
	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000
Secured												
Overdraft	RM			-	RM			856	RM			856
Revolving Credit	RM			-	RM			70,370	RM			70,370
Term Loan	RM			24,742	RM			925	RM			25,667
Term Loan	HKD	357,686	0.49	176,196	HKD	-	0.49	-	HKD	357,686	0.49	176,196
Term Loan	USD	19,438	3.87	75,225	USD	1,845	3.87	7,140	USD	21,283	3.87	82,365
Term Loan	AUD	176,500	2.97	524,206	AUD	225,850	2.97	670,775	AUD	402,350	2.97	1,194,981
Finance Lease	AUD	2,770	2.97	8,227	AUD	2	2.97	5	AUD	2,772	2.97	8,232
Bills Payable	AUD	16,385	2.97	48,664	AUD	667	2.97	1,980	AUD	17,052	2.97	50,644
Bonds	AUD	29,267	2.97	86,923	AUD	1,428	2.97	4,241	AUD	30,695	2.97	91,164
Bonds	USD	70,000	3.87	270,900	USD	-	3.87	-	USD	70,000	3.87	270,900
				1,215,083				756,292				1,971,375

MULPHA INTERNATIONAL BHD (19764-T)
FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B8. Group Loans and Borrowings (Cont'd)

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

	As at 1st Quarter Ended 2017											
	Long term				Short term				Total borrowings			
	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000	Currency	Foreign denomination '000	Exch Rate	RM'000
Secured												
Overdraft	RM			-	RM			698	RM			698
Revolving Credit	RM			-	RM			89,180	RM			89,180
Term Loan	HKD	372,686	0.57	212,170	HKD	-	0.57	-	HKD	372,686	0.57	212,170
Term Loan	USD	21,264	4.42	93,987	USD	2,983	4.42	13,185	USD	24,247	4.42	107,172
Term Loan	AUD	94,000	3.38	317,719	AUD	330,350	3.38	1,116,584	AUD	424,350	3.38	1,434,303
Finance Lease	AUD	2,772	3.38	9,369	AUD	20	3.38	68	AUD	2,792	3.38	9,437
Bills Payable	AUD	17,052	3.38	57,634	AUD	667	3.38	2,253	AUD	17,719	3.38	59,887
Bonds	AUD	31,379	3.38	106,061	AUD	1,320	3.38	4,460	AUD	32,699	3.38	110,521
Bonds	USD	90,000	4.42	397,800	USD	-	4.42	-	USD	90,000	4.42	397,800
				1,194,740				1,226,428				2,421,168
Unsecured												
Other Borrowings	AUD	-	3.38	-	AUD	1,407	3.38	4,754	AUD	1,407	3.38	4,754
				-				4,754				4,754
				1,194,740				1,231,182				2,425,922

B9. Material Litigation

In September 2012, the Company disposed of the entire equity interest in its wholly-owned subsidiary, Bestari Sepang Sdn Bhd (“Bestari”) for a cash consideration of RM1.0 million to Mula Holdings Sdn Bhd (“Mula”). As part of this transaction, the Company also entered into a Settlement Agreement with Mula whereby Mula shall pay a settlement sum (“Settlement Sum”) of RM104.0 million on or before 15 December 2012, as full and final settlement of the advances that the Company had previously made to Bestari and its subsidiaries, Spanstead Sdn Bhd (“Spanstead”) and Seri Ehsan (Sepang) Sdn Bhd (“Seri Ehsan”), failing which, additional payments will apply until the final settlement date of 15 December 2013 (“final settlement date”).

Mula failed to pay the Settlement Sum on the final settlement date. Accordingly, the Settlement Agreement automatically terminated and the Company’s right to receive payment of the full amount of RM301,506,429 as at 30 June 2012 (“Full Outstanding Amount”) that the Company had previously advanced to Bestari, Spanstead and Seri Ehsan (collectively “Bestari Group”) was reinstated, the Full Outstanding Amount is secured by land titles belonging to Seri Ehsan (“the Land”) and an irrevocable Power of Attorney to deal with the Land.

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

Mula and Bestari Group then filed their Defence and Counterclaim on 9 February 2015. Thereafter, the Company filed its Reply and Defence to Counterclaim on 18 February 2015. The Trial commenced on 15 February 2016 until 17 February 2016 with the Company’s witnesses giving evidence in Court. The Trial was then adjourned a few times and is currently fixed for continuation of the Trial on 4 June 2018, 26 June 2018, 27 June 2018, 29 June 2018, 30 July 2018 and 31 July 2018.

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. Earnings/(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	
	31.03.2018	31.03.2017
	RM'000	RM'000
Profit/(Loss) for the period, amount attributable to equity holders of the parent	32,430	(1,150)
	<u>32,430</u>	<u>(1,150)</u>
	3 Months Ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Weighted average number of ordinary shares in issue	319,474	3,196,192
Effect of share consolidation	-	(2,876,573)
Weighted average number of ordinary shares at 31 March	<u>319,474</u>	<u>319,619</u>
	3 Months Ended	
	31.03.2018	31.03.2017
	sen	sen
Basic earnings/(loss) per share	10.15	(0.36)
	<u>10.15</u>	<u>(0.36)</u>

Restated due to consolidation of every 10 existing ordinary shares into 1 ordinary share completed on 30 June 2017.