

MULPHA INTERNATIONAL BHD

Registration No. 197401002704 (19764-T)

PART A1 : QUARTERLY REPORT

Quarterly report on consolidated results for the second financial quarter ended 30 June 2020

The figures have not been audited

I(A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		CURRENT QUARTER ENDED 30.06.2020 RM'000	COMPARATIVE QUARTER ENDED 30.06.2019 RM'000	6 MONTHS CUMULATIVE TO 30.06.2020 RM'000	6 MONTHS CUMULATIVE TO 30.06.2019 RM'000
Revenue		91,024	173,683	252,453	320,235
Operating expenses		(134,097)	(193,055)	(310,576)	(351,022)
Other operating income		24,076	11,651	44,923	113,716
(Loss)/Profit from operations		<u>(18,997)</u>	<u>(7,721)</u>	<u>(13,200)</u>	<u>82,929</u>
Finance costs		(17,349)	(25,013)	(35,365)	(49,025)
Share of loss of associates		(4,805)	(141,748)	(4,802)	(118,214)
Share of (loss)/profit of joint ventures		(5,088)	22	(11,107)	36
Loss before tax	B5	<u>(46,239)</u>	<u>(174,460)</u>	<u>(64,474)</u>	<u>(84,274)</u>
Tax benefit/(expense)	B6	9,439	8,183	17,307	(12,731)
Loss for the period		<u>(36,800)</u>	<u>(166,277)</u>	<u>(47,167)</u>	<u>(97,005)</u>
Attributable to:					
Owners of the Company		(37,064)	(166,344)	(47,713)	(97,104)
Non-controlling interests		264	67	546	99
Loss for the period		<u>(36,800)</u>	<u>(166,277)</u>	<u>(47,167)</u>	<u>(97,005)</u>
Loss per share (sen):-					
- Basic/Diluted	B11	<u>(11.61)</u>	<u>(52.07)</u>	<u>(14.94)</u>	<u>(30.40)</u>

(The Condensed Consolidated Profit or Loss should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

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I(B) CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 30.06.2020 <u>RM'000</u>	COMPARATIVE QUARTER ENDED 30.06.2019 <u>RM'000</u>	6 MONTHS CUMULATIVE TO 30.06.2020 <u>RM'000</u>	6 MONTHS CUMULATIVE TO 30.06.2019 <u>RM'000</u>
Loss for the period	(36,800)	(166,277)	(47,167)	(97,005)
Foreign currency translation differences for foreign operations	198,837	5,062	36,980	(17,102)
Net change in fair value of equity instruments designated at FVOCI	(33,071)	-	(45,994)	-
Share of other comprehensive income of associates	-	-	302	-
Other comprehensive profit/(expense) for the period, net of tax	<u>165,766</u>	<u>5,062</u>	<u>(8,712)</u>	<u>(17,102)</u>
Total comprehensive income/(expense) for the period	<u>128,966</u>	<u>(161,215)</u>	<u>(55,879)</u>	<u>(114,107)</u>
Attributable to:				
Owners of the Company	128,702	(161,282)	(55,907)	(114,206)
Non-controlling interests	<u>264</u>	<u>67</u>	<u>28</u>	<u>99</u>
Total comprehensive income/(expense) for the period	<u>128,966</u>	<u>(161,215)</u>	<u>(55,879)</u>	<u>(114,107)</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 2019 and the accompanying explanatory notes attached to the interim financial statements)

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	UNAUDITED AS AT 30.06.2020 RM'000	AUDITED AS AT 31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>A10</i>	1,039,525	1,022,286
Right-of-use assets		11,822	13,658
Investment properties		1,087,397	1,051,756
Investment in associates		120,994	126,985
Investment in joint ventures		48,180	59,199
Investment securities		501,307	534,296
Other investments		5,086	5,086
Goodwill		2,119	2,705
Inventories		635,380	496,403
Trade and other receivables		14,168	52,028
Other non-current assets		15,403	15,851
Deferred tax assets		12,935	12,935
		<u>3,494,316</u>	<u>3,393,188</u>
Current assets			
Inventories		851,849	878,885
Contract assets		-	492
Trade and other receivables		268,730	396,962
Other current assets		28,283	34,867
Investment securities		173,233	166,994
Income tax recoverable		22,581	2,380
Cash and cash equivalents		247,686	351,851
		<u>1,592,362</u>	<u>1,832,431</u>
Assets classified as held for sale		81,705	79,757
		<u>1,674,067</u>	<u>1,912,188</u>
TOTAL ASSETS		<u>5,168,383</u>	<u>5,305,376</u>

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	UNAUDITED AS AT 30.06.2020 RM'000	AUDITED AS AT 31.12.2019 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		(42,783)	(36,376)
Retained earnings		821,233	868,946
		<u>2,815,591</u>	<u>2,869,711</u>
Non-controlling interests		19,139	20,898
Total equity		<u>2,834,730</u>	<u>2,890,609</u>
Non-current liabilities			
Trade and other payables		6,187	4,808
Provision for liabilities		5,959	6,404
Deferred tax liabilities		80,558	95,732
Loans and borrowings	B8	611,855	645,631
Lease liabilities		44,054	46,027
		<u>748,613</u>	<u>798,602</u>
Current liabilities			
Trade and other payables		132,239	154,994
Contract liabilities		44,564	45,811
Provision for liabilities		18,877	28,106
Loans and borrowings	B8	1,384,678	1,340,966
Lease liabilities		2,722	3,096
Current tax liabilities		1,960	43,192
		<u>1,585,040</u>	<u>1,616,165</u>
Total liabilities		<u>2,333,653</u>	<u>2,414,767</u>
TOTAL EQUITY AND LIABILITIES		<u>5,168,383</u>	<u>5,305,376</u>
Net assets per share (RM)		<u>8.81</u>	<u>8.98</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 2019 and the accompanying explanatory notes attached to the interim financial statements)

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III CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

< ----- *Attributable to owners of the Company* ----- >
 < ----- *Non-distributable* ----- > *Distributable*

	Share Capital	Exchange Reserve	Revaluation Reserve	Other Reserve	Treasury Shares	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	2,037,459	(100,663)	68,545	(4,258)	(318)	868,946	2,869,711	20,898	2,890,609
Share of other comprehensive income of associates	-	-	-	302	-	-	302	-	302
Foreign currency translation differences for foreign operations	-	37,496	-	-	-	-	37,496	(516)	36,980
Net change in fair value of equity instruments designated at FVOCI	-	-	-	(44,205)	-	-	(44,205)	(1,789)	(45,994)
Total other comprehensive income/(expense) for the period	-	37,496	-	(43,903)	-	-	(6,407)	(2,305)	(8,712)
(Loss)/Profit for the period	-	-	-	-	-	(47,713)	(47,713)	546	(47,167)
At 30 June 2020	2,037,459	(63,167)	68,545	(48,161)	(318)	821,233	2,815,591	19,139	2,834,730
At 1 January 2019, restated	2,037,459	32,520	68,545	(62,205)	(318)	1,141,339	3,217,340	(81)	3,217,259
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(501)	(501)
Foreign currency translation differences for foreign operations	-	(17,102)	-	-	-	-	(17,102)	-	(17,102)
Transfer within reserve	-	-	-	59,074	-	(59,074)	-	-	-
Total other comprehensive (expense)/income for the period	-	(17,102)	-	59,074	-	(59,074)	(17,102)	(501)	(17,603)
(Loss)/Profit for the period	-	-	-	-	-	(97,104)	(97,104)	99	(97,005)
At 30 June 2019	2,037,459	15,418	68,545	(3,131)	(318)	985,161	3,103,134	(483)	3,102,651

(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 2019 and the accompanying explanatory notes attached to the interim financial statements)

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---6 MONTHS ENDED-->	
		30.06.2020	30.06.2019
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(64,474)	(84,274)
Adjustments for non-cash items:			
Bad debts written off		2	190
Change in fair value of investment properties		536	571
Dividend income		(25)	(22)
Fair value loss/(gain) on financial assets at fair value through profit or loss		1,069	(610)
Gain on disposal of investment securities		-	(3)
Impairment loss on financial assets:			
- Investment securities		-	58
- Trade and other receivables		2,112	3,684
Interest income		(12,589)	(10,024)
Interest expense		35,365	49,025
Inventories written down		21	-
Investment properties written off		48	-
Net unrealised foreign exchange gain		(5)	(10)
Property, plant and equipment:			
- Depreciation		29,867	20,200
- Loss on disposal		-	741
- Written off		62	11
Right-of-use assets:			
- Depreciation		1,771	-
Other non-current assets:			
- Amortisation		1,629	-
Provision for staff benefits		10,465	12,877
Reversal provision for repairs		(15)	-
Share of loss of associates		4,802	118,214
Share of loss/(profit) of joint ventures		11,107	(36)
Operating profit before changes in working capital		<u>21,748</u>	<u>110,592</u>
Changes in working capital			
Contract assets		492	(1,812)
Contract liabilities		(2,364)	11,340
Inventories		(93,321)	(6,820)
Other current assets		7,391	31,837
Other non-current assets		(277)	27,526
Other non-current liabilities		1,262	7,695
Payables		(29,667)	(74,254)
Receivables		173,883	44,698
Net change in working capital		<u>57,399</u>	<u>40,210</u>
Cash generated from operations		79,147	150,802

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IV CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<---6 MONTHS ENDED-->	
		30.06.2020	30.06.2019
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Interest paid		(35,368)	(50,855)
Interest received		9,038	10,090
Income tax paid		(61,493)	(7,390)
Staff benefits paid		(21,450)	(16,565)
Net cash (used in)/from operating activities		<u>(30,126)</u>	<u>86,082</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(32,731)	(125,983)
Acquisition of subsidiary, net of cash and cash equivalents acquired		-	(4,350)
Capital expenditure of investment properties		(17,147)	(3,709)
Government investment grants received		9,755	-
Proceeds from disposal of investment securities		-	158
Dividend received from investment securities		25	22
Dividend received from associates and joint ventures		838	117
Net cash used in investing activities		<u>(39,260)</u>	<u>(133,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to non-controlling interests		(534)	(501)
Payment of finance lease liabilities		-	(1,384)
Payment of lease liabilities		(2,103)	-
Withdrawal/(Placement) of pledged deposits		14,736	(275)
Net (repayment)/drawdown of borrowings		(39,153)	60,264
Net cash (used in)/from financing activities		<u>(27,054)</u>	<u>58,104</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(96,440)	10,441
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		318,310	124,031
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,542	(7,759)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	Note A	<u>224,412</u>	<u>126,713</u>

Note A

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

- Cash and deposits with licensed banks	247,686	155,894
- Bank overdrafts	(5,497)	(3,978)
- Pledge bank balances and deposits	(17,777)	(25,203)
	<u>224,412</u>	<u>126,713</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 2019 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 2019.

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 2019 except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform

At the date of authorisation of this condensed financial statements, the following Standards and amendments to Standards have been issued by MASB but are not yet effective. These pronouncement are either not relevant or do not have material impact on the financial statements of the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 2019 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

Apart from the COVID-19 impact as disclosed in Part B Explanatory Notes, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter.

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.

A8. Segment Information

Segment analysis for the 6 months period ended 30 June 2020 and 2019 are set out below:

	Revenue		Profit/(Loss) Before Tax	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Business Segment				
Property	121,631	103,689	29,044	25,453
Hospitality	94,822	166,588	(27,898)	70,172
Investment and others	36,000	49,958	(14,346)	(12,696)
	252,453	320,235	(13,200)	82,929
Finance costs	-	-	(35,365)	(49,025)
Share of results of associates/joint ventures	-	-	(15,909)	(118,178)
	252,453	320,235	(64,474)	(84,274)

	Total Assets		Total Liabilities	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Business Segment				
Property	2,455,853	2,405,584	818,685	1,100,470
Hospitality	1,096,768	1,099,917	417,268	505,882
Investment and others	3,136,294	3,143,286	3,039,668	2,559,495
	6,688,915	6,648,787	4,275,621	4,165,847
Adjustment and eliminations	(1,520,532)	(1,343,411)	(1,941,968)	(1,751,080)
	5,168,383	5,305,376	2,333,653	2,414,767

A8. Segment Information (Cont'd)

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

	Revenue		Non-current assets [^]	
	30.06.2020	30.06.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Australia	244,403	296,718	2,139,287	1,965,817
Malaysia	5,098	16,967	402,419	402,031
New Zealand	2,952	6,550	234,537	218,960
	<u>252,453</u>	<u>320,235</u>	<u>2,776,243</u>	<u>2,586,808</u>

[^]Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, 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:

	2nd Quarter Ended		6 Months Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
A. Associates				
Director fees received	48	63	98	127
Rental income	-	1,143	-	2,176
Rental expense	-	368	-	738
Share service expense	-	61	-	171
	<u>-</u>	<u>1,572</u>	<u>-</u>	<u>3,182</u>
B. Joint Ventures				
Dividend income	801	-	801	117
	<u>801</u>	<u>-</u>	<u>801</u>	<u>117</u>
C. Other related parties				
Companies related to directors				
- Rendering of services	-	245	2,913	2,118
- Rental expense	202	158	360	133
- Share service income	107	110	217	221
Companies related to a person connected to a director				
- Rendering of services	-	-	1,459	803
- Rental income	95	107	188	242
	<u>95</u>	<u>107</u>	<u>1,859</u>	<u>1,384</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 30 June 2020 are as below:

	RM'000
(a) Approved and contracted for	30,082
(b) Approved but not contracted for	34,283
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A12. Material Events Subsequent To The Reporting Date

There were no material events subsequent to 30 June 2020 to be disclosed.

A13. Changes in The Composition Of the Group

(a) Strike-off of a subsidiary

Mulpha Capital Assets Management Sdn. Bhd., wholly-owned subsidiary of Mulpha Capital Holdings Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company had on 7 February 2020 struck off from the register of the companies and dissolved following the publication of the notice of striking off in Gazette pursuant to Section 551(3) of the Companies Act 2016. The financial results of the subsidiary being struck off is insignificant to the Group.

(b) Incorporation of subsidiaries

Mulpha Asset Services Pty Ltd, a wholly-owned subsidiary of Mulpha Australia Limited, which in turn is a wholly-owned subsidiary of the Company was incorporated on 3 February 2020 with a paid-up share capital of AUD2.00 and its principal activity is to provide asset management services.

Norwest City Retail Pty. Ltd, a wholly-owned subsidiary of Mulpha Australia Limited, which in turn is a wholly-owned subsidiary of the Company was incorporated on 2 March 2020 with a paid-up share capital of AUD2.00 and its principal activity is to act as the trustee of Norwest Retail Trust, which is currently dormant.

Norwest Retail Trust was established on 3 March 2020 and Norwest City Retail Pty. Ltd. is the trustee of Norwest Retail Trust. The sole unitholder is Mulpha Core Plus Pty. Ltd. (in its capacity as trustee for Mulpha Core Plus Trust), which holds 10 ordinary units.

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

	INDIVIDUAL PERIOD		CHANGES		CUMULATIVE PERIOD		CHANGES	
	CURRENT QUARTER ENDED	COMPARATIVE QUARTER ENDED			6 MONTHS ENDED	6 MONTHS ENDED		
	30.06.2020	30.06.2019	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	91,024	173,683	(82,659)	(48%)	252,453	320,235	(67,782)	(21%)
(Loss)/Profit from operations	(18,997)	(7,721)	(11,276)	>(100%)	(13,200)	82,929	(96,129)	>(100%)
Loss before interest and tax	(28,890)	(149,447)	120,557	81%	(29,109)	(35,249)	6,140	17%
Loss before tax	(46,239)	(174,460)	128,221	73%	(64,474)	(84,274)	19,800	23%
Loss after tax	(36,800)	(166,277)	129,477	78%	(47,167)	(97,005)	49,838	51%
Loss attributable to: Owners of the Company	(37,064)	(166,344)	129,280	78%	(47,713)	(97,104)	49,391	51%

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

The Group reported revenue of RM91.02 million and pre-tax loss of RM46.24 million for the current quarter ended 30 June 2020 as compared to revenue of RM173.68 million and pre-tax loss of RM174.46 million in the previous year's corresponding quarter. The decrease in the Group's revenue by 48% was primarily attributed to the hospitality and investment divisions. The Group's pre-tax loss significantly reduced by RM128.22 million was mainly due to share of loss in a disposed associate, AVEO of RM143.27 million recognised in the previous year's corresponding quarter.

The property division recorded revenue of RM65.40 million and pre-tax profit of RM17.58 million for the current quarter ended 30 June 2020 as compared to revenue of RM64.90 million and pre-tax profit of RM18.39 million in the previous year's corresponding quarter. Despite the slight increase in revenue due to higher settlements from Mulpha Norwest development in the current quarter, the lower pre-tax profit was mainly due to Leisure Farm project continues to experience tough market conditions and increased competition.

The hospitality division registered revenue of RM12.79 million and pre-tax loss of RM21.49 million for the current quarter ended 30 June 2020 as compared to revenue of RM80.07 million and pre-tax loss of RM19.40 million in the previous year's corresponding quarter. The underperformance was adversely impacted by COVID-19 outbreak with travel ban imposed globally and the closure of hotels during the lockdown effective from late March 2020.

The investment and other activities division recorded a pre-tax loss of RM15.09 million for the current quarter ended 30 June 2020 as compared to a pre-tax loss of RM6.71 million in the previous year's corresponding quarter. The weaker performance was mainly due to unfavourable foreign exchange movement on US Dollar denominated bond in the current quarter.

B1. Review of performance (Cont'd)

(i) Profit or Loss Analysis (Cont'd)

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

The Group reported revenue of RM252.45 million and pre-tax loss of RM64.47 million for the 6 months period ended 30 June 2020 as compared to revenue of RM320.24 million and pre-tax loss of RM84.27 million in the previous year's corresponding period. The underperformance in the Group's revenue by 21% was primarily attributed to the hospitality and investment divisions. The Group's pre-tax loss reduced by RM19.80 million was mainly due to share of loss in a disposed associate, AVEO of RM120.15 million in the previous year's corresponding period offset by the receipt of insurance recoveries of RM87.60 million.

The property division registered revenue of RM121.63 million and pre-tax profit of RM29.04 million for the 6 months period ended 30 June 2020 as compared to revenue of RM103.69 million and pre-tax profit of RM25.45 million in the previous year's corresponding period. The better performance was mainly due to higher settlements from the Mulpha Norwest developments in Australia.

The hospitality division reported revenue of RM94.82 million and pre-tax loss of RM27.90 million for the 6 months period ended 30 June 2020 as compared to revenue of RM166.59 million and pre-tax profit of RM70.17 million in the previous year's corresponding period. The underperformance was mainly attributed to the COVID-19 outbreak with the closure of hotels during the lockdown effective from late March 2020. The previous year's corresponding period's performance was boosted by the receipt of insurance recoveries as mentioned above.

The investment and other activities division recorded pre-tax loss of RM14.35 million for the 6 months period ended 30 June 2020 as compared to pre-tax loss of RM12.70 million in the previous year's corresponding period mainly due to underperformance of Australia event operations impacted by COVID-19 pandemic.

(ii) Financial Position Analysis

	AS AT 30.06.2020	AS AT 31.12.2019
Total Assets	RM'000	RM'000
Property, plant and equipment	1,039,525	1,022,286
Right-of-use assets	11,822	13,658
Inventories	1,487,229	1,375,288
Investment in associates	120,994	126,985
Investment properties	1,087,397	1,051,756
Investment securities	674,540	701,290
Cash and cash equivalents	247,686	351,851
Trade and other receivables	282,898	448,990
Assets classified as held for sale	81,705	79,757
Others	134,587	133,515
Total	5,168,383	5,305,376

The Group's assets decreased by 3% to RM5.17 billion as at 30 June 2020 mainly attributable to decrease in trade receivables, cash and cash equivalents and investment securities. This was partially offset by an overall increase arising from favourable exchange movement of Australian Dollar.

The decrease in trade and other receivables was mainly due to lower business transactions impacted by the recent COVID-19 outbreak and withholding tax refunded by ATO. The decrease in cash and cash equivalent was attributed to repayment of loans and borrowings and refurbishment of investment properties namely Nesuto Stadium Apartments Hotel, Auckland and expansion of marina berths in Sanctuary Cove during the current period.

B1. Review of performance (Cont'd)

(ii) Financial Position Analysis (Cont'd)

The decrease in investment securities was mainly related to investment in Hydra RL TopCo Pty Ltd held through 96.1% partnership interest in AOG L.P pursuant to the implementation of AVEO's privatisation scheme as detailed in section B7(i).

	AS AT 30.06.2020	AS AT 31.12.2019
	RM'000	RM'000
Total Liabilities		
Loans and Borrowings	1,996,533	1,986,597
Others	337,120	428,170
Total	2,333,653	2,414,767

The Group's total liabilities decreased by 3% to RM2.33 billion as at 30 June 2020, mainly attributable to new drawdown of loans to fund the Group's operating activities offset by favourable foreign exchange movement for Australian Dollar denominated loans and borrowings.

	AS AT 30.06.2020	AS AT 31.12.2019
	RM'000	RM'000
Total Equity attributable to Owners of the Company		
Share capital	2,037,459	2,037,459
Treasury shares	(318)	(318)
Reserves	(42,783)	(36,376)
Retained earnings	821,233	868,946
Total	2,815,591	2,869,711

The Group's total equity decreased by 2% to RM2.82 billion as at 30 June 2020, mainly due to loss for the financial period of RM45.94 million and decrease in foreign exchange reserves arising from translation losses for foreign subsidiaries.

B2. Comparisons With Preceding Quarter's Results

	CURRENT QUARTER ENDED 30.06.2020	PRECEDING QUARTER ENDED 31.03.2020	CHANGES	
	RM'000	RM'000	RM'000	%
Revenue	91,024	161,429	(70,405)	(44%)
(Loss)/Profit from operations	(18,997)	5,797	(24,794)	>(100%)
Loss before interest and tax	(28,890)	(219)	(28,671)	>(100%)
Loss before tax	(46,239)	(18,235)	(28,004)	>(100%)
Loss after tax	(36,800)	(10,367)	(26,433)	>(100%)
Loss attributable to: owners of the Company	(37,064)	(10,649)	(26,415)	>(100%)

The Group recorded revenue of RM91.02 million and pre-tax loss of RM46.24 million for the 2nd quarter of 2020 compared with revenue of RM161.43 million and pre-tax loss of RM18.24 million for 1st quarter of 2020. The weaker performance was mainly due to lower pre-tax profit from investment and hospitality divisions by RM15.83 million and RM15.08 million respectively.

B2. Comparisons With Preceding Quarter's Results (Cont'd)

The property division recorded revenue of RM65.40 million and pre-tax profit of RM17.58 million for the 2nd quarter of 2020 compared with revenue of RM56.24 million and pre-tax profit of RM11.46 million for the 1st quarter of 2020. The better performance in the current quarter was mainly due to higher settlements in the Mulpha Norwest developments in Australia as compared to preceding quarter.

The hospitality division recorded revenue of RM12.79 million and pre-tax loss of RM21.49 million for the 2nd quarter 2020 compared with revenue of RM82.03 million and pre-tax loss of RM6.41 million for the 1st quarter of 2020. The weaker performance was mainly related to the closure of hotels in late March 2020 due to COVID-19 outbreak as compared to the preceding quarter.

The investment and others division recorded pre-tax loss of RM15.09 million for the 2nd quarter 2020 was unfavourable as compared to pre-tax profit of RM0.74 million for the 1st quarter of 2020 was mainly due to the unfavourable foreign exchange movement on US Dollar denominated bonds and deposits held by the Group in the current quarter.

B3. Prospects

As previously advised the outbreak of COVID-19 has resulted in significant disruption to the Group's hospitality division with closure of all Hotels in late March with the exception of InterContinental Sydney which has remained open to provide accommodation for guests being quarantined under Government 14 days isolation requirements. InterContinental Sanctuary Cove re-opened on 1 July 2020 and InterContinental Hayman Island is planning to open on 1 September 2020 while InterContinental Sydney will continue to provide quarantine accommodation until market conditions improve. While it was anticipated that lockdown restrictions would be relaxed in the final quarter of 2020 further outbreaks in southern states and recent border closures has placed greater uncertainty around the timing of a recovery in travel trends. It remains unlikely however that Australia will re-open borders to international travel until 2021 and accordingly the Group anticipates a gradual recovery over the next 12-18 months.

Stronger Sydney real estate sales that were achieved in the second half of 2019 have continued through the first half of 2020. It is expected that momentum will slow in the final quarter given higher levels of unemployment and lower business activity as a result of COVID-19 impacts. The current travel ban from China has also resulted in a material slowdown in real estate sales at Sanctuary Cove where the Group has been more heavily reliant on international buyers. Lower real estate sales at Sanctuary Cove are expected for the balance of 2020.

Australian banks have been heavily impacted by COVID-19 and are now placing further restrictions on new lending. As a result, more real estate developers and investors are seeking non-bank finance. Accordingly, the Group's real estate lending division, Multiple Capital expects higher levels of activity over the coming 12 months.

The Leisure Farm project in Iskandar Malaysia has also experienced lower sales volumes and increased competition. Leisure Farm anticipates tough market conditions will continue for some years as a result of significant over-supply in the Johor region.

The Group's investments in the education sector have continued to meet expectations in the first half. While the Hotel School has transitioned to on-line learning during this period of disruption, it is anticipated that there will be lower new international enrolments moving forward while international border restrictions remain in place. The Group's investment in Education Perfect, an on-line learning tool has experienced significant new demand as high schools in Australia and globally have needed to build their capacity to teach remotely. The Group anticipates that this trend will accelerate as a result of the COVID-19 pandemic.

B3. Prospects (Cont'd)

Commercial real estate investment properties have been impacted from March 2020 as a result of Government self-isolation and social distancing requirements. Accordingly, a significant number of retail tenants were forced to cease trading until restrictions are eased. June and July saw a steady recovery in tenant revenues in New South Wales and Queensland while Victoria has been impacted by more stringent lockdowns following a second wave of infections. Government guidelines require landlords to provide some rental abatements and deferrals to assist impacted tenants. While this disruption will impact trading results in 2020, the Group anticipates that trading will return to more normalised levels in 2021.

While the Group remains cautious in relation to further real estate investments, good buying opportunities are likely to emerge over the following twelve months given the shortage of funding, the withdrawal of some foreign investment and the potential increase in the number of distressed sellers.

The Group continues to explore opportunities to expand its interests in operating businesses particularly where the Group has established operational capability.

B4. Variance from Profit Forecast or Profit Guarantee

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

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B5. Loss Before Tax

	2nd Quarter Ended		6 Months Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Loss before tax is arrived at after charging/(crediting):				
Bad debts written off	-	190	2	190
Change in fair value of investment properties	265	317	536	571
Dividend income	(13)	(11)	(25)	(22)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(303)	(242)	1,069	(610)
Gain on disposal of investment securities	-	(3)	-	(3)
Impairment loss on:				
- Investment securities	-	17	-	58
- Trade and other receivables	2,046	3,839	2,112	3,684
Investment properties written off	-	-	48	-
Interest income	(6,303)	(5,079)	(12,589)	(10,024)
Interest expense	17,349	25,013	35,365	49,025
Inventories written down	1	-	21	-
Net foreign exchange loss/(gain)	5,748	(2,080)	(1,453)	881
Other non-current assets				
- Amortisation	1,629	-	1,629	-
Property, plant and equipment:				
- Depreciation	15,162	10,367	29,867	20,200
- Loss on disposal	-	741	-	741
- Written off	62	3	62	11
Provision for staff benefits	4,077	6,009	10,465	12,877
Right-of-use assets:				
- Depreciation	907	-	1,771	-
Rental income	(3,770)	(4,169)	(7,422)	(8,522)

B6. Tax (benefit)/expense

	2nd Quarter Ended		6 Months Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense/(benefit)				
Malaysian - current year	760	554	1,518	570
Malaysian - prior year	-	-	-	15
Overseas - current year	(722)	151	(1,005)	751
Overseas - prior year	11	8	(1,270)	8
	49	713	(757)	1,344
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	(9,488)	(14,906)	(16,550)	11,361
Underprovision in prior year	-	6,010	-	26
	(9,488)	(8,896)	(16,550)	11,387
Tax (benefit)/expense	(9,439)	(8,183)	(17,307)	12,731

The effective tax rate of the Group for the period ended 30 June 2020 under review is lower than the statutory rate of 24% was mainly due to deferred tax assets recognised on taxable losses.

B7. Status of Corporate Proposals

i) AVEO's Privatisation Scheme

AVEO, a 24.39% indirectly owned Australian listed associate of the Company, has on 14 August 2019 announced that it had entered into a Scheme Implementation Deed with Hydra RL BidCo Pty. Limited (“BidCo”) and Hydra RL TopCo Pty. Limited (“TopCo”), entities controlled by the Brookfield Property Group on behalf of its managed fund, under which BidCo undertook to acquire 100% of the outstanding securities of AVEO (“AVEO Securities”) by way of a trust scheme and a company scheme of arrangement (collectively, the “Schemes”).

Under the Schemes, BidCo undertook to acquire AVEO Securities for a cash consideration of AUD2.195 (including a AUD0.045 dividend announced on 24 June 2019) per AVEO Security, or a conditional scrip consideration, being 2.15 AOG L.P. units for every AVEO Security held as at the Scheme record date.

On 29 November 2019, the privatisation of AVEO was completed with the Group holding an indirect effective equity interest of approximately 15.5% in AVEO. The ownership structure is that the Group holds direct equity interest of approximately 96.1% in AOG L.P. which in turn holds a direct equity interest of approximately 16.1% in TopCo.

The Group received AUD178,580,181 in equivalent units in AOG L.P. and a cash consideration of approximately AUD125.89 million. As at 30 June 2020, the total proceeds of AUD125.89 million has been fully utilised the following manner:

Purpose	Proposed	Actual	Timeframe for utilisation
	Utilisation	Utilisation	
	AUD	AUD	
	million	million	
1) Repayment of bank borrowings	92.37	90.20	May 2020
2) Future investment opportunities	20.00	22.19	January 2021
3) General working capital	13.29	13.29	January 2021
4) Estimated expenses in relation to the disposal of AVEO	0.23	0.21	January 2020
	125.89	125.89	

ii) Joint Venture between Leisure Farm Corporation Sdn Bhd and UEM Land Berhad

Leisure Farm Corporation Sdn Bhd (“LFC”), a wholly-owned subsidiary of the Company, had on 16 February 2016, entered into a joint venture cum shareholders' agreement (“JVA”) with UEM Land Berhad, a wholly-owned subsidiary of UEM Sunrise Berhad (“UEMS”) and JV Axis Sdn Bhd (“JVASB”) to work together as strategic joint development partners to jointly develop and optimise the value of 38 parcels of freehold lands located in Gerbang Nusajaya and near the Leisure Farm Resort within Mukim Pulai, District of Johor Bahru, Johor. LFC owns 36 land parcels (“LFC Lands”) whilst the balance land parcels (“UEMS Lands”) are owned by Nusajaya Seaview Sdn Bhd (“NSSB”) and Nusajaya Rise Sdn Bhd (“NRSB”), both being indirect wholly-owned subsidiaries of UEMS. [Both LFC Lands and UEMS Lands are collectively referred to as “JV Lands”]. LFC had on 16 February 2016, also entered into a master agreement (“MA”) with NSSB, NRSB and JVASB to record the agreed framework and parameters for the disposal of the JV Lands by LFC, NSSB and NRSB to JVASB. On 15 June 2016, JVASB changed its name to Gerbang Leisure Park Sdn Bhd (“GLP”). GLP is 50% owned by LFC whilst the remaining 50% is owned by UEM Land Berhad.

The MA is conditional upon certain conditions precedent to be fulfilled by the respective landowners within 24 months from the date of the MA. On 15 February 2019, both parties have agreed to extend the conditional period to 15 February 2020. Subsequently on 15 February 2020, both parties have agreed to extend the conditional period to 15 February 2021.

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B8. Group Loans and Borrowings

The details of the loans and borrowings as at 30 June 2020 are as follows:-

	As at 2nd Quarter Ended 2020											
	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
<u>Secured</u>												
Overdraft	RM			-	RM			5,497	RM			5,497
Revolving Credit/Loan	RM			-	RM			108,000	RM			108,000
Revolving Credit/Loan	AUD	30,000	2.94	88,200	AUD	105,000	2.94	308,700	AUD	135,000	2.94	396,900
Term Loan	RM			24,440	RM			8,794	RM			33,234
Term Loan	HKD	-	0.55	-	HKD	170,760	0.55	94,413	HKD	170,760	0.55	94,413
Term Loan	USD	14,653	4.28	62,713	USD	14,686	4.28	62,855	USD	29,339	4.28	125,568
Term Loan	AUD	83,000	2.94	244,020	AUD	166,420	2.94	489,274	AUD	249,420	2.94	733,294
Term Loan	NZD	38,755	2.75	106,575	NZD	-	2.75	-	NZD	38,755	2.75	106,575
Finance Lease	AUD	2,770	2.94	8,144	AUD	-	2.94	-	AUD	2,770	2.94	8,144
Bonds	AUD	26,450	2.94	77,763	AUD	1,705	2.94	5,012	AUD	28,155	2.94	82,775
Bonds	USD	-	4.28	-	USD	70,000	4.28	299,600	USD	70,000	4.28	299,600
				611,855				1,382,145				1,994,000
<u>Unsecured</u>												
Term Loan	AUD	-	2.94	-	AUD	861	2.94	2,533	AUD	861	2.94	2,533
				-				2,533				2,533
				611,855				1,384,678				1,996,533

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B8. Group Loans and Borrowings (Cont'd)

The details of the loans and borrowings as at 30 June 2019 are as follows:-

	As at 2nd Quarter Ended 2019											
	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			3,978	RM			3,978
Revolving Credit/Loan	RM			-	RM			98,000	RM			98,000
Term Loan	RM			21,244	RM			3,700	RM			24,944
Term Loan	HKD	-	0.53	-	HKD	449,536	0.53	238,388	HKD	449,536	0.53	238,388
Term Loan	USD	17,017	4.14	70,450	USD	6,246	4.14	25,858	USD	23,263	4.14	96,308
Term Loan	AUD	423,000	2.90	1,226,699	AUD	29,927	2.90	86,788	AUD	452,927	2.90	1,313,487
Term Loan	NZD	34,043	2.78	94,640	NZD	-	2.78	-	AUD	34,043	2.78	94,640
Finance Lease	AUD	7,483	2.90	21,701	AUD	1,148	2.90	3,330	AUD	8,631	2.90	25,031
Bills Payable	AUD	-	2.90	-	AUD	16,922	2.90	49,075	AUD	16,922	2.90	49,075
Bonds	AUD	27,764	2.90	80,516	AUD	1,576	2.90	4,570	AUD	29,340	2.90	85,086
Bonds	USD	70,000	4.14	289,800	USD	-	4.14	-	USD	70,000	4.14	289,800
				1,805,050				513,687				2,318,737
Unsecured												
Term loan	AUD	-	2.90	-	AUD	682	2.90	1,977	AUD	682	2.90	1,977
				-				1,977				1,977
				1,805,050				515,664				2,320,714

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 1 August 2019 with a total of 17 days of trial. Both parties have closed their case on 1 August 2019 and thus ending the Trial. The parties have filed and exchanged their written submissions. Subsequently, the parties have completed the oral submissions on 24 February 2020 and 25 February 2020. The judgment was delivered on 17 July 2020 and subject to any appeals and further legal proceedings. The judge found that Mula had breached the Settlement Agreement and that the said agreement was terminated on 15 December 2013. The Judge declared the amount due and payable to the Company to be RM301 million plus interest and held that the Power Attorney is valid. Further, the defendants are restrained from dealing with the Sepang Land. The Company was successful in defending the relevant counterclaim and the Judge dismissed Mula's counterclaim with costs.

B10. Dividend

The Board of Directors does not recommend any dividend for the financial period ended 30 June 2020.

B11. Loss Per Share

(i) Basic earnings per share

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

	6 Months Ended	
	30.06.2020	30.06.2019
Loss for the period, amount attributable to equity holders of the parent (RM'000)	(47,713)	(97,104)
Weighted average number of ordinary shares ('000)	319,467	319,467
Basic loss per share (sen)	(14.94)	(30.40)

(ii) Diluted earnings per share

The Group has no dilution in its earnings per share for the financial period under review as there are no dilutive potential ordinary shares.