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

Interim Financial Report
31 December 2017

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 4th quarter and financial year ended 31 December 2017

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Year 4th Quarter 31.12.2017 RM'000	Preceding Year Corresponding 4th Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Continuing operations					
Revenue		236,364	186,302	910,862	600,738
Cost of sales		(176,544)	(136,089)	(681,183)	(446,344)
Gross profit		59,820	50,213	229,679	154,394
Other (expenses)/income, net		(3,005)	8,973	8,740	18,876
Operating expenses		(3,571)	(8,302)	(38,718)	(29,620)
Profit from operations		53,244	50,884	199,701	143,650
Finance costs		(2,203)	(1,364)	(6,766)	(6,090)
Profit before tax		51,041	49,520	192,935	137,560
Income tax expense		(9,772)	(7,806)	(35,225)	(22,004)
Profit after tax for the period from continuing operations		41,269	41,714	157,710	115,556
Discontinued operations					
(Loss)/Profit after tax for the period	A7	(16,231)	3,365	9,263	41,682
		25,038	45,079	166,973	157,238
Other comprehensive (expenses)/ income		(79,362)	29,912	(101,086)	11,030
Total comprehensive (expenses)/ income for the period		(54,324)	74,991	65,887	168,268
Profit after tax attributable to:					
Owners of the Company		21,498	34,585	138,336	120,741
Non-controlling interests		3,540	10,494	28,637	36,497
		25,038	45,079	166,973	157,238
Total comprehensive (expenses)/ income attributable to:					
Owners of the Company		(56,797)	61,194	40,468	134,074
Non-controlling interests		2,473	13,797	25,419	34,194
		(54,324)	74,991	65,887	168,268
EPS - Basic (sen)	B11				
- Continuing operations		8.33	8.54	34.91	27.10
- Discontinued operations		(2.82)	0.53	1.11	7.08
		5.51	9.07	36.02	34.19
EPS - Diluted (sen)	B11				
- Continuing operations		7.71	8.51	32.40	27.08
- Discontinued operations		(2.61)	0.53	1.03	7.08
		5.09	9.04	33.43	34.16

The notes set out on pages 7 to 39 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 31 December 2017

	Unaudited As At 31.12.2017 RM'000	Audited As At 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	249,081	315,511
Investment in quoted shares	56,910	40,315
Investment in unquoted shares	335	335
Land use rights	7,404	6,712
Investment properties	167,662	149,356
Land held for property development	45,095	44,438
Project development expenditure	54,286	169,049
Intangible asset	941,796	370,391
Deferred tax asset	170	2,690
Goodwill on consolidation	10,812	10,812
	1,533,551	1,109,609
Current Assets		
Inventories	42,280	59,874
Receivables	105,440	127,046
Bank balances and deposits	138,750	291,326
	286,470	478,246
TOTAL ASSETS	1,820,021	1,587,855
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	524,005	401,900
Treasury shares	(30,046)	(30,046)
Reserves	726,891	794,131
	1,220,850	1,165,985
Non-Controlling Interests	133,757	156,688
Total Equity	1,354,607	1,322,673
Non-Current Liabilities		
Payables	7,083	1,500
Long-term borrowings	112,807	22,642
Deferred tax liabilities	56,176	33,054
	176,066	57,196
Current Liabilities		
Payables	180,618	133,006
Short-term borrowings	108,371	65,989
Taxation	359	8,991
	289,348	207,986
Total Liabilities	465,414	265,182
TOTAL EQUITY AND LIABILITIES	1,820,021	1,587,855
Net Assets Per Ordinary Share (RM)	3.13	3.06

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2017

	← Non-Distributable							→	Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' 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	Total Equity 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	-	-	-	-	12,748	585	-	-	120,741	134,074	34,194	168,268
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(26,698)	(26,698)	-	(26,698)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(34,563)	(34,563)
ESOS options granted	-	-	-	2,783	-	-	-	-	-	2,783	-	2,783
ESOS options lapsed	-	-	-	(121)	-	-	-	-	121	-	-	-
Issuance of ordinary shares pursuant to:												
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	-	18,846	-	243,735	-	243,735
- ESOS options	1,507	-	1,195	(437)	-	-	-	-	-	2,265	-	2,265
Expenses in relation to Rights Issue with Warrants	-	-	(3,359)	-	-	-	-	(275)	-	(3,634)	-	(3,634)
Total transactions with owners of the Company	158,555	-	65,677	2,225	-	-	-	18,571	(26,577)	218,451	(34,563)	183,888
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	(588)	(588)	588	-
Realisation of capital reserve	-	-	-	-	-	-	67	-	(136)	(69)	(47)	(116)
Balance at 31.12.2016	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	156,688	1,322,673

The notes set out on pages 7 to 39 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the financial year ended 31 December 2017

	← Non-Distributable							→	Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) 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	Total Equity RM'000
Balance at 1.1.2017	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	156,688	1,322,673
Total comprehensive (expenses)/ income for the period	-	-	-	-	(114,442)	16,574		-	138,336	40,468	25,419	65,887
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(19,252)	(19,252)	-	(19,252)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,565)	(18,565)
Transfer to share capital upon implementation of the Companies Act 2016	99,856	-	(99,856)	-	-	-	-	-	-	-	-	-
ESOS options granted	-	-	-	13,982	-	-	-	-	-	13,982	-	13,982
ESOS options lapsed	-	-	-	(106)	-	-	-	-	106	-	-	-
Issuance of ordinary shares pursuant to:												
- exercise of Warrants	21,260	-		-	-	-	-	(2,350)	-	18,910	-	18,910
- ESOS options	989	-		(250)	-	-	-	-	-	739	-	739
Total transactions with owners of the Company	122,105	-	(99,856)	13,626	-	-	-	(2,350)	(19,146)	14,379	(18,565)	(4,186)
Net dilution of interests in subsidiaries	-	-	-	-	-	-	-	-	72	72	216	288
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(51,942)	(51,942)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	10,100	10,100
Share of fair value adjustment	-	-	-	-	-	-	-	-	-	-	11,876	11,876
Realisation of capital reserve	-	-	-	-	-	-	(1,233)	-	1,179	(54)	(35)	(89)
Balance at 31.12.2017	524,005	(30,046)	-	17,746	(44,938)	22,255	14,317	16,221	701,290	1,220,850	133,757	1,354,607

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2017

		Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Cash flows from operating activities			
Profit before tax			
- Continuing operations		192,935	137,560
- Discontinued operations		19,629	62,065
Adjustments for non-cash flow	- Non-cash items	(111,449)	(47,580)
	- Non-operating items	5,306	(1,334)
Operating profit before working capital changes		106,421	150,711
Changes in working capital	- Net change in assets	(17,168)	6,967
	- Net change in liabilities	71,793	(360)
Cash from operations		161,046	157,318
Income tax paid		(29,665)	(33,960)
Retirement benefits paid		(277)	(212)
Net cash from operating activities		131,104	123,146
Cash flows for investing activities			
Interest received		3,694	4,776
Dividend received		1,252	580
Decrease in land held for property development		-	69
Cash outflow for development projects		(361,381)	(139,372)
Proceeds from disposal of property, plant and equipment		273	2,489
Purchase of property, plant and equipment		(30,798)	(41,793)
Purchase of land use rights		(1,032)	(253)
Proceeds from disposal of quoted shares		569	3,775
Purchase of quoted shares		(1,633)	(3,435)
Net cash outflow for acquisition of a subsidiary		(10,000)	-
Acquisition of additional equity interest in subsidiaries		(431)	-
Net cash outflow from disposal of a subsidiary		(7,653)	-
Net cash for investing activities		(407,140)	(173,164)

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the financial year ended 31 December 2017

	Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Cash flows from financing activities		
Interest paid	(7,145)	(6,169)
Dividends paid to shareholders of the Company	(19,252)	(26,698)
Dividends paid to subsidiaries' non-controlling interests	(18,565)	(34,563)
Net drawdown/(repayment) of:		
- Revolving credits and trust receipts	33,820	(44,204)
- Hire purchase payables	6,881	(716)
- Term loans	92,525	(6,624)
Proceeds from issuance of shares pursuant to:		
- Exercise of ESOS options	739	2,265
- Exercise of Warrants	18,910	-
- Rights Issue with Warrants	-	243,735
Proceeds from issuance of shares by a subsidiary to non-controlling interest	750	-
Withdrawal/(Placement) of deposits pledged to licensed banks or with original maturity period of more than three months	25,133	(3,486)
Net cash from financing activities	133,796	123,540
Effect of foreign exchange translation	8,539	16,790
Net (decrease)/increase in cash and cash equivalents	(133,645)	90,312
Cash and cash equivalents at beginning of the period	263,142	172,830
Cash and cash equivalents at end of the period	129,497	263,142

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

Continuing operations		
Bank balances and deposits	138,750	273,604
Bank overdrafts	(6,202)	-
Discontinued operations		
Bank balances and deposits	-	17,722
	132,548	291,326
Deposits pledged to licensed banks or with original maturity period of more than three months	(3,051)	(28,184)
	129,497	263,142

The notes set out on pages 7 to 39 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"), Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Issuers Communication No. 1/2017 - Guidance on Disclosures in Notes to Quarterly Report issued by Bursa Securities.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

(a) During the financial year ended 31 December 2017, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

FRSs and IC Interpretations (including the Consequential Amendments)	**Effective Date**
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017

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 financial year ended 31 December 2017:

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until) further notice
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

As disclosed in (c) below, the Group will be applying the MFRSs Framework for annual periods beginning on or after 1 January 2018. Therefore, the FRSs which are effective for annual periods beginning on or after 1 January 2018 above will not be applicable to the Group.

A1. Basis of preparation (Cont'd)

(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.

As a transitioning entity as defined above, the Group will be presenting its first set of MFRS financial statements for the financial year ending 31 December 2018. In presenting the first set of MFRS financial statements, the Group is required to adjust the comparative financial statements prepared under the FRSs to amounts reflecting the application of MFRSs. The majority of the adjustments required on transition would be made, retrospectively, against opening retained profits. The Group will adopt the MFRSs for annual periods beginning on or after 1 January 2018.

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 2016.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A3. Seasonal or 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		Amount	
	Share Capital (Issued and Fully Paid) '000	**Treasury Shares '000**	**Share Capital (Issued and Fully Paid) RM'000**	**Treasury Shares RM'000**
At 1.1.2017	401,900	(20,497)	401,900	(30,046)
Transfer from share premium (Note 1)	-	-	99,856	-
New shares issued pursuant to exercise of:				
- ESOS options	368	-	989	-
- Warrants	8,518	-	21,260	-
At 31.12.2017	410,786	(20,497)	524,005	(30,046)

Note 1
The share premium amount of RM99.856 million, which is classified under non-distributable reserves in this report, has been transferred to the share capital. Pursuant to Section 618(3) of the Companies Act 2016 (enforced on 31 January 2017), the Company may utilise the outstanding credit from share premium within 24 months from 31 January 2017. As at the date of this report, the share premium has not been utilised.

During the financial year ended 31 December 2017, the Company has:-

(a) Issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS	RM1.34	25,000
Exercise of ESOS	RM2.00	292,610
Exercise of ESOS	RM2.41	50,000
Conversion of Warrants	RM2.22	8,517,726

As at 31 December 2017, the total number of warrants which remained unexercised was 58,788,684 (31.12.2016: 67,306,410).

A6. Debt and equity securities (Cont'd)

(b) Granted share options under the Company's ESOS as follows:-

No. of share options	Exercise Price	Vesting Date
10,870,000 options	RM2.41	31 March 2017
300,000 options	RM3.45	23 May 2017
160,000 options	RM3.40	7 July 2017

The ESOS will be expiring on 31 July 2020.

Of the total 410,785,626 (31.12.2016 : 401,900,290) issued ordinary shares as at 31 December 2017, 20,497,300 (31.12.2016 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 31 December 2017 was therefore 390,288,326 (31.12.2016 : 381,402,990).

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. Discontinued operations

On 22 October 2017, the sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd ("QHP") of the People's Republic of China (the "JV Agreement"), in relation to the power plant in China operated by Shaoxing Mega Heat & Power Co., Ltd ("SMHP") expired and was not extended by the Group.

Accordingly, the Group shall present and disclose in its financial statements the financial effects of discontinued operations in accordance to FRS 5 (Non-current Assets Held For Sale and Discontinued Operations) and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

A7. Discontinued operations (Cont'd)

An analysis of the results of the discontinued operations is as follows:-

	Quarter Ended 31 December		Year Ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	17,584	98,652	253,476	314,719
Cost of sales	(25,092)	(85,325)	(216,124)	(241,309)
Gross (loss)/profit	(7,508)	13,327	37,352	73,410
Other (expenses)/income, net	(1,547)	61	(280)	(418)
Operating expenses	(3,741)	(2,963)	(13,855)	(10,848)
Loss on deconsolidation	(3,209)	-	(3,209)	-
(Loss)/Profit from operations	(16,005)	10,425	20,008	62,144
Finance costs	-	(73)	(379)	(79)
(Loss)/Profit before tax	(16,005)	10,352	19,629	62,065
Income tax expense	(226)	(6,987)	(10,366)	(20,383)
(Loss)/Profit after tax for the period	(16,231)	3,365	9,263	41,682
Other comprehensive (expenses)/ income	(49,540)	6,911	(52,109)	(6,570)
Total comprehensive (expenses)/ income for the period	(65,771)	10,276	(42,846)	35,112
(Loss)/Profit after tax attributable to:				
Owners of the Company	(11,022)	2,019	4,274	25,009
Non-controlling interests	(5,209)	1,346	4,989	16,673
	(16,231)	3,365	9,263	41,682
Total comprehensive (expenses)/ income attributable to:				
Owners of the Company	(60,595)	6,165	(46,840)	21,067
Non-controlling interests	(5,176)	4,111	3,994	14,045
	(65,771)	10,276	(42,846)	35,112

A7. Discontinued operations (Cont'd)

Revenue of RM253.5 million in 2017 was RM61.2 million or 19.5% lower than 2016 (2016: RM314.7 million). This was mainly due to shorter operating period, after the Group's decision not to extend the term of the JV Agreement when it expired on 22 October 2017 and declining industrial demand for steam. SMHP recorded steam sales of 2,068,105 tonnes (2016: 3,024,724 tonnes) and energy sales of 283,591 MWh (2016: 424,252 MWh).

Pre-tax profit was RM19.6 million, a decrease of 68.4% over 2016 (2016: RM62.1 million), mainly due to lower sales volume, higher environmental compliance costs and loss on deconsolidation (RM3.2 million), partially offset by a one-off RM4.1 million (net) tariff incentive income.

The following amounts have been included in arriving at (loss)/profit before tax of the discontinued operations:-

	Quarter Ended 31 December		Year Ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After crediting:				
Gain on disposal of property, plant and equipment	-	1	-	59
Interest income	2	64	116	301
After charging:				
Allowance for impairment loss on receivables	(1,585)	(2,804)	(1,585)	(2,804)
Amortisation of land use rights	(19)	(57)	(190)	(223)
Depreciation of property, plant and equipment	(12,157)	(20,727)	(26,601)	(34,928)
Interest expense	-	(73)	(379)	(79)
Loss on deconsolidation of subsidiary	(3,209)	-	(3,209)	-
Write-off of plant and equipment	-	(323)	(37)	(548)

The cash flows attributable to the discontinued operations is as follows:

	Year Ended 31 December	
	2017 RM'000	2016 RM'000
Operating activities	61,023	77,091
Investing activities	(713)	(10,428)
Financing activities	(45,071)	(75,591)
Net cash inflow/(outflow)	15,239	(8,928)

A8. Segment information for the financial year ended 31 December 2017

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	723,210	119,944	9,150	58,558	-	910,862
- Discontinued operations	253,476	-	-	-	-	253,476
	976,686	119,944	9,150	58,558	-	1,164,338
Inter-segment revenue	-	-	-	129,743	(129,743)	-
Consolidated revenue	976,686	119,944	9,150	188,301	(129,743)	1,164,338
Results						
Profit from operations						
- Continuing operations	178,664	16,031	12,862	120,838	(128,694)	199,701
- Discontinued operations	20,008	-	-	-	-	20,008
	198,672	16,031	12,862	120,838	(128,694)	219,709
Finance costs						(7,145)
Profit before tax						212,564
Income tax expense						(45,591)
Profit after tax						166,973
Total assets						
At 31.12.2017						
- Continuing operations	1,178,637	302,819	295,982	926,661	(884,078)	1,820,021

A8. Segment information for the financial year ended 31 December 2017 (Cont'd)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	436,952	98,538	18,685	46,563	-	600,738
- Discontinued operations	314,719	-	-	-	-	314,719
	751,671	98,538	18,685	46,563	-	915,457
Inter-segment revenue	-	-	-	98,470	(98,470)	-
Consolidated revenue	751,671	98,538	18,685	145,033	(98,470)	915,457
Results						
Profit from operations						
- Continuing operations	122,592	16,436	12,384	89,114	(96,876)	143,650
- Discontinued operations	62,144	-	-	-	-	62,144
	184,736	16,436	12,384	89,114	(96,876)	205,794
Finance costs						(6,169)
Profit before tax						199,625
Income tax expense						(42,387)
Profit after tax						157,238
Total assets						
At 31.12.2016						
- Continuing operations	566,544	262,161	298,735	791,762	(509,841)	1,409,361
- Discontinued operations	178,494	-	-	-	-	178,494
	745,038	262,161	298,735	791,762	(509,841)	1,587,855

A9. Dividend paid

The dividend paid in the current quarter and financial year ended 31 December 2017 is disclosed in Note B9.

A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Significant events during the reporting period

(a) On 9 October 2017, Mega First Investments (L) Limited, a wholly-owned subsidiary of the Company has entered into facility agreements with various financial institutions for club deal facilities totaling USD150.0 million comprising term loan facilities totaling USD85.0 million and an Islamic financing facility of up to USD65.0 million to part finance the construction of the Don Sahong Hydropower Project undertaken by Don Sahong Power Company Ltd., an indirect 80% owned subsidiary of the Company;

(b) Non-extension of the JV Agreement in relation to the power plant in China, details of which are disclosed in Note A7; and

(c) The Power Purchase Agreement ("PPA") between Sabah Electricity Sdn Bhd ("SESB") and Serudong Power Sdn Bhd ("SPSB"), an indirect 51% owned subsidiary of the Company, in relation to the power plant in Tawau has expired on 2 December 2017. As such, SPSB has stopped supplying energy to SESB until such time the PPA extension is executed.

The proposed new commercial terms of the PPA extension, which have been approved by the Energy Commission and YB Minister of Energy, Green Technology and Water, are subject to the following:-

(i) Approval from the Board of SESB; and

(ii) Execution of the new PPA to be entered between SESB and SPSB.

The Group's result assumed that the PPA will be extended. In the event that the PPA is not extended, there may be impairment charges on the property, plant and equipment of SPSB with net book value of RM10.5 million as at 31 December 2017 of which RM5.4 million is attributable to the Group.

Other than as disclosed above, there was no other significant event during the period.

A12. Significant event subsequent to the end of the reporting period

There was no other significant event subsequent to the end of the period reported up to 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A13. Changes in composition of the Group

(a) Hexachase Corporation Sdn Bhd ("HCSB"), a 52.4% owned subsidiary of the Company, increased its equity interest in its subsidiary, Hexachase Flexipack Sdn Bhd ("HFSB") from 65% to 80% as at 31 December 2017 through the acquisition of 100,000 existing shares and the subscription of 3,250,000 new shares in HFSB.

(b) On 30 June 2017, Rock Chemical Industries (Malaysia) Sdn Berhad ("RCI"), a 100% owned subsidiary of the Company, increased its shareholding in Premier Capacity Sdn Bhd ("PCSB") through the purchase of 100,000 shares from two unrelated third parties. Consequently, the Group's shareholding (direct and indirect) in PCSB was increased from 1,000 shares to 101,000 shares representing approximately 50.25% equity interest in PCSB.

(c) On 18 August 2017, Merchant Commodities Pty Ltd ("MCPL"), a joint venture company which is registered under the Corporations Act 2001 in Australia, was formed between RCI Lime Sdn Bhd ("RCIL") and an Australian company for future lime supply in Australia. MCPL currently has 120 fully paid ordinary shares, of which 60 fully paid shares are issued to RCIL, a 100% owned subsidiary of RCI.

(d) On 22 October 2017, the JV Agreement with QHP in relation to the power plant in China operated by SMHP expired and was not extended by the Group. Accordingly, SMHP has ceased to be an indirect subsidiary of the Company.

Other than as disclosed above, there was no change in the composition of the Group for the financial year ended 31 December 2017.

A14. Changes in contingent liabilities and assets

(a) Contingent liability

On 5 October 2016, Idaman Harmoni Sdn. Bhd. ("IHSB"), an indirect 65% owned subsidiary of the Company, was served with the following notices of assessment showing additional taxes and penalties totalling RM22,795,912:

(i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").

(ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM ("Form JR").

(iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

There will be a late payment penalty imposition of up to 15.5% on the above unpaid taxes and penalties.

The abovementioned taxes and penalties imposed by IRBM are in relation to a joint venture entered into by IHSB as the landowner with a property developer for the construction of an office and residential property known as PJ8 pursuant to an agreement dated 23 April 2004.

The IRBM has taken the view that there is a deemed disposal of the PJ8 property by IHSB which is subject to income tax. This transaction was treated by IHSB as a capital transaction which was liable to Real Property Gains Tax in Year 2004. IHSB is a property investment company and has not disposed of any of its PJ8 properties since completion.

Based on advice from both its tax consultants and solicitors, IHSB is of the view that the assessment raised by IRBM are statute barred and erroneous in law. IHSB has filed its appeals against the assessments to the Special Commissioners of Income Tax on 28 October 2016 and will defend its position vigorously. The appeals have been fixed for hearing on 25 and 26 July 2019.

On 16 February 2017, IHSB was served with a Notification of Civil Proceedings by the IRBM (Unit Pungutan Syarikat) under Section 106 of the Income Tax Act 1967. In the Notification, the IRBM has informed IHSB that IRBM has commenced civil proceedings against IHSB for an amount of RM26,329,278.35 (inclusive of late payment penalty of RM3,533,366.35 under Section 103/103A of the Income Tax Act 1967) as an income tax debt due to the Government for YAs 2009 to 2010.

A14. Changes in contingent liabilities and assets

(a) Contingent liability (Cont'd)

On 20 September 2017, IHSB was served with a Writ of Summon and Statement of Claim by the Government of Malaysia ("GOM") (the "Main Suit"). The Writ of Summon was issued by the IRBM for and on behalf of the GOM. The claims are as follows:

(i) The amount of RM26,329,278.35 as an income tax debt due to the Government for YAs 2009 - 2010;

(ii) Interest of 5% per annum on RM26,329,278.35 from the date of judgement until the date or realisation;

(iii) Costs; and

(iv) Such further or other reliefs as the Court deems fit and proper to grant.

On 12 October 2017, IHSB filed its application for stay of proceedings. On 17 January 2018, the Court dismissed such application with costs of RM2,000.

On 1 November 2017, the Court has directed parties to commence trial preparations and to file the relevant cause papers for the Main Suit.

On 7 November 2017, IHSB was served with GOM's application for summary judgment. Subsequently, after attended several case management, the Court gave directions for both parties to file written submissions on 23 February 2018. The hearing has also been fixed on 5 March 2018.

Other than as disclosed above, there was no material contingent liability as at 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

(b) Contingent asset

The Group has no contingent asset as at 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A15. Capital commitments

As at 31 December 2017, the Group has the following commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	6,548
Not contracted	5,083
	11,631
Project development expenditure	
Authorised but not provided for:	
Contracted	730,840
Not contracted	87,460
	829,931

A16. Significant related party transactions

There was no significant related party transaction during the financial year ended 31 December 2017.

A17. Derivative financial instruments

As detailed in Note A11, the Group has secured club deal facilities ("Facilities") totalling USD150.0 million at floating interest rates, which is the Lenders' cost of funds plus margin. The Lenders' cost of funds is made up of USD London Interbank Offered Rate ("LIBOR") and liquidity premium.

In order to hedge against potential increases in the LIBOR in a rising interest environment, the Group has entered into an interest rate swap contract ("IRS") for USD70 million of the USD150 million loan amount with the same maturity terms as the Facilities. This IRS contract effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

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

B1. Current quarter year-on-year earnings performance review

Continuing Operations

	4Q 2017 RM'000	4Q 2016 RM'000	Changes RM'000	%
Continuing Operations				
Revenue	236,364	186,302	50,062	26.9%
Operating profit	57,859	55,604	2,255	4.1%
Profit before interest and tax	53,244	50,884	2,360	4.6%
Profit before tax	51,041	49,520	1,521	3.1%
Profit after tax	41,269	41,714	(445)	-1.1%
Revenue				
Power	180,157	140,376	39,781	28.3%
Resources	37,395	26,092	11,303	43.3%
Property	2,120	5,166	(3,046)	-59.0%
Sub-total	219,672	171,634	48,038	28.0%
Investment holding & others	16,692	14,668	2,024	13.8%
Revenue from continuing operations	236,364	186,302	50,062	26.9%
Profit before tax				
Power	46,383	34,510	11,873	34.4%
Resources	5,295	4,754	541	11.4%
Property	6,036	5,635	401	7.1%
Sub-total	57,714	44,899	12,815	28.5%
Investment holding & others	(6,673)	4,621	(11,294)	-244.4%
Profit before tax from continuing operations	51,041	49,520	1,521	3.1%
Significant income/(expense) items:				
Construction revenue	166,118	119,916	46,202	38.5%
Construction profit	45,437	31,801	13,636	42.9%
ESOS expense	-	(664)	664	-100.0%
Fair value gain on investment properties	3,500	8,616	(5,116)	-59.4%
Loss from quoted investments	(1,059)	(2,027)	968	-47.8%
(Loss)/Gain on foreign exchange	(2,905)	12,269	(15,174)	-123.7%
Loss on deconsolidation	(3,209)	-	(3,209)	100.0%

The Group's revenue in 4Q 2017, excluding the discontinued China operations, rose 26.9% to RM236.4 million from RM186.3 million a year ago. The increase was mainly attributable to a 38.5% increase in construction revenue from Don Sahong to RM166.1 million (4Q 2016: RM119.9 million) and a 43.3% increase in revenue contribution from the Resources Division to RM37.4 million (4Q 2016: RM26.1 million), partially offset by lower revenue from the Property Division due to the absence of development income.

B1. Current quarter year-on-year earnings performance review (Cont'd)

The Group's pre-tax profit from continuing operations grew 3.1% to RM51.0 million from RM49.5 million in 4Q 2016. Pre-tax construction profit of Don Sahong rose 42.9% to RM45.4 million (4Q 2016: RM31.8 million), while pre-tax profit contribution from the Resources Division expanded 11.4% to RM5.3 million (4Q 2016: 4.8 million). The underlying robust growth in the Group's core continuing operations was dampened by a RM2.9 million foreign exchange loss resulting from the Group's US Dollar cash holdings on a strengthening Malaysia Ringgit, compared to a RM12.3 million forex gain recorded in the same period last year. Pre-tax profit contribution from the Property Division was 7.1% higher at RM6.0 million.

Power Division

Don Sahong Hydropower Project (the "Project")

Physical completion of the Project was 8% during the current quarter, compared to 5% in the same quarter last year. This brought the cumulative physical completion to 46.5% at the end of 2017 (versus 16.5% at the end of 2016), in line with management's guidance. The higher percentage completion during the quarter resulted in a 38.5% increase in construction revenue to RM166.1 million.

Following a project cost review, management revised down the total project cost from the earlier estimate of USD417 million to USD401 million on lower estimated interest cost during construction and lower construction cost of the transmission line. The downward revision resulted in a cumulative positive adjustment to pre-tax construction profit of RM1.4 million, which was recognized in the current quarter. Together with a higher percentage completion during the current quarter, total pre-tax construction profit rose 42.9% to RM45.4 million.

Tawau Power Plant

The Power Purchase Agreement between Serudong Power Sdn Bhd ("SPSB") and Sabah Electricity Sdn Bhd ("SESB") (the "PPA") expired on 2 December 2017. Consequently, SPSB has stopped supplying energy since 2 December 2017 while awaiting SESB's decision on the proposed extension of the PPA as approved by the Energy Commission ("EC") and the Minister of Energy, Green Technology and Water.

Earnings contribution from SPSB for the current quarter was adversely affected by the shorter operating period of only two months. As a result, revenue contracted 31.4% to RM14.0 million, while pre-tax profit fell 68% to RM0.6 million on ongoing fixed operating overheads (SPSB continued to incur operating overheads after 2 December 2017).

Resources Division

The Resources Division recorded a 43.3% increase in revenue to RM37.4 million (4Q 2016: RM26.1 million) mainly due to a 43.1% expansion in sales revenue of lime products to RM32.6 million (4Q 2016: RM22.8 million). Revenue contribution from other products, including calcium carbonate powder, limestone and cement bricks, was flat year-on-year at about RM4.3 million.

B1. Current quarter year-on-year earnings performance review (Cont'd)

Sales volume of lime products grew 35.5% to 97,313 tonnes on higher export demand, while domestic volume held steady. In the current quarter, exports made up almost 60% of total sales, a significant increase from 41% a year ago. The average selling price of lime products was 5.6% higher mainly due to a favourable change in the sales mix between domestic and export sales, partially offset by a weaker export currency, namely the US Dollar and Australian Dollar.

Pre-tax profit however expanded at a slower pace of 11.4% to RM5.3 million (4Q 2016: RM4.8 million) as a result weaker export margin resulting from a stronger Malaysia Ringgit, and higher petcoke, limestone and transportation costs.

Property Division

Revenue from the Property Division contracted by 59% to RM2.1 million as there was no development income recognized during the quarter (4Q 2016: RM3 million). Rental income from the investment segment was flat year-on-year.

Despite the absence of development income, pre-tax profit rose 7.1% to RM6.0 million on higher contribution from investment segment and fair value adjustment gain of RM3.5 million (4Q 2016: fair value adjustment gain of RM8.6 million was largely offset by RM6.7 million impairment write off of land held for property development).

B2. Earnings performance review for the financial year ended 31 December 2017

Continuing Operations

	2017 RM'000	2016 RM'000	Changes RM'000	%
Continuing Operations				
Revenue	910,862	600,738	310,124	51.6%
Operating profit	218,841	160,941	57,900	36.0%
Profit before interest and tax	199,701	143,650	56,051	39.0%
Profit before tax	192,935	137,560	55,375	40.3%
Profit after tax	157,710	115,556	42,154	36.5%
Revenue				
Power	723,209	436,952	286,257	65.5%
Resources	119,945	98,538	21,407	21.7%
Property	9,150	18,685	(9,535)	-51.0%
Sub-total	852,304	554,175	298,129	53.8%
Investment holding & others	58,558	46,563	11,995	25.8%
Revenue from continuing operations	910,862	600,738	310,124	51.6%
Profit before tax				
Power	180,460	106,684	73,776	69.2%
Resources	19,295	15,026	4,269	28.4%
Property	12,512	12,323	189	1.5%
Sub-total	212,267	134,033	78,234	58.4%
Investment holding & others	(19,332)	3,527	(22,859)	-648.1%
Profit before tax from continuing operations	192,935	137,560	55,375	40.3%
Significant income/(expense) items:				
Construction revenue	645,441	362,444	282,997	78.1%
Construction profit	172,556	96,116	76,440	79.5%
ESOS expense	(13,979)	(2,783)	(11,196)	402.3%
Fair value gain on investment properties	6,316	8,616	(2,300)	-26.7%
Gain/(Loss) from quoted investments	208	(863)	1,071	-124.1%
Gain on foreign exchange	3,296	14,411	(11,115)	-77.1%
Loss on deconsolidation	(3,209)	-	(3,209)	100.0%

Excluding discontinued operations, Group turnover increased 51.6% to RM910.9 million in 2017 (2016: RM600.7 million). The increase was mainly attributable to a 78.1% increase in construction revenue of Don Sahong to RM645.4 million, compared to RM362.4 million a year ago and a 21.7% increase in revenue in the Resources Division to RM119.9 million (2016: RM98.5 million), partially offset by lower revenue from the Property Division due to the absence of development income.

Consolidated pre-tax profit from continuing operations expanded 40.3% to RM192.9 million from RM137.6 million in 2016. Pre-tax construction profit of Don Sahong rose 79.5% to RM172.6 million (2016: RM96.1 million), while pre-tax profit contribution from the Resources Division rose 28.4% to RM19.3 million (2016: 15.0 million). The Property Division's pre-tax profit of RM12.5 million was flat year-on-year.

B2. Earnings performance review for the financial year ended 31 December 2017 (Cont'd)

The underlying strong performance of the Group's core continuing operations was partially negated by significantly higher ESOS expense of RM14.0 million during the year (2016: RM2.8 million) and substantially lower forex gain of RM3.3 million (2016: forex gain of RM14.4 million). Excluding the effects of ESOS expense and forex gain, the Group's continuing operations would have increased 61.7% to RM203.6 million (2016: 125.9 million).

Power Division

Don Sahong Hydropower Project (the "Project")

During the year, the Project achieved 30% physical completion, compared to 16.5% in the previous year. This brought the cumulative physical completion to 46.5% at the end of 2017 (versus 16.5% at the end of 2016), which was in line with management's guidance. The higher percentage completion during the year resulted in a 78.1% increase in construction revenue to RM645.4 million.

The estimated total project cost was revised down from USD417 million to USD401 million to factor in lower estimated interest cost during the construction period and lower transmission line cost. The downward revision of project cost resulted in a cumulative positive adjustment to pre-tax construction profit in the fourth quarter of 2017 amounting to RM1.4 million. Together with a higher percentage completion achieved during the year, total pre-tax construction profit rose 79.5% to RM172.6 million.

Tawau Power Plant

Sales revenue for 2017 rose 4.4% to RM77.8 million due to higher energy tariff resulting from a 36.9% increase in the average Medium Fuel Oil (MFO) price to RM1.60 per litre (cost pass through mechanism), partially offset by a 20% decline in energy sales volume to 152,856 MWh on shorter operating period resulting from major repair works in May, June and November and expiry of the PPA on 2 December 2017.

Pre-tax profit fell 40.8% to RM3.7 million from RM6.2 million a year ago on shorter operating period (no revenue after 2 December 2017) while SPSB continued to incur operating overheads after the expiry of the PPA on 2 December 2017. SPSB also recorded a RM1 million partial arbitration award in 2016.

B2. Earnings performance review for the financial year ended 31 December 2017 (Cont'd)

Resources Division

The Resources Division posted a 21.7% increase in revenue to RM119.9 million (2016: RM98.5 million), bolstered by a 27.8% growth in sales revenue of lime products to RM105.6 million (2016: RM82.6 million). Revenue contribution from other products, including calcium carbonate powder, limestone and cement bricks, was 5.1% lower at RM15.8 million due mainly to lower cement brick sales.

Sales volume of lime products grew 25.7% to 320,020 tonnes on both higher export and domestic demand. Export-to-domestic sales ratio improved to 50:50% in 2017, compared to 42:58% in 2016 as the Division successfully increased its sales penetration in Australia, India and Indonesia. During the year, domestic demand was bolstered by higher output in the steel industry.

The average selling price of lime products was 1.6% higher mainly due to a favourable change in the sales mix between domestic and export sales, partially offset by a weaker export currency, namely the US Dollar and Australian Dollar.

Pre-tax profit increased 28.4% to RM19.3 million (2016: RM15.0 million) on higher sales volume of lime products and efficiency gains.

Property Division

Revenue from the Property Division of RM9.2 million was 51% lower when compared to RM18.7 million in 2016. The decline in revenue was due to a 93.6% decline in development income, while rental income edged up slightly to RM8.5 million (2016: RM8.3 million).

Despite the sharp decline in development income, pre-tax profit was marginally higher at RM12.5 million (2016: RM12.3 million) due to fair value adjustment gain of investment properties amounting to RM6.3 million. Although there was a fair value adjustment gain of RM8.6 million in 2016, the gain was largely offset by a RM6.7 million write off of land development cost in 2016. Pre-tax profit from investment segment was RM5.8 million, representing a 9.5% increase over 2016's RM5.3 million.

B2. Earnings performance review for the financial year ended 31 December 2017

<u>Assets and liabilities</u>

Significant changes in key assets and liabilities during the financial year ended 31 December 2017 are explained below:

Asset/Liability Items	**As At 31.12.2017** RM'000	**As At 31.12.2016** RM'000	**Changes** RM'000	**Explanation**
Property, plant and equipment ("PPE")	249,081	315,511	(66,430)	PPE decreased mainly because of the deconsolidation of the China power plant operations following the expiry of the JV Agreement on 22 October 2017. Excluding the effects of the deconsolidation, PPE increased RM43.3 million comprising mainly: • RM14.2 million for kiln expansion. • RM32.8 million for additional limestone reserves through the acquisition of new subsidiaries; and • RM12.2 million mainly for the expansion of flexible packaging production capacity by Hexachase Flexipack Sdn Bhd. Depreciation for the financial year was RM19.1 million.
Investment in quoted shares	56,910	40,315	16,595	There were no significant transactions during the financial year. The increase was due to changes in market values of quoted securities which were recognised as "fair value changes of available-for-sale financial assets" in Other Comprehensive Income.

B2. Earnings performance review for the financial year ended 31 December 2017 (Cont'd)

Assets and liabilities (Cont'd)

Asset/Liability Items	As At 31.12.2017 RM'000	As At 31.12.2016 RM'000	Changes RM'000	Explanation
Investment properties	167,662	149,356	18,306	The increase was attributable to the following: • Reclassification of certain completed residential and commercial units from inventory to investment property. • RM6.3 million fair value gain adjustment.
Land held for property development	45,095	44,438	657	There was no significant change in land held for property development. There was no new property launches during the financial year.
Project development expenditure	54,286	169,049	(114,763)	Project development expenditure captured the costs incurred and/or accrued for both the Don Sahong Hydropower Project and plantation development in Cambodia, less the amount recognised as cost of sales in the calculation of construction profit for the Don Sahong Hydropower Project.
Intangible asset	941,796	370,391	571,405	Intangible asset represented the cumulative construction revenue recognised for the Don Sahong Hydropower.
Inventories	42,280	59,874	(17,594)	The decline in inventory was mainly attributable to the deconsolidation of the China operations and reclassification of certain property development units to investment property.
Receivables	105,440	127,046	(21,606)	Receivables decreased following the deconsolidation of SMHP, partially offset by higher receivables in Resources Division and amount owing by QHP.
Deferred tax liabilities	56,176	33,054	23,122	The increase mainly related to deferred tax provision for construction profit.
Payables – current	180,618	133,006	47,612	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project, partially offset by the effects of deconsolidation of the China operations.

B2. Earnings performance review for the financial year ended 31 December 2017 (Cont'd)

Group borrowings and debt securities

As at 31 December 2017, the total amount outstanding under long-term and short-term borrowings (excluding hire purchase payables) was RM221.2 million. The Table below sets out the salient information on our bank borrowings:

		Long-term		Short-term		Total Borrowings	
	Type	Foreign Currency	RM	Foreign Currency	RM	Foreign Currency	RM
Secured							
Trust receipts	Floating	-	-	-	7,402	-	7,402
Term loans	Floating	94,234	18,573	-	13,767	94,234	32,340
Bank overdrafts	Floating	-	-	-	241	-	241
Revolving credits	Floating	-	-	-	46,000	-	46,000
		94,234	18,573	-	67,410	94,234	85,983
Unsecured							
Bank overdrafts	Floating	-	-	-	5,961	-	5,961
Revolving credits	Floating	-	-	-	35,000	-	35,000
		-	-	-	40,961	-	40,961
		94,234	18,573	-	108,371	94,234	126,944

The foreign currency term loan has been partially hedged by an interest rate swap as disclosed in Note A17.

The Group has no debt securities as at 31 December 2017.

Cash flow analysis for the financial year ended 31 December 2017

The Group generated a positive RM131.2 million after tax from operating activities during the financial year. Net cash and cash equivalent however declined RM158.8 million from RM291.3 million on 31 December 2016 to RM132.5 million as at 31 December 2017, while gross borrowings rose RM132.6 million from RM88.6 million on 31 December 2016 to RM221.2 million at the end of 2017. During the financial year, the Group raised RM19.6 million in capital through the exercise of Warrants and ESOS.

Cash made available from operating activities, cash and cash equivalents, borrowings and new capital totaling RM442.2 million were deployed mainly in the following manner:

- RM361.4 million for project development, mainly for the Don Sahong Hydropower project;
- RM30.8 million for PPE (please refer to balance sheet analysis);
- RM10.0 million for acquisition of a subsidiary whose principal asset is limestone reserves;
- RM19.3 million dividends paid to shareholders of the Company; and
- RM18.6 million dividends paid to subsidiaries' non-controlling interests.

B3. Variation of current quarter against preceding quarter

Continuing Operations

	4Q 2017 RM'000	3Q 2017 RM'000	Changes RM'000	%
Continuing Operations				
Revenue	236,364	231,938	4,426	1.9%
Operating profit	57,859	57,888	(29)	-0.1%
Profit before interest and tax	53,244	52,779	465	0.9%
Profit before tax	51,041	51,025	16	0.0%
Profit after tax	41,269	44,265	(2,996)	-6.8%
Revenue				
Power	180,157	185,588	(5,431)	-2.9%
Resources	37,395	27,902	9,493	34.0%
Property	2,120	2,164	(44)	-2.0%
Sub-total	219,672	215,654	4,018	1.9%
Investment holding & others	16,692	16,284	408	2.5%
Revenue from continuing operations	236,364	231,938	4,426	1.9%
Profit before tax				
Power	46,383	45,201	1,182	2.6%
Resources	5,295	3,562	1,733	48.7%
Property	6,036	993	5,043	507.9%
Sub-total	57,714	49,756	7,958	16.0%
Investment holding & others	(6,673)	1,269	(7,942)	-625.8%
Profit before tax from continuing operations	51,041	51,025	16	0.0%
Significant income/(expense) items:				
Construction revenue	166,118	162,990	3,128	1.9%
Construction profit	45,437	43,223	2,214	5.1%
ESOS expense	-	3	(3)	-100.0%
Fair value gain on investment properties	3,500	-	3,500	100.0%
(Loss)/Gain from quoted investments	(1,059)	870	(1,929)	-221.7%
(Loss)/Gain on foreign exchange	(2,905)	3,630	(6,535)	-180.0%
Loss on deconsolidation	(3,209)	-	(3,209)	100.0%

Compared to the preceding quarter, the Group’s revenue excluding discontinued operations improved 1.9% from RM231.9 million in 3Q2017 to RM236.4 million in the current quarter. The increase in revenue was mainly attributable to a 34.0% increase in revenue of the Resources Division to RM37.4 million (3Q 2017: RM27.9 million) and a 1.9% increase in construction revenue to RM166.1 million (3Q 2017: RM163.0 million), partially offset by a 37.9% decline in Tawau Power Plant’s revenue to RM14.0 million.

Pre-tax construction profit registered a 5.1% increase to RM45.4 million, whereas the Resources Division pre-tax profit came in at RM5.3 million, an increase of 48.7% from the preceding quarter. Property Division pre-tax contribution was RM6.0 million, representing a five-fold increase from RM1.0 million in 3Q 2017. Pre-tax profit of Tawau power plant fell 40.3% to RM0.6 million.

B3. Variation of current quarter against preceding quarter (Cont'd)

The overall robust performance of the core continuing operating units was however weighed down by RM2.9 million forex loss, compared to a forex gain in the preceding quarter of RM3.6 million, and RM1.1 million loss from quoted investments, as against a RM0.9 million gain in the preceding quarter. Consequently, Group pre-tax profit from continuing operations came in flat quarter-on-quarter at RM51.0 million.

Power Division

Don Sahong Hydropower Project (the "Project")

Physical completion for the current quarter of 8% was ahead of the 7.6% achieved in 3Q 2017. After factoring in a stronger Malaysia Ringgit against the US Dollar, this translated into a 1.9% increase in construction revenue to RM166.1 million. Pre-tax construction profit however increased at a faster pace of 5.1% to RM45.4 million as a result of the RM1.4 million positive adjustment effect from the downward project cost revision recognized in the current quarter.

Tawau Power Plant

Sales revenue registered a 37.9% decline to RM14.0 million due to lower energy sales resulting from the PPA expiry on 2 December 2017. Consequently, pre-tax profit fell 40.3% to RM0.6 million on shorter operating period.

Resources Division

The Resources Division's revenue increased 34.0% to RM37.4 million on a 33.3% growth in sales of lime products to RM32.6 million. Sales volume of lime products rose 30.6% to 97,313 tonnes, while the average selling price inched up 2% on better export and domestic sales mix.

Pre-tax profit increased 48.7% to RM5.3 million (3Q 2017: RM3.6 million) on higher sales volume of lime products and efficiency gains.

Property Division

Property revenue remained flat quarter-on-quarter at RM2.1 million. There was no development income in both periods and revenue was derived from rental income. Pre-tax profit however increased significantly to RM6.0 million mainly due to fair value adjustment gain of RM3.5 million from the investment segment.

B4. Prospects

Power Division

<u>Don Sahong Hydropower Project (the "Project")</u>

Construction of the powerhouse progressed smoothly during the year and was slightly ahead of schedule. Completion of concreting works and the electrical and mechanical works for the powerhouse have reached 74% and 32% respectively.

Excavation works for the embankment and channel have achieved 94% and 80% completion respectively. Concreting works for the embankment is continuing on schedule, while the inlet underwater excavation has resumed in December 2017 after the end of the rainy season in November 2017. Offsite fabrication of the turbine and generator components are in full swing. The parts will be progressively transported to the site for assembly and installation in the first quarter of 2019. The detailed design of the 28.5km transmission line from the power house to Ban Hat substation has been finalized and physical construction has commenced in January 2018.

The overall physical completion of the Project stood at 46.5% at the end of 2017. Management expects the cumulative physical completion to reach about 80% by the end of 2018. The estimated additional completion of about 33.5% in 2018 will result in higher recognition of construction profit in US Dollar term in 2018 when compared to 2017 (2017: 30%).

Following a review of the project cost at the end of 2017, the Company has reduced the estimated total project cost from USD417 million to USD401 million. The USD16 million savings arose mainly from lower estimated interest cost during the construction period and lower cost of transmission line.

Despite the loss of cash flows from the China power plant following the expiry of the joint venture agreement on 22 October 2017 and the possibility that the PPA between Serudong Power Sdn Bhd and Sabah Electricity Sdn Bhd will not be extended, it will not affect the funding to the Project which is targeted for completion by the end of 2019.

<u>Tawau Power Plant</u>

The Power Purchase Agreement ("PPA") between Serudong Power Sdn Bhd ("SPSB"), a 51%-owned subsidiary of the Company, and Sabah Electricity Sdn Bhd ("SESB") expired on 2 December 2017. Consequently, SPSB has stopped supplying energy since 2 December 2017 while awaiting SESB's decision on the proposed extension of the PPA as approved by the Energy Commission ("EC") and the Minister of Energy, Green Technology and Water.

While management is optimistic that the PPA will be extended, there is no assurance that SESB will approve the extension based on EC's proposed new commercial terms. In 2017, the Tawau Power plant contributed RM3.7 million to the Group's pre-tax profit and RM1.4 million to net profit attributable to shareholders.

B4. Prospects (Cont'd)

Resources Division

Despite the momentary slowdown in the third quarter due to an unexpected drop in demand by a large customer, sales volume of lime products registered a 25.7% year-on-year growth in sales volume to 320,020 tonnes in 2017, resulting in a 28.4% increase in pre-tax profit to RM19.3 million.

Management is optimistic that the demand for lime products in Malaysia and the region will remain buoyant in 2018. However, the recent strength of the Malaysia Ringgit against the US Dollar is expected to have a dampening effect on export revenue in Ringgit terms. To mitigate the effects of a weaker US Dollar, management has selectively increased the selling prices of lime products.

On the cost side, the division is expected to experience some pressure from higher petcoke, limestone and transportation costs in 2018. Nonetheless, management is hopeful these will be largely offset by efficiency gains from improved plant utilisation rate and selective selling price adjustments.

Kiln capacity utilisation rate is currently running at about 80%. To support future growth, the division will be adding another 400 tonne per day kiln capacity (Kiln 8) by the end of 2018 with a total investment of approximately RM25 million. This would bring the total rated kiln capacity to 1,960 tonnes per day.

Property Division

The Property Division is expected to generate continuous stable rental income to the Group.

Foreign Currency Exposure

The Group's major exposure to foreign currency exchange fluctuation is as follows:

<u>Don Sahong Hydropower Project (the "Project")</u>

Investment in the Project is primarily denominated in the US Dollar. Following the year-end review, the total project cost including interest during construction has been revised down from USD417 million to USD401 million. The cumulative investment incurred up to 31 December 2017 is about USD168 million.

The remaining sources of funds will be mainly in US Dollar, including the club deal banking facilities of USD150 million, of which USD23 million has been utilized as at 31 December 2017.

Foreign exchange fluctuation will not have a material impact to the commercial merits and viability of the Project given that the investment cost and future income stream and operating expenses are denominated primarily in US Dollar.

The fluctuation of Malaysia Ringgit against the US Dollar will however have an impact on the reported construction revenue and profit in Malaysia Ringgit terms. The translation of the US Dollar denominated subsidiary for consolidation will also result in forex gain/loss under "other comprehensive income".

B4. Prospects (Cont'd)

Resources Division

Export sales which are denominated primarily in US Dollar and Australian Dollar, accounted for about 50% of revenue in 2017. The recent strength of Malaysia Ringgit against the export currencies will have a negative impact on export margin. To mitigate the impact of forex loss and higher input and transportation costs, management has increased the selling prices for selective customers.

B5. Profit forecast

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

B6. Income tax expense

	Quarter Ended 31 December		Year Ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Income tax expense:				
- Malaysian	(8)	2,027	5,852	5,894
- Overseas	9,780	5,779	29,373	16,110
Discontinued operations				
Income tax expense:				
- Overseas	226	6,987	10,366	20,383
	9,998	14,793	45,591	42,387

The effective tax rate of the Group for the financial year ended 31 December 2017 was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate for construction profit from the Don Sahong Hydropower Project, overprovision of deferred tax, as well as fair value gain on investment properties and foreign exchange gains which are non-taxable. The lower effective tax rate of the Group was partially offset by the 10% withholding tax for dividends repatriated from China and higher non-deductible expenses such as ESOS expense and costs associated with the deconsolidation of the China operations.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigation

SPSB vs SESB

On 15 November 2013, Serudong Power Sdn Bhd ("SPSB") commenced arbitration proceedings against Sabah Electricity Sdn Bhd ("SESB") at the Kuala Lumpur Regional Centre for Arbitration. SPSB's claim in the arbitration is in relation to the recovery of the inflationary adjustments to the capacity and energy payments pursuant to the Power Purchase Agreement dated 13 April 1995 entered into between SPSB and SESB.

On 5 June 2015, SPSB submitted the statement of claim for the outstanding capacity and energy payments ranging from RM24.1 million to RM25.8 million due to the adjustment of the Fixed Operating Rate ("FOR") and Variable Operating Rate ("VOR") for the period from December 2000 to March 2015, as well as interest at 1.5% above the base lending rate as provided for in the Power Purchase Agreement.

On 21 April 2016, SPSB received the Partial Award from the Tribunal declaring that SESB shall pay SPSB the sum of RM7.7 million in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015, without prejudice to SPSB's claims in the Arbitration. The remaining claim remains in dispute in the arbitration.

The final oral arguments were heard before the Tribunal on 3 July 2017. Both parties are presently awaiting the Tribunal's partial award on liability which is scheduled to be delivered within the second quarter of 2018.

GOM vs IHSB

On 20 September 2017, IHSB was served with a Writ of Summon and Statement of Claim by the GOM, details of which are disclosed in Note A14.

Other than as disclosed above, there was no material litigation at 16 February 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividends

(a) A final tax-exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2016 amounting to RM11,446,473.45 was paid on 7 July 2017.

(b) An interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2017 (31 December 2016 : interim tax-exempt dividend of 2.0 sen) amounting to RM7,805,418 was paid on 13 October 2017.

(c) The Board of Directors proposes a final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017 (2016: 3.0 sen tax-exempt). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements. The entitlement and payment dates will be announced later.

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

	Quarter Ended 31 December		Year Ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing Operations				
After crediting:				
Dividend income	99	283	1,252	580
Fair value gain on investement properties	3,500	8,616	6,316	8,616
Gain on disposal of:				
- property, plant and equipment	210	-	253	1,222
- quoted shares	-	-	102	867
Gain on foreign exchange:				
- realised	-	934	7,332	711
- unrealised	-	11,335	-	13,700
Interest income	299	1,108	3,578	4,475
Write-back of:				
- bad debts written off	-	7	-	7
- impairment loss on quoted shares	-	-	12	-
- allowance for impairment loss on receivables	17	-	209	-
- property development expenditures	657	-	657	-
After charging:				
Depreciation of property, plant and equipment	(4,615)	(4,720)	(19,140)	(17,291)
ESOS expense	-	(664)	(13,979)	(2,783)
Interest expense	(2,203)	(1,364)	(6,766)	(6,090)
Loss on deconsolidation	(3,209)	-	(3,209)	-
Loss on foreign exchange:				
- realised	(766)	-	-	-
- unrealised	(2,139)	-	(4,036)	-
Write-down in value of inventories	(575)	(1,258)	(659)	(1,142)
Allowance for impairment loss on receivables	(443)	-	(448)	(2)
Impairment loss on:				
- quoted investments	(1,157)	(2,310)	(1,157)	(2,310)
- land held for property development	-	(6,708)	-	(6,708)
Write-off of plant and equipment	(28)	(2,061)	(28)	(2,062)
After other comprehensive (expenses)/income				
Foreign currency translation difference for foreign operations	(37,988)	22,124	(65,551)	17,015
Fair value changes of available-for-sale financial assets	8,166	877	16,574	585

B11. Earnings per share

	Quarter ended 31 December		Period ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	32,520	32,566	134,062	95,732
- Discontinued operations	(11,022)	2,019	4,274	25,009
	21,498	34,585	138,336	120,741
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares outstanding at beginning of the period	410,768	243,345	401,900	243,345
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(15,009)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	7	1,507	167	1,284
- Warrants	1	157,048	2,454	-
- Rights Issue	-	-	-	114,997
- Bonus element in Rights Issue	-	-	-	8,576
	390,279	381,403	384,024	353,193
Basic earnings per share (sen)				
- Continuing operations	8.33	8.54	34.91	27.10
- Discontinued operations	(2.82)	0.53	1.11	7.08
- Total	5.51	9.07	36.02	34.19

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 financial year ended 31 December 2017 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	Quarter ended 31 December		Period ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(b) Diluted earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	32,520	32,566	134,062	95,732
- Discontinued operations	(11,022)	2,019	4,274	25,009
	21,498	34,585	138,336	120,741
Weighted average number of ordinary shares ('000)	390,279	381,403	384,024	353,193
Weighted average number of shares under options and warrants ('000)	83,487	13,890	83,554	13,890
Weighted average number of shares that would have been issued at average market price ('000)	(51,780)	(12,563)	(53,776)	(13,625)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	421,986	382,729	413,802	353,458
Diluted earnings per share (sen):				
- Continuing operations	7.71	8.51	32.40	27.08
- Discontinued operations	(2.61)	0.53	1.03	7.08
- Total	5.09	9.04	33.43	34.16

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.

B12. Retained profits

	At 31.12.2017 RM'000	At 31.12.2016 RM'000
Total retained profits:		
- realised	494,203	373,149
- unrealised	48,070	77,612
	542,273	450,761
Consolidation adjustments	159,017	130,088
Total Group retained profits	701,290	580,849

B13. Status of Utilisation of Rights Issue Proceeds

As at 31 December 2017, 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:

Purpose	Proposed Utilisation RM'000		Actual Utilisation RM'000		Balance Unutilised RM'000	Intended Timeframe for Utilisation from Completion Date
Don Sahong Hydropower Project	150,000		150,000		-	Within 36 months
Working capital and other general corporate purposes	25,035	(3)	25,035		-	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		3,700	(4)	-	Within 3 months
	243,735	(1)(2)	243,735		-	

(1) The total gross proceeds of RM243.7 million was 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 the translation of USD proceeds has been adjusted against the amount proposed for working capital and other general corporate purposes.
(4) The variation in the amount of estimated expenses has been adjusted against the amount proposed for working capital and other general corporate purposes.

B14. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 23 February 2018.