MULPHA INTERNATIONAL BHD(19764-T)

PART A1 : QUARTERLY REPORT
Quarterly report on consolidated results for the second financial quarter ended 30 June 2014
The figures have not been audited

I(A) CONDENSED CONSOLIDATED PROFIT OR LOSS

	Note	CURRENT QUARTER ENDED 30.06.2014 RM'000	COMPARATIVE QUARTER ENDED 30.06.2013 RM'000 (restated)	6 MONTHS CUMULATIVE TO 30.06.2014 RM'000	6 MONTHS CUMULATIVE TO 30.06.2013 RM'000 (restated)
Continuing operations					
Revenue		**179,000**	202,992	**304,733**	332,465
Operating expenses		**(193,429)**	(198,870)	**(338,588)**	(360,355)
Other operating income		**13,590**	40,369	**22,768**	59,032
(Loss)/Profit from operations		**(839)**	44,491	**(11,087)**	31,142
Finance costs		**(22,228)**	(16,190)	**(41,861)**	(33,292)
Share of profit of associates		**16,440**	(110,948)	**25,538**	(94,696)
Share of profit of jointly-controlled entities		**2,428**	218	**5,244**	3,552
Loss before tax	*B5*	**(4,199)**	(82,429)	**(22,166)**	(93,294)
Income tax benefit/(expense)	*B6*	**48**	(1,812)	**(3,588)**	9,209
Loss for the period from continuing operations		**(4,151)**	(84,241)	**(25,754)**	(84,085)
Discontinued operation					
Profit for the year from discontinued operation	*A13(a)*	**28,601**	713	**29,025**	1,190
Profit/(Loss) for the year		**24,450**	(83,528)	**3,271**	(82,895)
Attributable to:					
Owners of the Company		**25,275**	(83,924)	**4,919**	(82,899)
Non-controlling interests		**(825)**	396	**(1,648)**	4
Profit/(Loss) for the period		**24,450**	(83,528)	**3,271**	(82,895)
Earnings/(Loss) per share (sen):-	*B11*				
- Basic/Diluted		**1.18**	(3.85)	**0.23**	(3.80)

(The Condensed Consolidated Profit or Loss should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD(19764-T)

PART A1 : QUARTERLY REPORT

I(B) CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 30.06.2014 RM'000	COMPARATIVE QUARTER ENDED 30.06.2013 RM'000	6 MONTHS CUMULATIVE TO 30.06.2014 RM'000	6 MONTHS CUMULATIVE TO 30.06.2013 RM'000
Profit/(Loss) for the period	**24,450**	(83,528)	**3,271**	(82,895)
Foreign currency translation differences for foreign operations	**13,271**	(176,485)	**86,362**	(157,111)
Fair value movement of available-for-sale financial assets	**(11,611)**	(1,329)	**10,096**	(4,462)
Share of other comprehensive income of associates	**(1,003)**	(1,547)	**(1,646)**	(1,721)
Disposal of shares in subsidiaries	**(10,552)**	-	**(10,552)**	-
Other comprehensive income for the period, net of tax	**(9,895)**	(179,361)	**84,260**	(163,294)
Total comprehensive income for the period	**14,555**	(262,889)	**87,531**	(246,189)
Attributable to :				
Owners of the Company	**15,387**	(263,321)	**89,202**	(246,235)
Non-controlling interests	**(832)**	432	**(1,671)**	46
Total comprehensive income for the period	**14,555**	(262,889)	**87,531**	(246,189)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2014	AS AT 31.12.2013
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	*A10*	**1,104,885**	993,556
Investment properties		**18,324**	18,449
Prepaid land lease payments		-	733
Investment in associates		**1,254,667**	1,072,071
Investment in jointly-controlled entities		**9,399**	157,557
Investment securities		**84,861**	74,951
Other investment		**5,080**	5,061
Goodwill		**9,125**	9,119
Inventories		**406,095**	428,084
Other non-current assets		**5,539**	5,500
Deferred tax assets		**65,001**	23,915
		2,962,976	2,788,996
Current assets			
Inventories		**977,018**	514,495
Trade and other receivables		**246,112**	236,143
Other current assets		**36,844**	34,479
Investment securities		**4,347**	5,304
Income tax recoverable		**11,885**	247
Cash and bank balances		**595,320**	659,553
		1,871,526	1,450,221
Asset classified as held for sale		**18,865**	18,865
		1,890,391	1,469,086
TOTAL ASSETS		**4,853,367**	4,258,082

PART A1 : QUARTERLY REPORT

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2014 RM'000	AS AT 31.12.2013 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**1,177,957**	1,177,957
Share premium		**579,863**	579,863
Treasury shares	*A6*	**(92,092)**	(92,049)
Reserves		**395,358**	311,075
Retained earnings		**313,484**	308,565
		2,374,570	2,285,411
Non-controlling interests		**48,672**	52,130
Total equity		**2,423,242**	2,337,541
Non-current liabilities			
Trade and other payables		**14,288**	11,267
Provision for liabilities		**17,395**	3,015
Loans and borrowings	*B8*	**564,861**	817,853
		596,544	832,135
Current liabilities			
Trade and other payables		**282,053**	155,388
Other current liabilities		**112,555**	98,215
Provision for liabilities		**19,803**	17,851
Loans and borrowings	*B8*	**1,411,445**	805,178
Derivative liabilities		**1,467**	1,027
Income tax payable		**6,258**	10,747
		1,833,581	1,088,406
Total liabilities		**2,430,125**	1,920,541
TOTAL EQUITY AND LIABILITIES		**4,853,367**	4,258,082
Net assets per share (RM)		**1.11**	1.05

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

PART A1 : QUARTERLY REPORT

III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	<------ Attributable to Owners of the Parent							------>		
	<------ *Non-distributable*					------>	*<Distributable>*			
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Other Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2014	1,177,957	579,863	179,982	115,386	15,707	(92,049)	308,565	2,285,411	52,130	2,337,541
Total comprehensive income for the period	-	-	76,915	-	7,368	-	4,919	89,202	(1,671)	87,531
Purchase of treasury shares	-	-	-	-	-	(43)	-	(43)	-	(43)
Disposal of shares in subsidiaries	-	-	-	-	-	-		-	(1,787)	(1,787)
At 30 June 2014	**1,177,957**	**579,863**	**256,897**	**115,386**	**23,075**	**(92,092)**	**313,484**	**2,374,570**	**48,672**	**2,423,242**
At 1 January 2013	1,177,957	579,863	347,815	110,033	(2,993)	(66,255)	340,866	2,487,286	34,926	2,522,212
								-		-
Total comprehensive income for the period	-	-	(158,688)	-	(4,648)	-	(82,899)	(246,235)	46	(246,189)
Purchase of treasury shares	-	-	-	-	-	(14,725)	-	(14,725)	-	(14,725)
At 30 June 2013	**1,177,957**	**579,863**	**189,127**	**110,033**	**(7,641)**	**(80,980)**	**257,967**	**2,226,326**	**34,972**	**2,261,298**

(The Condensed Consolidated Statement of Changes In Total Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MULPHA INTERNATIONAL BHD (19764-T)

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<-----6 MONTHS ENDED---->	
	30.06.2014	**30.06.2013**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
- Continuing operations	(22,166)	(93,294)
- Discontinued operation	29,087	1,576
	6,921	(91,718)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment (including discontinued operation)	25,562	31,263
Amortisation of prepaid lease payments	-	49
Share of profit of associates	(25,538)	94,696
Share of profit of jointly-controlled entities	(5,385)	(3,552)
Provision for staff benefits	4,892	7,985
Interest expense (including discontinued operation)	41,898	33,292
Interest income (including discontinued operation)	(2,849)	(4,133)
Dividend income	(1,233)	(1,396)
(Reversal)/Impairment on allowance of doubtful debts	(256)	1,797
Gain on disposal of investment securities	(64)	-
Gain on disposal of investment properties and other investments	(93)	(477)
Gain on disposal of discontinued operation	(28,431)	-
Loss on disposal of property, plant and equipment	202	1,848
Writeback of inventories	-	(304)
Bad debts writen off	-	41
Financial assets at fair value through profit or loss	131	(149)
Provision for liabilities	15,150	-
Other non-cash items	8	(914)
Operating profit before changes in working capital	30,915	68,328
Changes in working capital		
Inventories	(46,339)	(11,301)
Receivables	1,333	(42,315)
Other current assets	440	5,869
Other non-current assets	149	(2,185)
Financial assets at fair value through profit or loss	957	848
Payables	12,333	78,336
Net change in working capital	(31,127)	29,252
Cash (used in)/generated from operations	(212)	97,580
Interest paid	(41,898)	(33,292)
Interest received	2,849	4,133
Income tax paid	(19,656)	(3,981)
Staff benefits paid	(5,489)	(8,679)
Net cash (used in)/generated from operating activities	(64,406)	55,761

PART A1 : QUARTERLY REPORT

IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<-----6 MONTHS ENDED---->	
		30.06.2014	**30.06.2013**
		RM'000	**RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES			
Refurbishment of investment properties		(182)	(1,284)
Purchase of property, plant and equipment		(116,527)	(10,640)
Proceeds from disposal of property, plant and equipment		174	(2,050)
Proceeds from disposal of investment properties and other investments		2,506	920
Acquisition of subsidiary, net of cash and cash equivalents acquired		5,537	-
Proceeds from disposal of discontinued operation, net of cash and cash equivalents disposed of		29,795	-
Additional investment in a jointly-controlled entity		(3,669)	-
Additional investment in an associate		(115,883)	-
Dividend received from associates and jointly-controlled entity		7,217	8,887
Dividend received from other investments		1,233	1,396
Net cash used in investing activities		(189,799)	(2,771)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(518)	(1,706)
Purchase of treasury shares by the Company		(43)	(14,725)
Uplift of pledged deposits		78,419	7,857
Net drawdown/(repayment) of borrowings		184,913	(50,613)
Net cash generated from/(used in) financing activities		262,771	(59,187)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,566	(6,197)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		134,941	159,741
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,164	(12,222)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	**Note A**	145,671	141,322

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

- Cash and deposits with licensed banks	595,320	443,951
- Bank overdrafts	(5,014)	(3,521)
- Deposits pledged	(444,635)	(299,108)
	145,671	141,322

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

PART A

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

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2013 except for the adoption of the following:

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

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

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

A2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

A3. Seasonal or Cyclicality of Operations

Except for the hotel division whose performance is influenced by the festive and holiday periods, the other

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 30 June 2014.

A5. Changes in Estimates

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

A6. Changes in Debt And Equity Securities

During the financial period ended 30 June 2014, the Company has bought back 100,000 ordinary shares of RM0.50 each at average cost of RM0.43 per share. As at 30 June 2014, 222,149,800 ordinary shares of RM0.50 each were retained as treasury shares.

A7. Dividend Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

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

	6 months ended 30.06.2014			6 months ended 30.06.2013		
Revenue	**Continuing Operations RM'000**	**Discontinued Operations RM'000**	**Total RM'000**	**Continuing Operations RM'000**	**Discontinued Operations RM'000**	**Total RM'000**
Business Segment						
Property	147,102	-	147,102	136,035	-	136,035
Hospitality	156,687	2,697	159,384	196,430	3,765	200,195
Investment and others	944	-	944	-	-	-
	304,733	2,697	307,430	332,465	3,765	336,230
Profit/(Loss) Before Tax						
Property	54,120	-	54,120	28,199	-	28,199
Hospitality	(33,665)	656	(33,009)	(17,339)	1,576	(15,763)
Investment and others	(31,542)	28,431	(3,111)	20,282	-	20,282
	(11,087)	29,087	18,000	31,142	1,576	32,718
Finance costs	(41,861)	-	(41,861)	(33,292)	-	(33,292)
Share of results of associates/						-
jointly-controlled entities	30,782	-	30,782	(91,144)	-	(91,144)
						-
	(22,166)	29,087	6,921	(93,294)	1,576	(91,718)

A9. Related Party Disclosures

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

	2nd Quarter Ended		6 Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
A. Associates				
Rental income	348	360	757	897
Dividend income	3,608	-	7,217	3,007
Director fees received	66	-	130	-
Share service income	604	582	1,250	1,782
Sale proceeds from disposal of land	44,700	-	44,700	-
Agency fee	596	-	596	-
Rental expense	180	180	360	270
B. Other related parties				
Non-controlling interests of a subsidiary				
- Interest expense	25	25	50	50
A company related to a person connected to a director				
- Interest expense	97	97	193	193

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

A10. Valuation Of Property, Plant And Equipment

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

A11. Capital Commitments

Capital commitments for the purchase of property, plant and equipment as at 30 June 2014 are as below:

	RM'000
(a) Approved and contracted for	68,261
(b) Approved but not contracted for	29,062

A12. Material Events Subsequent To The Reporting Date

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

A13. Changes in The Composition Of the Group

(a) Disposal of AF Investments Limited Group

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

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

(i) Results of discontinued operations

	Period to disposal date RM'000	**6 Months Ended 30.06.2013 RM'000**
Revenue	2,697	3,765
Operating expenses	(2,025)	(2,348)
Other operating income	21	159
Profit from operations	693	1,576
Finance costs	(37)	-
Gain on sale of discontinued operations	28,431	-
Profit before tax from discontinued operations	29,087	1,576
Income tax expense	(62)	(386)
Profit for the period from discontinued operations	29,025	1,190

	Period to disposal date RM'000	**6 Months Ended 30.06.2013 RM'000**
(ii) The following items have been included in arriving at profit before tax from discontinued operation:-		
Interest income	(3)	(34)
Interest expense	37	-
Depreciation and amortisation	506	582
Foreign exchange loss/(gain)	4	(5)

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

(b) Acquisition of Mulpha FKP ("MFKP")

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

(c) Deregistration/ceasation of subsidiaries

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

A14. Changes in Contingent Liabilities or Contingent Assets

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

	Decrease RM'000
Guarantees given to third parties	9,918

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

PART B

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

B1. Review of performance

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

The Group registered a pre-tax profit (including discontinued operations) of RM24.34 million for the 2nd quarter of 2014, a significant improvement of RM105.97 million from a pre-tax loss of RM81.63 million posted in the previous year's corresponding quarter. The stronger performance was mainly attributed to a higher contribution from an associated company, the AVEO Group, which the Group's share of AVEO's results improved by RM136.18 million due to a turnaround in its performance since 2013 as noted above, as well as a gain on disposal of the Group's Vietnam subsidiaries, the AF Investments Limited group of companies, which amounted to RM28.43 million.

The property division recorded revenue of RM105.24 million and a pre-tax profit of RM39.82 million for the 2nd quarter of 2014 as compared to revenue of RM103.73 million and a pre-tax profit of RM35.00 million during the previous year's corresponding quarter. The improvement in the current quarter was mainly attributed to higher profit margins from a better portfolio mix generated from its Sanctuary Cove project in Australia.

The hospitality division (excluding discontinued operation) recorded revenue of RM81.94 million and a pre-tax loss of RM26.94 million for the 2nd quarter of 2014 as compared to revenue of RM78.51 million and a pre-tax loss of RM10.99 million for the previous year's corresponding quarter. The drop in revenue from the hospitality division was attributed mainly to the closure of Hayman Island Resort as mentioned above.

The investments and other activities recorded a pre-tax profit (including discontinued operation) of RM14.72 million for the 2nd quarter of 2014 as compared to a pre-tax profit of RM20.48 million in the previous year's corresponding quarter. The drop in pre-tax profit was mainly due to an unfavourable movement in the foreign exchange rate and it was mitigated by the gain on disposal of subsidiaries as mentioned above.

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

The Group's revenues decreased by RM27.73 million or 8.34% to RM304.73 million for the 6-month period ended 30 June 2014 compared to the corresponding period last year. Despite the lower revenues, however, the Group posted a pre-tax profit of RM6.92 million, which represented a substantial improvement by RM98.64 million from a pre-tax loss of RM91.72 million in the 2013 financial period. The better overall performance was mainly attributed to:

(a) a higher contribution from an associated company, whereby the Group's share of profit from the AVEO Group in Australia amounted to RM18.68 million, an improvement of RM132.53 million compared to 2013 when the Group recorded a share of loss from the AVEO Group amounting to RM113.85 million. AVEO's poorer performance in 2013 was mainly due to non-operating items particularly an impairment of its development assets;

(b) the Group's property segment in 2014 also contributed to the higher pre-tax profit by strengthening its performance in the current period by RM25.92 million compared to last year;

partially offset by:

B1. Review of performance (Cont'd)

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

(c) a weaker performance in the hospitality segment of RM17.25 million; and

(d) a weaker performance in the investment and others segment of RM23.39 million.

The property division recorded revenue of RM147.10 million and a pre-tax profit of RM54.12 million for the 6-month period ended 30 June 2014 as compared to revenue of RM136.04 million and pre-tax profit of RM28.20 million for the 2013 corresponding period. The better performance in the current period was mainly attributed to higher sales generated from its Leisure Farm project in Johor, Malaysia and higher profit margins from a better portfolio mix in its Sanctuary Cove project in Australia.

The hospitality division (excluding discontinued operations) registered revenue of RM156.69 million and a pre-tax loss of RM33.67 million for the 6-month period ended 30 June 2014 as compared to revenue of RM196.43 million and a pre-tax loss of RM17.34 million for the 2013 corresponding period. The weaker performance was mainly attributed to the temporary closure of Hayman Island Resort in January 2014 in order to undertake an extensive refurbishment and rebranding program. The resort has been reopened in July 2014 as the One&Only Hayman Island and is currently managed by a world renowned international resort operator, Kerzner International. The division's poorer results were alleviated by improved performance in Intercontinental Sydney and Intercontinental Sanctuary Cove Resort as a result of higher occupancy as well as average room rates in 2014.

The Group's investments and other activities recorded a pre-tax loss (including discontinued operations) of RM3.11 million in the current financial period as compared to a pre-tax profit of RM20.28 million in 2013. The weaker performance in the current period was mainly attributed to unfavourable movements in foreign exchange in relation to the Group's loans and deposits which are denominated in Australian Dollars and US Dollars respectively.

B2. Comparisons With Preceding Quarter's Results

The Group recorded revenue of RM179.00 million and a pre-tax profit (including discontinued operations) of RM24.34 million for the 2nd quarter of 2014 as compared to revenue of RM127.35 million and a pre-tax loss (including discontinued operations) of RM17.42 million for the 1st quarter of 2014. The strong result in the current quarter was mainly attributed to an improved performance in the property segment and a higher share of associates' profits.

The property division registered revenue of RM105.24 million and a pre-tax profit of RM39.82 million for the 2nd quarter of 2014 as compared to revenue of RM41.86 million and a pre-tax profit of RM14.30 million for the 1st quarter of 2014. The strong performance in the current quarter was mainly attributed to higher sales and a better profit margin generated from its Sanctuary Cove project.

The hospitality division (excluding discontinued operation) recorded revenue of RM73.07 million and a pre-tax loss of RM26.94 million for the 2nd quarter of 2014 as compared to revenue of RM83.62 million and a pre-tax loss of RM6.72 million for the 1st quarter of 2014. As mentioned above, the current quarter performance was mainly impacted by the closure of Hayman Island Resort for refurbishment as well as Intercontinental Sydney experienced a lower occupancy rate and average room rate in June 2014 due to low season.

The Group's investments and other activities segment reported a pre-tax profit of RM14.72 million for the 2nd quarter of 2014 as compared to a pre-tax loss of RM17.83 million for the 1st quarter of 2014. The better performance in the current quarter was mainly due to the gain on disposal of subsidiaries as mentioned above.

B3. Prospects

The Group has been constantly streamlining its portfolio of assets by disposing of the non-core assets and reinvesting in the existing core assets. During the current period, the Group increased its stake from 50.01% to 100% in Mulpha Norwest Pty Limited (formerly known as Mulpha FKP Pty Limited), an established property developer in the North West of Sydney. In addition, the Group has also subscribed for 33% equity stake in New Pegasus Holdings Limited, which owns a luxurious hotel namely London Marriott Hotel Grosvenor Square located in Mayfair, London. Apart from that, the Group has also disposed of a service apartment in Ho Chi Minh City, Vietnam with the lease period expiring in 2024 has resulting a gain of RM28.43million. We expect the assets rationalisation exercise will boost the Group's performance in 2014. We remain optimistic that the Group is well positioned for future growth opportunities based on its strong balance sheet in particular owning prime hotels and development assets strategically located across Malaysia, Australia and United Kingdom.

B4. Variance from Profit Forecast or Profit Guarantee

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

B5. Loss Before Tax

	2nd Quarter Ended		6 Months Ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
The following items have been included in arriving at loss before tax from continuing operations:-				
Interest income	(1,441)	(2,182)	(2,846)	(4,099)
Dividend income	(905)	(1,101)	(1,233)	(1,396)
Rental income	(7,288)	(6,110)	(12,025)	(14,590)
Gain on disposal of investment securities	-	-	(64)	-
Interest expense	22,201	16,191	41,861	33,292
Depreciation and amortisation	12,376	15,025	25,056	30,730
Impairment/(reversal) on allowance of doubtful debts	(256)	1,797	(256)	1,797
Write back of inventories	-	(304)	-	(304)
Gain on disposal of subsidiary	(28,431)	0	(28,431)	-
Bad debt writen off	-	41	-	41
Gain on disposal of investment properties and other investments	(93)	(396)	(201)	(477)
Loss on on disposal of property plant and equipment	202	1,848	202	1,848
Fair value adjustment for assets held at fair value through profit or loss	(169)	(573)	131	(149)
Foreign exchange loss/(gain)	7,719	(23,269)	18,307	(25,178)
Loss/(Gain) on derivatives	609	(3,977)	(381)	(6,777)

B6. Income tax expense/(benefit)

	2nd Quarter Ended		6 Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
- Malaysia	(4,789)	2,813	3,495	3,564
- Foreign	-	-	-	-
- Malaysia	4,960	(808)	312	(4,651)
- Foreign	-	(440)	-	(8,213)
	4,960	(1,248)	312	(12,864)
(Over)/Underprovision of taxation in prior years	(219)	247	(219)	91
Income tax (benefit)/expense from continuing operations	(48)	1,812	3,588	(9,209)
Income tax (benefit)/expenses attributable to discontinued operation	(64)	87	62	386
	(112)	1,899	3,650	(8,823)

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

B7. Status of Corporate Proposals

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

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

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

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

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

B7. Status of Corporate Proposals (Cont'd)

(b) On 25 February 2014, MLB has entered into a conditional sale and purchase agreement with the Government of The Islamic Republic of Iran (represented by its Embassy of The Islamic Republic of Iran, Kuala Lumpur) to disposa of a parcel of the freehold land together with a five-storey building comprising 12 condomimium units for a cash consideration of RM34,300,000 ("Raintree SPA"). The said property has a carrying value of RM18,865,000. The proposed disposal was completed on 5 August 2014.

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

(a) disposal of 2 parcels of land held under Lot 701 comprising part of Lot 6061, and Lots 1 and 2 comprising part of Lot 6065, both located at Norwest Business Park at Baulkham Hills in Western Sydney, New South Wales ("Gateway Land") by Norwest to Aveo Southern Gateway Pty Limited is expected to be completed by the third quarter of 2014; and

(b) disposal of a parcel of land held under Lots 2, 4, 5 and 8 on SP 186788, located at Sanctuary Cove, in the northern end of Queensland's Gold Coast ("SC Land") by SC to Aveo Sanctuary Cove Pty Limited was completed in this current quarter.

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

B8. Group Loans and Borrowings

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

	RM'000	RM'000
Short term - Secured	1,408,466	
- Unsecured	2,979	1,411,445
Long term - Secured		564,861
		1,976,306

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	418,318	1,267,504
Japanese Yen	JPY '000	3,535,275	112,068
US Dollar	USD '000	123,829	397,491

B9. Material Litigation

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

B10. Dividend

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

B11. Earnings/(Loss) Per Share

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

		6 Months Ended	
		30.06.2014	**30.06.2013**
		RM'000	**RM'000**
(a)	**Continuing operations**		
	Loss for the period	(25,754)	(84,085)
	Non-controlling interests	1,919	348
	Loss attributable to equity holders of the parent	(23,835)	(83,737)
	Weighted average number of ordinary shares in issue ('000)		
	Ordinary shares at 1 January (net of treasury shares)	2,133,863	2,197,128
	Effect of share buy back	(50)	(17,667)
	Weighted average number of ordinary shares at 30 June	2,133,813	2,179,461
	Basic loss per share (sen)	(1.12)	(3.84)
(b)	**Discontinued operation**		
	Profit for the period	29,025	1,190
	Non-controlling interests	(271)	(352)
	Profit attributable to equity holders of the parent	28,754	838
	Weighted average number of ordinary shares in issue ('000)		
	Ordinary shares at 1 January (net of treasury shares)	2,133,863	2,197,128
	Effect of share buy back	(50)	(17,667)
	Weighted average number of ordinary shares at 30 June	2,133,813	2,179,461
	Basic earnings per share (sen)	1.35	0.04
(c)	**Total basic earnings/(loss) per share (sen)**	0.23	(3.80)

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

PART C

Disclosure of Realised and Unrealised Profits or Losses

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

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

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings/(accumulated losses):		
(i) Company and subsidiaries		
- Realised	786,093	778,273
- Unrealised	64,557	27,455
(ii) Associates		
- Realised	208,223	208,906
- Unrealised	-	-
- Breakdown unavailable *	(574,586)	(595,762)
- Realised	-	31,336
- Unrealised	-	3,441
	484,287	453,649
Less: Consolidated Adjustments	(170,803)	(145,084)
Total group retained earnings as per consolidated accounts	313,484	308,565

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