

**Mega First Corporation Berhad  
(Company No. 6682-V)  
(Incorporated in Malaysia)**

**Interim Financial Report  
30 June 2016**

**Mega First Corporation Berhad**  
(Co. No. 6682-V)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the 2nd quarter and 6-month period ended 30 June 2016**

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Year 2nd Quarter 30.6.2016 RM'000	Preceding Year Corresponding 2nd Quarter 30.6.2015 RM'000	Current Year To Date 30.6.2016 RM'000	Preceding Year Corresponding Period 30.6.2015 RM'000
Revenue	A8	197,575	147,884	415,482	283,724
Cost of sales		(144,964)	(108,752)	(307,425)	(210,790)
Gross profit		52,611	39,132	108,057	72,934
Other income, net		6,396	5,212	2,599	15,200
Operating expenses		(9,550)	(8,695)	(18,977)	(17,926)
Profit from operations		49,457	35,649	91,679	70,208
Finance costs		(1,464)	(1,273)	(3,377)	(2,411)
Profit before tax	A8	47,993	34,376	88,302	67,797
Income tax expense		(11,651)	(8,129)	(20,485)	(16,815)
Profit after tax for the period		36,342	26,247	67,817	50,982
Other comprehensive income/ (expenses)		3,535	1,679	(30,407)	4,465
Total comprehensive income for the period	B10	39,877	27,926	37,410	55,447
Profit after tax attributable to:					
Owners of the Company		26,653	17,600	50,248	36,267
Non-controlling interests		9,689	8,647	17,569	14,715
		36,342	26,247	67,817	50,982
Total comprehensive income attributable to:					
Owners of the Company		29,278	18,098	26,560	34,806
Non-controlling interests		10,599	9,828	10,850	20,641
		39,877	27,926	37,410	55,447
EPS - Basic (sen)	B11	8.54	6.93	16.10	14.28
EPS - Diluted (sen)	B11	8.54	6.89	16.09	14.19

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

**Mega First Corporation Berhad**  
(Co. No. 6682-V)

**Unaudited Condensed Consolidated Statement of Financial Position**  
**As at 30 June 2016**

	<b>Unaudited As At 30.6.2016 RM'000</b>	<b>Audited As At 31.12.2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	315,702	333,500
Investment in quoted shares	35,161	41,512
Investment in unquoted shares	335	335
Land use rights	6,486	6,667
Investment properties	140,740	140,740
Land held for property development	51,105	51,215
Project development expenditure	184,477	221,726
Intangible asset	149,487	-
Deferred tax asset	2,316	3,068
Goodwill on consolidation	10,812	10,812
Receivables	360	540
	<b>896,981</b>	<b>810,115</b>
<b>Current Assets</b>		
Inventories	66,315	67,575
Property development	2,139	6,370
Receivables	119,180	123,565
Bank balances and deposits	365,827	198,045
	<b>553,461</b>	<b>395,555</b>
<b>TOTAL ASSETS</b>	<b>1,450,442</b>	<b>1,205,670</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Owners Of The Company</b>		
Share capital	401,900	243,345
Treasury shares	(30,046)	(30,046)
Reserves	693,699	600,818
	<b>1,065,553</b>	<b>814,117</b>
Non-Controlling Interests	146,503	156,516
<b>Total Equity</b>	<b>1,212,056</b>	<b>970,633</b>
<b>Non-Current Liabilities</b>		
Payables	1,206	1,678
Long-term borrowings	24,100	29,291
Deferred taxation	25,976	19,296
	<b>51,282</b>	<b>50,265</b>
<b>Current Liabilities</b>		
Payables	114,869	63,143
Short-term borrowings	60,075	110,685
Taxation	12,160	10,944
	<b>187,104</b>	<b>184,772</b>
<b>Total Liabilities</b>	<b>238,386</b>	<b>235,037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,450,442</b>	<b>1,205,670</b>
<b>Net Assets Per Ordinary Share (RM)</b>	<b>2.79</b>	<b>3.65</b>

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**Mega First Corporation Berhad**  
(Co. No. 6682-V)

**Unaudited Condensed Consolidated Statement of Changes in Equity**  
**For the 6-month period ended 30 June 2016**

	← Non-Distributable →						Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Parent RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2015	243,002	(30,025)	33,940	599	36,635	8,447	15,208	-	431,142	738,948	146,669	885,617
Total comprehensive income for the period	-	-	-	-	8,529	(9,990)	-	-	36,267	34,806	20,641	55,447
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(11,142)	(11,142)	-	(11,142)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,276)	(19,276)
Purchase of treasury shares	-	(13)	-	-	-	-	-	-	-	(13)	-	(13)
Issuance of ordinary shares pursuant to ESOS	343	-	178	-	-	-	-	-	-	521	-	521
Total transactions with owners of the Company	343	(13)	178	-	-	-	-	-	(11,142)	(10,634)	(19,276)	(29,910)
Realisation of capital reserves	-	-	-	-	-	-	182	-	(160)	22	220	242
Balance at 30.6.2015	<u>243,345</u>	<u>(30,038)</u>	<u>34,118</u>	<u>599</u>	<u>45,164</u>	<u>(1,543)</u>	<u>15,390</u>	<u>-</u>	<u>456,107</u>	<u>763,142</u>	<u>148,254</u>	<u>911,396</u>

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**Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)**  
For the 6-month period ended 30 June 2016

	← Non-Distributable →						Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Parent RM'000	Non- Controlling Interests RM'000		
Balance at 1.1.2016	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633
Total comprehensive income for the period	-	-	-	-	(20,106)	(3,582)	-	-	50,248	26,560	10,850	37,410
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(19,070)	(19,070)	-	(19,070)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(20,762)	(20,762)
Share options granted	-	-	-	1,469	-	-	-	-	-	1,469	-	1,469
Share options lapsed	-	-	-	(58)	-	-	-	-	55	(3)	-	(3)
Issuance of ordinary shares pursuant to:												
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	18,846	-	243,735	-	-	243,735
- ESOS	1,507	-	1,195	(437)	-	-	-	-	2,265	-	-	2,265
Expenses in relation to the Rights Issue with Warrants	-	-	(3,120)	-	-	-	(255)	-	(3,375)	-	-	(3,375)
Total transactions with owners of the Company	158,555	-	65,916	974	-	-	18,591	(19,015)	225,021	(20,762)		204,259
Realisation of capital reserves	-	-	-	-	-	-	(8)	-	(137)	(145)	(101)	(246)
Balance at 30.6.2016	401,900	(30,046)	100,095	2,869	36,650	1,514	15,475	18,591	518,505	1,065,553	146,503	1,212,056

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Cash Flows**  
**For the 6-month period ended 30 June 2016**

	<b>Current Year To Date 30.6.2016 RM'000</b>	<b>Preceding Year Corresponding Period 30.6.2015 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	88,302	67,797
Adjustments for non-cash flow - Non-cash items	(19,463)	10,205
- Non-operating items	194	(497)
Operating profit before changes in working capital	<u>69,033</u>	<u>77,505</u>
Changes in working capital - Net change in assets	8,461	5,033
- Net change in liabilities	4,512	12,733
Cash from operations	<u>82,006</u>	<u>95,271</u>
Income tax paid	(13,530)	(27,012)
Retirement benefits paid	(196)	-
<b>Net cash from operating activities</b>	<u>68,280</u>	<u>68,259</u>
<b>Cash flows for investing activities</b>		
Interest received	1,882	2,965
Dividend received	206	20
Increase/(Decrease) in:		
- Land held for property development	110	88
- Investment properties	-	(8,045)
- Project development expenditure	(66,946)	(19,707)
Proceeds from disposal of property, plant and equipment	293	570
Purchase of property, plant and equipment	(11,609)	(25,856)
Proceeds from disposal of quoted shares	3,775	7,069
Purchase of quoted shares	(140)	-
Proceeds from disposal of interest in associate	-	3,792
<b>Net cash for investing activities</b>	<u>(72,429)</u>	<u>(39,104)</u>

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**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)**  
**For the 6-month period ended 30 June 2016**

	<b>Current Year To Date 30.6.2016 RM'000</b>	<b>Preceding Year Corresponding Period 30.6.2015 RM'000</b>
<b>Cash flows from/(for) financing activities</b>		
Interest paid	(3,377)	(2,411)
Dividends paid to subsidiaries' non-controlling interests	(7,417)	(11,974)
Net (repayment)/drawdown of:		
- Revolving credits and trust receipts	(53,215)	764
- Hire purchase payables	(445)	536
- Term loans	(5,226)	2,673
Proceeds from issuance of shares pursuant to ESOS	2,265	521
Proceeds from issuance of shares pursuant to Rights Issue with Warrants	243,735	-
Purchase of treasury shares	-	(13)
Placement of deposits pledged to licensed banks	(5,172)	(11)
<b>Net cash from/(for) financing activities</b>	<u>171,148</u>	<u>(9,915)</u>
<b>Effect of foreign exchange translation</b>	<u>(7,029)</u>	<u>5,460</u>
<b>Net increase in cash and cash equivalents</b>	<u>159,970</u>	<u>24,700</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>172,830</u>	<u>231,295</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>332,800</u></u>	<u><u>255,995</u></u>

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

Bank balances and deposits	365,827	268,095
Bank overdrafts	(3,157)	(7,888)
	<u>362,670</u>	<u>260,207</u>
Deposits pledged to licensed banks	(29,870)	(4,212)
	<u><u>332,800</u></u>	<u><u>255,995</u></u>

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

**Notes to the interim financial report**

**A EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

- (a) During the 6-month period ended 30 June 2016, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

<b>FRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group’s financial statements.



**A1. Basis of preparation (Cont'd)**

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the 6-month period ended 30 June 2016:

<b>FRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until ) further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

- (c) MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and/or IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called “transitioning entities”).

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

Other than as disclosed above, the accounting policies and methods of computation adopted by the Group in preparing this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2015.

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**A2. Qualification of financial statements**

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The Group's principal business operations are not significantly affected by seasonal or cyclical factors.

**A4. Unusual item**

There was no item affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size or incidence in these financial statements.

**A5. Nature and amount of changes in estimates**

There was no change in estimates of amounts reported in prior periods that have a material effect in the period under review.

**A6. Debt and equity securities**

	Number of Ordinary Shares of RM1 Each		Amount	
	Share Capital (Issued and Fully Paid) '000	Treasury Shares '000	Share Capital (Issued and Fully Paid) RM'000	Treasury Shares RM'000
At 1.1.2016	243,345	(20,497)	243,345	(30,046)
Issue of shares pursuant to ESOS	1,507	-	1,507	-
Issue of shares pursuant to rights issue	157,048	-	157,048	-
Purchase of treasury shares	-	*	-	*
At 30.6.2016	<u>401,900</u>	<u>(20,497)</u>	<u>401,900</u>	<u>(30,046)</u>

\* - 100 ordinary shares were purchased for a total consideration of RM271 during the period.

**A6. Debt and equity securities (Cont'd)**

During the 6-month period ended 30 June 2016, the Company:-

- (a) Issued 1,307,000 and 200,000 new ordinary shares of RM1.00 each for cash at the price of RM1.50 and RM1.52 per share, respectively, arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.

- (b) Issued 157,048,290 new ordinary shares of RM1.00 each for cash at an issue price of RM1.59 per share ("Rights Shares"), arising from the Company's Rights Issue with Warrants.

All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.

- (c) Purchased 100 of its issued ordinary shares of RM1.00 each from the open market at an average price (including transaction costs) of approximately RM2.71 per share. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 401,900,290 (31.12.2015 : 243,345,000) issued and fully paid-up ordinary shares of RM1.00 each as at 30 June 2016, 20,497,300 (31.12.2015 : 20,497,200) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 30 June 2016 was therefore 381,402,990 (31.12.2015 : 222,847,800).

Other than as disclosed above, there was no issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares in these financial statements.

**A7. Dividend paid**

No dividend was paid during the current quarter and 6-month period ended 30 June 2016.

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**A8. Segment information for the 6-month period ended 30 June 2016**

<b>GROUP 2016</b>	<b>Power RM'000</b>	<b>Resources RM'000</b>	<b>Property RM'000</b>	<b>Investment Holding &amp; Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External revenue	336,527	47,953	11,460	19,542	-	415,482
Inter-segment revenue	-	-	-	7,441	(7,441)	-
Consolidated revenue	336,527	47,953	11,460	26,983	(7,441)	415,482
<b>Results</b>						
Profit from operations	82,428	7,095	5,733	3,053	(6,630)	91,679
Finance costs						(3,377)
Profit before tax						88,302
Income tax expense						(20,485)
Profit after tax						67,817
<b>Total assets</b>						
At 30.6.2016	588,011	254,174	297,201	704,243	(393,187)	1,450,442

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**A8. Segment information for the 6-month period ended 30 June 2016 (Cont'd)**

<b>GROUP 2015</b>	<b>Power RM'000</b>	<b>Resources RM'000</b>	<b>Property RM'000</b>	<b>Investment Holding &amp; Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External revenue	206,791	44,720	16,526	15,687	-	283,724
Inter-segment revenue	-	-	-	1,344	(1,344)	-
Consolidated revenue	206,791	44,720	16,526	17,031	(1,344)	283,724
<b>Results</b>						
Profit from operations	50,703	7,129	5,426	7,482	(532)	70,208
Finance costs						(2,411)
Profit before tax						67,797
Income tax expense						(16,815)
Profit after tax						50,982
<b>Total assets</b>						
At 30.6.2015	438,782	236,006	320,929	348,424	(216,455)	1,127,686

**A9. Valuation of property, plant and equipment**

There has been no revaluation of property, plant and equipment in these financial statements.

**A10. Significant event during the reporting period**

On 15 April 2016, the Company's Rights Issue with Warrants was completed following the listing of and quotation for the 157,048,290 Rights Shares and the admission of, listing of and quotation for 67,306,410 Warrants on the Main Market of Bursa Malaysia Securities Berhad.

**A11. Significant event subsequent to the end of the reporting period**

There was no significant event subsequent to the end of the period reported up to 22 August 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**A12. Changes in composition of the Group**

There was no change in the composition of the Group for the current quarter and 6-month period ended 30 June 2016.

**A13. Changes in contingent liabilities and assets**

(a) Contingent liabilities

- (i) A sum of RM785,000 in relation to the disputed interest on assessment on the power plant of a subsidiary levied by the local authority in the State of Sabah has been waived by the said authority on 20 July 2016.
- (ii) A claim has been made against a subsidiary by a third party in the Malacca High Court for breach of contract, related to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the High Court ordered the subsidiary to pay damages to the third party. On 19 July 2016, the Court has dismissed the third party's claim for damages with costs to be paid to the subsidiary.

Following the above development, the Group has no contingent liability as at 22 August 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**A13. Changes in contingent liabilities and assets (Cont'd)**

(b) Contingent asset

The Group has no contingent asset as at 22 August 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**A14. Capital commitments**

As at 30 June 2016, the Group has the following commitments:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised but not provided for:	
Contracted	31,595
Not contracted	10,573
	<hr/>
	42,168
<b>Project development expenditure</b>	
Authorised but not provided for:	
Contracted	922,601
	<hr/>
	<u>964,769</u>

**A15. Significant related party transactions**

There was no significant related party transaction during the current quarter and 6-month period ended 30 June 2016.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of performance**

(a) Current quarter

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	2Q 2016	2Q 2015	% Chg	2Q 2016	2Q 2015	% Chg
Power	158,011 <sup>(1)</sup>	114,834	37.6%	39,261 <sup>(2)</sup>	29,867	31.5%
Resources	23,743	21,374	11.1%	2,329	2,523	-7.7%
Property	5,736	3,502	63.8%	3,937	745	428.5%
Sub-total	187,490	139,710	34.2%	45,527	33,135	37.4%
Investment holding and others	10,085	8,174	23.4%	2,466	1,241	98.7%
	197,575	147,884	33.6%	47,993	34,376	39.6%

(1) Including construction revenue of RM61.1 million, which is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

(2) Including construction profit of RM16.2 million.

The Group's revenue in 2Q 2016 was RM197.6 million, an increase of 33.6% as compared to RM147.9 million in 2Q 2015. The higher revenue was mainly due to the recognition of construction revenue of RM61.1 million for the Don Sahong Hydropower Project and higher revenue from the Resources and Property Divisions partially offset by lower revenue from the existing Power business. Physical completion of the Don Sahong Hydropower Project reached 7.4% (1Q 2016: 4.6%) at the end of June 2016.

The Group pre-tax profit rose 39.6% to RM48 million in 2Q 2016 from RM34.4 million in 2Q 2015. The surge in pre-tax profit came from construction profit of RM16.2 million, higher foreign exchange gains and contribution from the Property Division but partially offset by weaker operational performance from the existing Power business.

The Group's core pre-tax profit (excluding construction profit and foreign exchange gains) was 11.5% lower at RM29.3 million. This was due primarily to the weaker earnings from the existing Power business.



**B1. Review of performance (Cont'd)**

(a) Current quarter (Cont'd)

**Power Division**

Excluding construction revenue of RM61.1 million related to the Don Sahong Hydropower Project, the Power Division's revenue declined 15.6% to RM96.9 million, mainly due to lower sales in both China and Tawau operations, partially offset by a positive foreign currency translation from the China operations. The China plant's revenue fell on lower steam volume and unit prices. Slower industrial activity in Zhejiang Province resulted in lower sales volume of steam (-7.7%) and energy (-8.8%). Average steam price and energy tariff also were lower by 9.3% and 6.4% respectively as a result of lower coal prices and downward tariff adjustments. The Tawau plant's revenue slipped 30% on shorter operating hours (-13.8%) and lower fuel oil prices (-30.1%).

Excluding construction profit of RM16.2 million, pre-tax profit fell 22.8% to RM23 million mainly due to lower sales volume, a lag in the adjustment of steam prices and lower tariffs, partially offset by a positive foreign currency translation from the China operations.

**Resources and Property Divisions**

Resources revenue grew 11.1% to RM23.7 million mainly due to higher sales volume of lime products in both local and export markets and weaker RM against the USD, partially offset by lower average selling price.

Despite higher revenue, pre-tax profit fell 7.7% to RM2.3 million mainly due to margin erosion in lime products arising from lower selling prices, and higher borrowing costs and depreciation charges associated with the newly commissioned production capacities.

The Property Division posted a pre-tax profit of RM3.9 million on a revenue of RM5.7 million. The better results were mainly attributable to cost savings and final progress billings upon delivery of vacant possession of a residential development project in Melaka.

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**B1. Review of performance (Cont'd)**

(b) For the 6-month period ended 30 June 2016

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	YTD	YTD	% Chg	YTD	YTD	% Chg
	2016	2015		2016	2015	
Power	336,527 <sup>(1)</sup>	206,791	62.7%	82,417 <sup>(1)</sup>	50,675	62.6%
Resources	47,953	44,720	7.2%	6,392	6,656	-4.0%
Property	11,460	16,526	-30.7%	5,693	5,343	6.6%
Sub-total	395,940	268,037	47.7%	94,502	62,674	50.8%
Investment holding and others	19,542	15,687	24.6%	(6,200)	5,123	n.m.
	415,482	283,724	46.4%	88,302	67,797	30.2%

(1) Including construction revenue of RM154.3 million.

(2) Including construction profit of RM40.9 million.

The Group's revenue was RM415.5 million, an increase of 46.4% as compared to RM283.7 million in 2015. The higher revenue was mainly due to the recognition of construction revenue of RM154.3 million for the Don Sahong Hydropower Project and higher sales volume of limestone products. Revenue from the existing Power business and the Property Division fell 11.9% and 30.7% respectively.

The Group pre-tax profit jumped 30.2% to RM88.3 million in 2016 from RM67.8 million in 2015. The higher pre-tax profit was mainly attributable to construction profit of RM40.9 million and higher contribution from the Property Division, partially offset by weaker operational performance from the existing Power business and the Resources Division as well as foreign exchange losses (as opposed to gains in 2015).

The Group's core pre-tax profit (excluding construction profit and foreign exchange losses) declined 14.5% to RM53.6 million mainly due to the weaker earnings from the existing Power business.

**Power Division**

In the six-month period, pre-tax profit (excluding construction profit of RM40.9 million) decreased 18.1% to RM41.5 million on 11.9% decline in revenue to RM182.2 million. In China, sales volume fell on slower industrial demand, exacerbated by a 10.8% and 3% reduction in average steam price and energy tariff respectively due to lower coal prices and downward tariff adjustments. This was partially offset by the appreciation of the Chinese Renminbi (against Malaysia Ringgit). In Tawau, revenue declined due to shorter operating hours (-13.6%) and lower fuel oil prices (-53.9%).

Pre-tax profit (excluding construction profit) fell on lower revenue and margin contraction in the China operations, partially offset by a positive foreign currency translation impact.

**B1. Review of performance (Cont'd)**

(b) For the 6-month period ended 30 June 2016

**Resources and Property Divisions**

Revenue from Resources Division was 7.2% higher at RM48 million. Lime products recorded an 18.8% increase in sales volume to 118,493 tonnes largely due to higher demand from both local and export markets. The average selling price of lime products was stable as the strengthening of US Dollar against Malaysian Ringgit offset lower average unit prices.

Despite higher sales volume, margins in the first half of this year were eroded by higher borrowing costs and depreciation charges arising from the Division's capacity expansion, which came on-stream in the second half of last year. Hence, pre-tax profit declined 4% to RM6.4 million.

Revenue from Property Division of RM11.5 million was 30.7% lower as compared to the corresponding period last year, largely due to a 42% decrease in development revenue resulting from lower unit sales and lower progress billings but partially offset by higher rental income. However, pre-tax profit rose 6.6% to RM5.7 million mainly due to cost savings and final progress billings upon delivery of vacant possession of a residential development project in Melaka.

**B2. Variation of results against preceding quarter**

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	2Q 2016	1Q 2016	% Chg	2Q 2016	1Q 2016	% Chg
Power	158,011 <sup>(1)</sup>	178,516 <sup>(1)</sup>	-11.5%	39,261 <sup>(2)</sup>	43,156 <sup>(2)</sup>	-9.0%
Resources	23,743	24,210	-1.9%	2,329	4,063	-42.7%
Property	5,736	5,724	0.2%	3,937	1,756	124.2%
Sub-total	187,490	208,450	-10.1%	45,527	48,975	-7.0%
Investment holding and others	10,085	9,457	6.6%	2,466	(8,666)	n.m.
	197,575	217,907	-9.3%	47,993	40,309	19.1%

(1) Including construction revenue of RM61.1 million (1Q 2016: RM93.2 million).

(2) Including construction profit of RM16.2 million (1Q 2016: RM24.7 million).

**B2. Variation of results against preceding quarter (Cont'd)**

The Group's revenue fell 9.3% to RM197.6 million on lower construction revenue recognition of RM61.1 million (1Q 2016: RM93.2 million), partially offset by the higher revenue from the existing Power business.

The Group's pre-tax profit of RM48 million was 19.1% higher mainly attributable to higher contribution from the existing Power business and the Property Division, gain of RM4.8 million from foreign exchange (as opposed to a loss of RM7.1 million in 1Q 2016), partially offset by lower contribution from the Resources Division and the recognition of lower construction profit of RM16.2 million (1Q 2016: RM24.7 million).

The Group's core pre-tax profit (excluding construction profit and foreign exchange differences) was RM29.3 million representing an increase of 20.9% as compared to 1Q 2016. This was due to the stronger earnings from the existing Power business and the Property Division, partially offset by the Resources Division. Earnings from the power operation in China is seasonally the weakest due to the long Chinese Lunar New Year celebrations.

**Power Division**

Excluding construction revenue, the Power Division's revenue rose 13.6% to RM96.9 million on higher contribution from both China and Tawau operations. In China, demand for steam and energy increased 13.8% and 22.8% respectively mainly on low base effect (shorter work days during the Chinese New Year festive month of February). Average unit prices remained flat in the second quarter. In Tawau, revenue rose on longer operating hours (16.9%) and higher fuel oil prices (16%) as oil prices recovered from a 12-year low in February.

Pre-tax profit (excluding construction profit) was 25% higher at RM23 million mainly due to higher revenue and improvement in operational margin.

**Resources and Property Divisions**

Resources revenue fell slightly by 1.9% in the second quarter, as sales were generally lower. Pre-tax profit dipped 42.7% to RM2.3 million mainly due to margin erosion for the lime products segment due to lower selling prices and higher maintenance costs.

Property revenue remained flat at RM5.7 million. However, pre-tax profit surged to RM3.9 million, contributed by cost savings and final progress billings upon delivery of vacant possession of a residential development project in Melaka.

### **B3. Prospects**

#### **Power Division**

The China heat plant in Shaoxing, Zhejiang Province is expected to continue to face headwind from the weak industrial demand for steam. Earnings contribution from the Tawau power plant is projected to be stable in the second half.

Construction of the Don Sahong Hydropower Project is progressing as scheduled. As per the construction plan, construction activities are slower during the rainy season between May and October. This will translate into lower construction revenue recognition in the second and third quarter of 2016 when compared to the first and fourth quarter.

#### **Resources and Property Divisions**

With the new kiln, hydration and milling capacities that came on stream over a period between August 2015 and May 2016, the Resources Division is now well-positioned to grow its business, especially in the relatively untapped export markets such as Indonesia, Papua New Guinea and Australia. While industrial output of exporting countries in the region is expected to remain weak due to a subdued consumer sentiment and low commodity prices, management is optimistic that its impact will be more than offset by increased sales to new export markets.

Following management's decision to suspend new residential development projects in 2015 and the completion of the last residential project in Melaka during the second quarter 2016, earnings contribution from property development is projected to taper off in the second half of 2016. Rental income from office building in PJ8 and the carparks in Greentown, Ipoh is however projected to remain stable for the remaining quarters of this year.

#### **Foreign Exchange fluctuation**

The volatility of the foreign exchange rates has had significant impact to RM denominated Group earnings mainly as a result of the Group's foreign operations (China and Laos) and foreign currency holdings (mainly RMB and USD). As in the past, management will continue to manage its currency holding and exposure prudently to mitigate the risk by matching its cash holdings and future income to payment commitments, notably the Don Sahong Hydropower Project.

### **B4. Profit forecast**

The Group did not issue any profit forecast or profit guarantee.

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**B5. Income tax expense**

	Quarter Ended 30 June		Period Ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax expense:				
- Malaysian	1,706	(1,033)	3,599	3,519
- Overseas	9,945	9,162	16,886	13,296
	11,651	8,129	20,485	16,815

The effective tax rate of the Group for the current quarter and 6-month period ended 30 June 2016 approximated the Malaysian statutory tax rate of 24%.

**B6. Status of corporate proposal**

There was no corporate proposal announced but not completed at 22 August 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B7. Borrowing and debt securities**

The Group's borrowings as at 30 June 2016:

	RM'000
<b>Long-term borrowings</b>	
<i>Secured denominated in:</i>	
Ringgit Malaysia	24,100
<b>Short-term borrowings</b>	
<i>Secured denominated in:</i>	
Ringgit Malaysia	57,301
<i>Unsecured denominated in:</i>	
Ringgit Malaysia	2,774
	60,075
	84,175

The Group has no debt securities as at 30 June 2016.

**B8. Material litigation**

On 21 April 2016, Serudong Power Sdn Bhd (“SPSB”) and Sabah Electricity Sdn Bhd (“SESB”) have submitted a Joint Request for Partial Award and SPSB has received the Partial Award from the Arbitral Tribunal on the same date declaring that SESB shall pay SPSB the sum of RM7,745,510.48 in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015 (inclusive of GST) within 30 days of receiving invoices for this amount from SPSB, without prejudice to SPSB’s claims in the Arbitration.

In addition, by the Partial Award, SPSB is permitted to invoice SESB using a particular Fixed Operating Rate and Variable Operating Rate stipulated by SESB in the billings for the period of January 2016 up to November 2016, without prejudice to SPSB’s claims in the Arbitration. Any payments made in accordance with the terms of the Partial Award may be taken into account by the Arbitral Tribunal in the making of its Final Award and in determining the issue and amount of costs and/or interest (if any) in the Arbitration.

Based on the statement of claim submitted on 5 June 2015 for the claim ranging from RM24.1 million to RM25.8 million for the period from December 2000 to March 2015, approximately RM6.8 million were successfully claimed by way of Partial Award. The remaining claim ranging from RM17.3 million to RM19.0 million remains in dispute in the arbitration.

Other than as disclosed above, there was no material litigation at 22 August 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B9. Dividend**

- (a) A final tax-exempt dividend of 5.0 sen per share for the financial year ended 31 December 2015 amounting to RM19,070,150 was paid on 1 July 2016. This dividend has been included as a liability in these financial statements.
- (b) The Board has declared an interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2016 (31 December 2015 : interim tax-exempt dividend of 3.0 sen) to conserve cash for the Don Sahong Hydropower Project.

The interim dividend will be paid on 14 October 2016 to the Depositors who are registered in the Record of Depositors at the close of business on 30 September 2016. This dividend has not been included as a liability in these financial statements.

- (c) The total dividend declared to-date for the current financial year is a tax-exempt dividend of 2.0 sen (30 June 2015 : 3.0 sen) per ordinary share of RM1.00 each.

**B10. Detailed disclosure for consolidated statement of profit or loss and other comprehensive income**

The total comprehensive income is arrived at:

	Quarter Ended 30 June		Period Ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>After crediting:</b>				
Dividend income	204	16	206	20
Gain on disposal of property, plant and equipment	161	152	228	247
Gain on foreign exchange, net:				
- realised	-	334	-	554
- unrealised	5,221	2,394	-	10,551
Gain on disposal of quoted shares	254	344	867	-
Interest income	862	1,435	1,882	2,965
Write-back of inventories	7	-	175	-
<b>After debiting:</b>				
Amortisation of land use rights	(55)	(52)	(112)	(104)
Depreciation of property, plant and equipment	(8,882)	(9,018)	(17,853)	(17,978)
Interest expense	(1,464)	(1,273)	(3,377)	(2,411)
Loss on derecognition of associate	-	-	-	(2,256)
Loss on disposal of quoted shares	-	-	-	(324)
Loss on foreign exchange, net:				
- realised	(440)	-	(385)	-
- unrealised	-	-	(1,972)	-
Provision for and write-off of inventories	(3)	(6)	(5)	(180)
Write-off of bad debts	(2)	-	(2)	-
Write-off of property, plant and equipment	-	(25)	(229)	(226)
<b>After other comprehensive income/(expenses):</b>				
Foreign currency translation difference for foreign operations	5,803	3,881	(26,825)	15,748
Reversal of share of associate's foreign currency translation	-	-	-	(1,293)
Fair value changes of available-for-sale financial assets	(2,268)	(2,202)	(3,582)	(9,990)



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**B11. Earnings per share**

	Quarter ended 30 June		Period ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>(a) Basic earnings per share</b>				
Profit after tax attributable to owners of the Company	26,653	17,600	50,248	36,267
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares at 1 January	243,345	243,002	243,345	243,002
Effect of treasury shares held	(20,497)	(20,492)	(20,497)	(20,492)
Effect of new ordinary shares issued pursuant to:				
- ESOS	1,064	106	1,064	106
- Rights Issue	88,186	31,323	88,186	31,323
	<u>312,098</u>	<u>253,939</u>	<u>312,098</u>	<u>253,939</u>
Basic earnings per share (sen)	<u>8.54</u>	<u>6.93</u>	<u>16.10</u>	<u>14.28</u>

The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 30 June 2016 excluding treasury shares held by the Company.

**(b) Diluted earnings per share**

Profit after tax attributable to owners of the Company	26,653	17,600	50,248	36,267
Weighted average number of ordinary shares ('000)	312,098	253,939	312,098	253,939
Weighted average number of shares under options and warrants ('000)	311	14,380	311	14,380
Weighted average number of shares that would have been issued at average market price ('000)	(235)	(12,750)	(212)	(12,713)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>312,174</u>	<u>255,569</u>	<u>312,197</u>	<u>255,606</u>
Diluted earnings per share (sen)	<u>8.54</u>	<u>6.89</u>	<u>16.09</u>	<u>14.19</u>

The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all dilutive outstanding options granted pursuant to the ESOS and dilutive outstanding warrants are exercised.

Comparative figures for the weighted average number of ordinary shares for both the basic and fully diluted earnings per share computations have been restated to reflect the adjustment arising from the Rights Issue which was completed on 15 April 2016.

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**B12. Retained profits**

	<b>At 30.6.2016 RM'000</b>	<b>At 31.12.2015 RM'000</b>
Total retained profits:		
- realised	309,968	299,626
- unrealised	65,102	74,506
	<hr/>	<hr/>
	375,070	374,132
Consolidation adjustments	143,435	113,277
	<hr/>	<hr/>
Total Group retained profits	518,505	487,409
	<hr/>	<hr/>

**B13. Status of Utilisation of Rights Issue Proceeds**

As at 30 June 2016, the status of the utilisation of the gross proceeds raised from the Rights Issue with Warrants which was completed on 15 April 2016, amounting to RM243.7 million is as follows:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance Unutilised RM'000</b>	<b>Intended Timeframe for Utilisation from Completion Date</b>
Don Sahong Hydropower Project	150,000	26,714	123,286	Within 36 months
Working capital and other general corporate purposes	25,035 <sup>(3)</sup>	19,727	5,308	Within 36 months
Repayment of short-term bank borrowings	65,000	65,000	-	Within 12 months
Estimated expenses in relation to the Corporate Exercises	3,700	3,562	138	Within 3 months
	<hr/>	<hr/>	<hr/>	
	243,735 <sup>(1)(2)</sup>	115,003	128,732	

(1) The total gross proceeds of RM243.7 million were raised from the Rights Issue with Warrants, before the exercise of the Warrants.

(2) The amount raised in USD was translated at an average exchange rate of USD1.00 to RM3.90.

(3) The exchange difference arising from translation of USD proceeds has been adjusted against the amount proposed for working capital and other general corporate purposes.

**B14. Comparative figures**

Certain comparative figures have been reclassified to conform to the presentation of the current quarter.

**B15. Authorised for issue**

These interim financial statements were authorised for issue by the Board of Directors on 29 August 2016.