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

Interim Financial Report
30 June 2018

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 2018

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Note	Current Quarter 30.6.2018 RM'000	Preceding Year Corresponding Quarter 30.6.2017 RM'000	Current Year To Date 30.6.2018 RM'000	Preceding Year Corresponding Period 30.6.2017 RM'000
Continuing operations					
Revenue		218,941	217,164	434,129	401,429
Cost of sales		(164,449)	(158,900)	(325,454)	(293,696)
Gross profit		54,492	58,264	108,675	107,733
Other (expenses)/income, net		3,477	3,095	1,750	7,983
Operating expenses		(4,352)	(15,230)	(9,915)	(26,457)
Profit from operations		53,617	46,129	100,510	89,259
Finance costs		(1,957)	(1,498)	(5,572)	(2,805)
Share of results in joint venture, net of tax		(299)	-	104	-
Profit before tax		51,361	44,631	95,042	86,454
Income tax expense		(8,174)	(9,848)	(14,912)	(16,971)
Profit after tax from continuing operations		43,187	34,783	80,130	69,483
Discontinued operations					
(Loss)/Profit after tax from discontinued operations	A7	(11,059)	15,487	(12,065)	26,150
Profit after tax for the period		32,128	50,270	68,065	95,633
Other comprehensive income/(expenses)		45,291	(15,140)	5,461	(10,064)
Total comprehensive income for the period		77,419	35,130	73,526	85,569
Profit after tax attributable to:					
Owners of the Company		28,437	39,390	59,941	76,767
Non-controlling interests		3,691	10,880	8,124	18,866
		32,128	50,270	68,065	95,633
Total comprehensive income attributable to:					
Owners of the Company		72,004	25,359	65,512	68,415
Non-controlling interests		5,415	9,771	8,014	17,154
		77,419	35,130	73,526	85,569
EPS - Basic (sen)	B11				
- Continuing operations		9.85	7.80	17.96	15.85
- Discontinued operations		(2.57)	2.53	(2.61)	4.28
		7.28	10.33	15.35	20.13
EPS - Diluted (sen)	B11				
- Continuing operations		9.10	7.46	16.63	15.16
- Discontinued operations		(2.37)	2.42	(2.42)	4.09
		6.73	9.88	14.21	19.25

The notes set out on pages 7 to 38 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 2018

	Unaudited As At 30.6.2018 RM'000	Audited As At 31.12.2017 RM'000 Restated
ASSETS		
Non-Current Assets		
Property, plant and equipment	263,531	260,495
Investment in joint venture	104	-
Investment in quoted shares	49,905	56,909
Investment in unquoted shares	335	335
Land use rights	21,139	17,327
Investment properties	167,662	167,662
Inventories	45,696	45,696
Intangible asset	1,272,830	941,796
Deferred tax asset	5,360	170
Goodwill on consolidation	10,812	10,812
	1,837,374	1,501,202
Current Assets		
Inventories	48,401	42,280
Financial derivative assets	2,731	-
Receivables	142,600	152,040
Bank balances and deposits	124,287	138,750
	318,019	333,070
TOTAL ASSETS	2,155,393	1,834,272
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	524,324	524,005
Treasury shares	(30,046)	(30,046)
Reserves	790,749	732,733
	1,285,027	1,226,692
Non-Controlling Interests	141,771	133,757
Total Equity	1,426,798	1,360,449
Non-Current Liabilities		
Payables	8,036	7,083
Long-term borrowings	280,989	112,741
Deferred tax liabilities	66,836	54,145
	355,861	173,969
Current Liabilities		
Payables	245,309	188,708
Short-term borrowings	120,965	108,436
Financial derivative liabilities	-	2,351
Taxation	6,460	359
	372,734	299,854
Total Liabilities	728,595	473,823
TOTAL EQUITY AND LIABILITIES	2,155,393	1,834,272
Net Assets Per Ordinary Share (RM)	3.29	3.14

The notes set out on pages 7 to 38 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 Changes in Equity
For the 6-month period ended 30 June 2018

	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	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	← Non-Distributable								→	Distributable			
Balance at 1.1.2017	401,900	(30,046)	99,856	4,120	90,571	5,681	15,550	18,571	-	580,849	1,187,052	156,688	1,343,740
Total comprehensive income for the period	-	-	-	-	(19,886)	11,534	-	-	-	76,767	68,415	17,154	85,569
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(11,447)	(11,447)	-	(11,447)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(18,065)	(18,065)
ESOS options granted	-	-	-	13,982	-	-	-	-	-	-	13,982	-	13,982
ESOS options lapsed	-	-	-	(103)	-	-	-	-	-	104	1	-	1
Issuance of ordinary shares arising from:													
- conversion of Warrants	21	-	1	-	-	-	-	-	-	-	22	-	22
- exercise of ESOS options	256	-	97	(97)	-	-	-	-		-	256	-	256
Total transactions with owners of the Company	277	-	98	13,782	-	-	-	-	-	(11,343)	2,814	(18,065)	(15,251)
Net accretion of interests in subsidiaries	-	-	-	-	-	-	-	-	-	(354)	(354)	(77)	(431)
Issuance of shares by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	750	750
Realisation of capital reserve	-	-	-	-	-	-	52	-	-	(116)	(64)	(41)	(105)
Balance at 30.6.2017	402,177	(30,046)	99,954	17,902	70,685	17,215	15,602	18,571	-	645,803	1,257,863	156,409	1,414,272

The notes set out on pages 7 to 38 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 6-month period ended 30 June 2018

	←				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	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2018, previously reported	524,005	(30,046)	-	17,746	(27,490)	22,255	475	16,221	(2,351)	715,132	1,235,947	133,757	1,369,704
Effects of MFRS adoption	-	-	-	-	-	-	(475)	-	-	(8,780)	(9,255)	-	(9,255)
Balance at 1.1.2018, restated	524,005	(30,046)	-	17,746	(27,490)	22,255	-	16,221	(2,351)	706,352	1,226,692	133,757	1,360,449
Total comprehensive income for the period	-	-	-	-	7,496	(7,007)	-	-	5,082	59,941	65,512	8,014	73,526
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(7,808)	(7,808)	-	(7,808)
ESOS options granted	-	-	-	388	-	-	-	-	-	-	388	-	388
ESOS options lapsed	-	-	-	(73)	-	-	-	-	-	73	-	-	-
Issuance of ordinary shares arising from:													
- conversion of Warrants	8	-	-	-	-	-	-	#	-	-	8	-	8
- exercise of ESOS options	311	-	-	(76)	-	-	-	-	-	-	235	-	235
Total transactions with owners of the Company	319	-	-	239	-	-	-	-	-	(7,735)	(7,177)	-	(7,177)
Balance at 30.6.2018	524,324	(30,046)	-	17,985	(19,994)	15,248	-	16,221	2,731	758,558	1,285,027	141,771	1,426,798

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The notes set out on pages 7 to 38 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 Cash Flows
For the 6-month period ended 30 June 2018

		Current Year To Date 30.6.2018 RM'000	Preceding Year Corresponding Period 30.6.2017 RM'000
Cash flows (for)/from operating activities			
Profit before tax			
- Continuing operations		95,042	86,454
- Discontinued operations		(10,652)	36,119
Adjustments for non-cash flow	- Non-cash items	(68,629)	(50,982)
	- Non-operating items	2,222	64
Operating profit before working capital changes		17,983	71,655
Changes in working capital	- Net change in assets	(8,825)	(7,958)
	- Net change in liabilities	(7,104)	13,833
Cash from operations		2,054	77,530
Income tax paid		(3,008)	(18,759)
Net cash (for)/from operating activities		(954)	58,771
Cash flows for investing activities			
Interest received		1,387	2,553
Dividend received		504	283
Cash outflow for development project		(170,378)	(143,586)
Proceeds from disposal of property, plant and equipment		2,598	63
Purchase of property, plant and equipment		(22,690)	(25,222)
Purchase of land use rights		(98)	(274)
Proceeds from disposal of quoted shares		-	570
Purchase of quoted shares		-	(1,243)
Acquisition of additional equity interest in a subsidiary		-	(11,229)
Net cash for investing activities		(188,677)	(178,085)

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 6-month period ended 30 June 2018

	Current Year To Date 30.6.2018 RM'000	Preceding Year Corresponding Period 30.6.2017 RM'000
Cash flows from financing activities		
Interest paid	(5,573)	(3,045)
Dividends paid to shareholders of the Company	-	(11,447)
Dividends paid to subsidiaries' non-controlling interests	-	(18,065)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	5,459	6,840
- Hire purchase payables	697	6,296
- Term loans	167,877	15,898
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	235	256
- Exercise of Warrants	8	22
Proceeds from issuance of shares by a subsidiary to non-controlling interests	-	750
Withdrawal of deposits pledged to licensed banks or with original maturity period of more than three months	2,004	26,579
Net cash from financing activities	170,707	24,084
Effect of foreign exchange translation	(855)	9,752
Net decrease in cash and cash equivalents	(19,779)	(85,478)
Cash and cash equivalents at beginning of the period	129,348	263,142
Cash and cash equivalents at end of the period	109,569	177,664

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

	30.6.2018 RM'000	30.6.2017 RM'000
Continuing operations		
Bank balances and deposits	103,228	142,761
Bank overdrafts	(13,522)	(3,008)
Discontinued operations		
Bank balances and deposits	21,059	39,516
	110,765	179,269
Deposits pledged to licensed banks or with original maturity period of more than three months	(1,196)	(1,605)
	109,569	177,664

The notes set out on pages 7 to 38 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 Malaysian Financial Reporting Standard ("MFRS") 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 2017.

These are the Group's first set of interim financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board. In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", with 1 January 2017 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note A1(c) below. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. The financial impacts on the transition from FRSs to MFRSs are disclosed below:-

(a) Adoption of MFRS 9 - Financial Instruments

MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

MFRS 9 simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are measured at FVPL with the irrevocable option at inception to present changes in FVOCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

A1. Basis of preparation (Cont'd)

(a) Adoption of MFRS 9 - Financial Instruments (Cont'd)

The Group applied the simplified approach and calculated expected credit losses based on life time expected losses on its trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors (whichever applicable) specific to the category of debtors and the economic environment.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities, except that receivables which has decreased by RM10.34 million and deferred tax has decreased by RM2.03 million as at 1 January 2018 as a result of applying the ECL model on trade and other receivables. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus these adjustments were recognised in the opening retained earnings of the current period.

(b) Adoption of MFRS 15 - Revenue from Contracts with Customers

The Group has adopted MFRS 15 in the current period. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

MFRS15 establishes a new five-step model that will apply to revenue arising from contracts with customers under which an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

In adopting MFRS 15, the Group has adopted the standard using partial retrospective (with practical expedient) approach where the cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

The Group has assessed the effects of applying the new standards on the financial statements and the impacts of adopting MFRS 15 is detailed in Note A1(c) below.

A1. Basis of preparation (Cont'd)

(c) Restatement of Comparatives - Opening statement of financial position

In summary, the impacts of adopting MFRS 9 and MFRS 15 to opening balances are as follows:

Statement of financial position (Extract)

	As previously reported RM'000	After adjustments for MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
1 January 2018				
Non-current assets				
Property, plant and equipment	262,151	-	(1,656)	260,495
Land held for property development	45,095	-	(45,095)	-
Project development expenditure	601	-	(601)	-
Inventories	-	-	45,696	45,696
Current assets				
Receivables	161,787	(10,338)	591	152,040
Equity				
Reserves	741,988	(8,307)	(948)	732,733
Non-current liabilities				
Deferred tax liabilities	56,176	(2,031)	-	54,145
Current liabilities				
Payables	188,825	-	(117)	188,708

A1. Basis of preparation (Cont'd)

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 ending 31 December 2018:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until) further notice
Annual Improvements to MFRS standards 2015 – 2017 Cycles	1 January 2019

A1. Basis of preparation (Cont'd)

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 2017.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A3. Seasonal or 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 1.1.2018	410,786	(20,497)	524,005	(30,046)
New ordinary shares issued arising from:				
- Exercise of ESOS options	117	-	311	-
- Conversion of Warrants	3	-	8	-
At 30.6.2018	410,906	(20,497)	524,324	(30,046)

A6. Debt and equity securities (Cont'd)

During the 6-month period ended 30 June 2018, the Company has:-

(a) Issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS options	2.00	117,123
Conversion of Warrants	2.22	3,342

As at 30 June 2018, the total number of warrants which remained unexercised was 58,785,342 (31.12.2017: 58,788,684).

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

No. of Share Options	Exercise Price	Vesting Date
600,000	RM2.89	5 April 2018

Of the total 410,906,091 (31.12.2017 : 410,785,626) issued ordinary shares as at 30 June 2018, 20,497,300 (31.12.2017 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 30 June 2018 was therefore 390,408,791 (31.12.2017 : 390,288,326).

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

The discontinued operations comprised the following: -

a) Power plant in China operated by 60%-owned Shaoxing Mega Heat & Power Co., Ltd ("SMHP"). The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People's Republic of China ("QHP") expired on 22 October 2017 and was not extended by the Group; and

b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd ("SPSB"). The Power Purchase Agreement ("PPA") expired on 2 December 2017. Efforts by SPSB to extend the PPA was not successful. Sabah Electricity Sdn Bhd ("SESB") has disagreed on the proposed new commercial terms approved by the Energy Commission and the Ministry of Energy, Green Technology and Water.

Accordingly, the Group has presented and disclosed in these financial statements the effects of discontinued operations for both SMHP (which were effected in 2017) and SPSB 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 have been reclassified to show the discontinued operations separately from continuing operations.

A7. Discontinued operations (Cont'd)

An analysis of the results of the discontinued operations for the current quarter and 6-month period ended 30 June 2018 is as follows:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30.6.2018 RM'000	Preceding Year Corresponding Quarter 30.6.2017 RM'000	Current Year To Date 30.6.2018 RM'000	Preceding Year Corresponding Period 30.6.2017 RM'000
Revenue	-	116,303	-	210,792
Cost of sales	(926)	(91,160)	(1,718)	(168,968)
Gross (loss)/profit	(926)	25,143	(1,718)	41,824
Other (expenses)/income, net	(8,476)	618	(8,156)	1,624
Operating expenses	(493)	(4,080)	(777)	(7,089)
(Loss)/Profit from operations	(9,895)	21,681	(10,651)	36,359
Finance costs	(1)	(236)	(1)	(240)
(Loss)/Profit before tax	(9,896)	21,445	(10,652)	36,119
Income tax expense	(1,163)	(5,958)	(1,413)	(9,969)
(Loss)/Profit after tax for the period	(11,059)	15,487	(12,065)	26,150
Other comprehensive expenses	-	(1,489)	-	(2,492)
Total comprehensive (expenses)/income for the period	(11,059)	13,998	(12,065)	23,658
(Loss)/Profit after tax attributable to:				
Owners of the Company	(10,030)	9,652	(10,193)	16,324
Non-controlling interests	(1,029)	5,835	(1,872)	9,826
	(11,059)	15,487	(12,065)	26,150

No revenue was generated in the current quarter and 6-month period ended 30 June 2018 as operations have ceased since 22 October 2017 in respect of SMHP and since 2 December 2017 in respect of SPSB.

A7. Discontinued operations (Cont'd)

Included in other (expense)/income of RM8.476 million in the current quarter and RM8.156 million in the 6-month period 2018 were the following items:-

(i) RM9.7 million impairment loss on amount receivable from QHP; and

(ii) RM28.0 million loss on asset impairment (plant and equipment and spare part inventory of Tawau plant), retrenchment costs and provision for decommissioning of the Tawau power plant.

Partially offset by:

(iii) RM28.4 million gain in respect of the second partial final award issued by the Arbitral Tribunal in relation to arbitration proceedings initiated by SPSB against SESB.

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

	Current Quarter 30 June		Year-To-Date 30 June	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
After crediting:				
Interest income:				
- External parties	126	192	254	349
- Intra-group of companies	216	151	417	281
Arbitral Tribunal's award	28,372	-	28,372	-
After charging:				
Allowance for impairment loss on receivables	(9,675)	-	(9,675)	-
Amortisation of land use rights	-	(57)	-	(114)
Depreciation of property, plant and equipment	(16)	(6,147)	(35)	(12,424)
Impairment loss on plant and equipment	(10,473)	-	(10,473)	-
Interest expense	(1)	(236)	(1)	(239)
Loss on foreign exchange:				
- realised	-	(1)	-	(9)
Provision for staff retrenchment, plant decommissioning and other expenses	(14,076)	-	(14,376)	-
Write-down in value of inventories	(3,458)	-	(3,458)	-
Write-off of plant and equipment	-	-	-	(37)
After other comprehensive expenses:				
Foreign currency translation difference for foreign operations	-	(1,489)	-	(2,492)

A8. Segment information

GROUP 30.6.2018	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	325,079	74,296	4,752	30,002	-	434,129
- Discontinued operations	-	-	-	-	-	-
	325,079	74,296	4,752	30,002	-	434,129
Inter-segment revenue	-	-	-	22,586	(22,586)	-
Consolidated revenue	325,079	74,296	4,752	52,588	(22,586)	434,129
Results						
Profit from operations						
- Continuing operations	86,272	11,354	3,756	21,960	(22,832)	100,510
- Discontinued operations	(10,651)	-	-	-	-	(10,651)
	75,621	11,354	3,756	21,960	(22,832)	89,859
Finance costs						(5,573)
Share of results in joint venture						104
Profit before tax						84,390
Income tax expense						(16,325)
Profit after tax						68,065
Total assets						
At 30.6.2018						
- Continuing operations	1,393,256	305,730	297,932	1,083,884	(980,722)	2,100,080
- Discontinued operations	55,313	-	-	-	-	55,313
	1,448,569	305,730	297,932	1,083,884	(980,722)	2,155,393

A8. Segment information (Cont'd)

GROUP 30.6.2017	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	316,333	54,648	4,866	25,582	-	401,429
- Discontinued operations	210,792	-	-	-	-	210,792
	527,125	54,648	4,866	25,582	-	612,221
Inter-segment revenue	-	-	-	39,512	(39,512)	-
Consolidated revenue	527,125	54,648	4,866	65,094	(39,512)	612,221
Results						
Profit from operations						
- Continuing operations	84,462	11,140	5,484	26,926	(38,753)	89,259
- Discontinued operations	36,359	-	-	-	-	36,359
	120,821	11,140	5,484	26,926	(38,753)	125,618
Finance costs						(3,045)
Profit before tax						122,573
Income tax expense						(26,940)
Profit after tax						95,633
Total assets						
At 31.12.2017						
- Continuing operations	1,093,780	295,120	295,982	927,426	(817,576)	1,794,732
- Discontinued operations	39,540	-	-	-	-	39,540
	1,133,320	295,120	295,982	927,426	(817,576)	1,834,272

A9. Dividend paid

The dividend paid in the current quarter and 6-month period ended 30 June 2018 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 21 August 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) <u>Option agreement to develop and/or purchase all or any part of 4 parcels of land</u>

Teratai ANR Sdn Bhd ("TASB") was set up as a joint venture company between Teratai Kembara Sdn Bhd ("TKSB")(90%), a 77.8% indirect subsidiary of the Company, and Amanjaya Natural Resources Sdn Bhd ("ANR")(10%).

TASB is a 70% indirect subsidiary of the Company. ANR is an indirect wholly owned subsidiary of Menteri Besar Incorporated (Perak) ("MBI").

TASB was intended to undertake mining activities on a piece of land located in in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan pursuant to a Joint Venture Agreement dated 31 December 2012 ("JVA 2012") and a Supplementary Agreement dated 15 December 2014 ("SA I") between TKSB, ANR and MBI, and a Mining Agreement ("MA") dated 16 December 2014 between TASB and MBI.

However, after exploration of the land, the land was found not to be commercially viable for mining. TASB and MBI wished to explore to develop the land instead.

On 8 May 2018, the following agreements were entered into:-

1. A Second Supplementary Agreement ("SA II") between TKSB, ANR and MBI to vary the terms of the JVA 2012 to change the purpose of the joint venture from mining activities to mixed development.

2. A Memorandum of Rescission and Revocation between TASB and MBI to rescind the MA.

A11. Significant events during the reporting period (Cont'd)

(a) Option agreement to develop and/or purchase all or any part of 4 parcels of land (Cont'd)

3. An Option Agreement between TASB and MBI (hereinafter referred to as "the Parties") whereby:

   a) TASB is appointed to carry out feasibility studies on the proposed development of a 99-year leasehold land measuring a total of approximately 772 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan for a period of not more than 2 years from the date of the Option Agreement;

   b) MBI shall grant to TASB an irrevocable Option for a period of 15 years ("Option Period") from the completion of variation of the Land to either 1) enter into Development Rights Agreement ("DRA") and/or 2) enter into sale and purchase agreements for the acquisition of the land or any part thereof;

   c) TKSB shall cause and procure that MBI be issued with such number of shares in TASB such that MBI's shareholdings in TASB shall be increased to comprise 15% of the total shareholdings in TASB with TKSB holding the remaining 85% of shareholdings in TASB; and

   d) The aggregate value of the Land is agreed at RM63,300,000 based on the agreed value per square feet for each development category as guided by the existing housing policies of the relevant authorities.

(b) Arbitration proceedings - Second Partial Final Award from Arbitral Tribunal

On 31 May 2018, SPSB received a Second Partial Final Award from the Tribunal in relation to arbitration proceedings that SPSB initiated against SESB. The Award provided that:

a) SESB was liable for inflation adjusted FOR and VOR shortfall payments claimed by SPSB from 1 December 2007 (allowing for invoicing after 15 November 2007);

b) SPSB was permitted to invoice SESB for any shortfall in energy and capacity payments, calculated using the adjusted FOR and VOR, within ten (10) days from 31 May 2018;

c) SPSB was entitled to simple interest rate at the rate of 1.5% above the base lending rate in effect at Malayan Banking Berhad on any shortfall in capacity and energy payments calculated using the adjusted FOR and VOR, starting from 30 days after the date each capacity payment or energy payment would have become due, if no dispute had arisen between the parties, until the date of actual payment; and

d) The parties were to bear their own one-half shares on the arbitration costs and SESB was to bear one-half of SPSB's total representation costs.

A11. Significant events during the reporting period (Cont'd)

(b) Arbitration proceedings - Second Partial Final Award from Arbitral Tribunal (Cont'd)

Based on the Award, the Parties have subsequently agreed on the following award amount:

(i) RM19.237 million being the principal shortfall in Energy Payment ("EP") and Capacity Payment ("CP") for the period from 15 November 2007 to 1 December 2016;

(ii) RM9.135 million being the interest on the above principal shortfall calculated up to 31 May 2018; and

(iii) RM420,000 being the Claimant's representation cost to be reimbursed by SESB.

At the date of issue of these financial statements, the Parties have not yet reached an agreement on the following:

(i) Interest on the principal shortfall for period after 31 May 2018 until payment date; and

(ii) Principal shortfall in EP and CP for period from 2 December 2016 to 1 December 2017 and the interest thereon until payment date.

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

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

Other than disclosed in A11(b), there was no significant event subsequent to the end of the period reported up to 21 August 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

There was no change in the composition of the Group for the 6-month period ended 30 June 2018.

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.

A14. Changes in contingent liabilities and assets

(a) Contingent liability (Cont'd)

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.

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 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 of the application was heard on 5 March 2018.

On 14 May 2018, the High Court dismissed GOM's application for summary judgement and ordered RM3,000 cost to be paid by GOM to IHSB.

On 12 June 2018, GOM filed an appeal to the Court of Appeal against the High Court's decision to dismiss the application for summary judgment. The Court of Appeal has set the hearing of the IRB's appeal for 8 October 2018.

On 6 July 2018, the High Court directed both parties to file all pre-trial documents for the Main Suit before 28 September 2018 and has set 28 September 2018 as the next case management date.

Other than as disclosed above, there was no material contingent liability as at 21 August 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A14. Changes in contingent liabilities and assets (Cont'd)

(b) Contingent asset

Other than as disclosed in Note A11(b), the Group has no contingent asset as at 21 August 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 30 June 2018, the Group has the following commitments:

	30.6.2018 RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	29,107
Not contracted	1,600
	30,707
Don Sahong Hydropower Project	
Authorised but not provided for:	
Contracted	616,019
Not contracted	61,138
	677,157
Total	707,864

A16. Significant related party transactions

	YTD 2018 RM'000
Sales of lime products to a joint venture company	5,496

Other than as disclosed above, there was no other significant related party transaction during the 6-month period ended 30 June 2018.

A17. Derivative financial instruments

	30.6.2018 RM'000	31.12.2017 RM'000
Derivative financial assets/(liabilities)		
Interest rate swap	2,731	(2,351)

The Interest Rate Swap ("IRS") is executed with credit-worthy financial institution in order to partially hedge against potential increases in the LIBOR arising from the club deal facilities ("Facilities), which are obtained for the purpose of financing the construction of the Don Sahong Hydropower Project. With the IRS, it effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

As at the end of the reporting period, the Group has utilised IRS of USD37.1 million (31.12.2017: USD13.3 million). The IRS has the same maturity terms as the Facilities and is settled every 3 months which is consistent to Facilities' interest repayment schedule.

The Group applies hedge accounting for the hedging instrument of IRS as the hedge is considered to be highly effective based on the following considerations:

a) The critical terms of the IRS and the hedged item (i.e. the Facilities) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly matched; and

b) The fair value of the hedging instrument at inception is nil.

The Group will continue to assess the hedge relationship to ensure that it has actually been highly effective retrospectively.

The IRS is measured at fair value based on bank quote. The fair value changes on the effective portion of the IRS which qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in profit or loss.

During the 6-month period ended 30 June 2018, a gain of RM5.08 million is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

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

B1. Performance review - Current quarter 30 June 2018 against the corresponding quarter 30 June 2017

Continuing Operations

	2Q 2018 RM'000	2Q 2017 RM'000	Changes RM'000	%
Revenue	218,941	217,164	1,777	0.8%
Other income, net	3,477	3,095	382	12.3%
Profit before interest and tax	53,318	46,129	7,189	15.6%
Profit before tax	51,361	44,631	6,730	15.1%
Profit after tax	43,187	34,783	8,404	24.2%
Profit after tax attributable to owners of the Company	38,467	29,738	8,729	29.4%
Revenue				
Power	164,042	171,446	(7,404)	-4.3%
Resources	37,115	29,701	7,414	25.0%
Property	2,653	2,133	520	24.4%
Sub-total	203,810	203,280	530	0.3%
Investment holding & others	15,131	13,884	1,247	9.0%
Total revenue	218,941	217,164	1,777	0.8%
Profit before tax				
Power	43,614	45,680	(2,066)	-4.5%
Resources	4,983	5,860	(877)	-15.0%
Property	1,502	1,266	236	18.6%
Sub-total	50,099	52,806	(2,707)	-5.1%
Investment holding & others	1,262	(8,175)	9,437	-115.4%
Total profit before tax	51,361	44,631	6,730	15.1%
Significant income/(expense) items:				
Construction revenue	164,042	171,446	(7,404)	-4.3%
Construction profit	43,730	45,472	(1,742)	-3.8%
ESOS expense	(388)	(8,835)	8,447	-95.6%
Gain from quoted investments	495	277	218	78.7%
Gain on foreign exchange	937	1,648	(711)	-43.1%

B1. Performance review - Current Quarter 30 June 2018 against the Corresponding Quarter 30 June 2017 (Cont'd)

Group revenue from continuing operations improved marginally by 0.8% in 2Q2018 to RM218.9 million from RM217.2 million a year ago. The increase was mainly attributable to improved performance in Resources Division which saw an increase in revenue by RM7.4 million. However, the increase was offset by a decrease in revenue contribution from Don Sahong Hydropower Project ("Don Sahong") to RM164.0 million (2Q2017: RM171.4 million).

Pre-tax profit for the Group increased 15.1% or RM6.7 million to RM51.4 million (2Q2017: RM44.6 million) mainly due to lower ESOS expense (RM0.4 million in 2Q2018 vs RM8.8 million in 2Q2017), partially offset by lower construction profit and contribution from Resources Division.

Power Division (Don Sahong)

Physical completion of Don Sahong during the period was 8.3% as compared to 7.9% in 2Q2017. This brought the cumulative physical completion to 63% as of 30 June 2018. The positive impact from a higher percentage completion was however more than offset by a 10.3% appreciation of the Malaysia Ringgit against the US Dollar, resulting in lower construction revenue and profit.

Resources Division

The Resources Division recorded a 25.0% increase in revenue to RM37.1 million, bolstered by a 27.0% or RM7.2 million increase in sales of lime products to RM33.8 million. Revenue contribution from other products were flat year-on-year.

Sales volume of lime products grew 32.0% year-on-year on stronger demand from both domestic and export markets. The average selling price of lime products declined 3.8% mainly due to a stronger Malaysia Ringgit, which negatively impacted the US Dollar-denominated export selling price in Ringgit term.

Despite a strong top line growth, pre-tax profit was hurt by margin pressure from lower average selling price, higher fuel and transportation costs and higher repair and maintenance expenses. Consequently, pre-tax profit declined 15.0% to RM5.0 million.

Property Division

Revenue from the Property Division increased 24.4% to RM2.6 million as a result of RM0.5 million development income recognised during the current quarter (2Q2017: nil). Rental income of RM2.1 million was flat year-on-year.

Pre-tax profit improved 18.6% to RM1.5 million largely due to development profit recognised during the quarter (2Q2017: nil).

B2. Performance review - Year-to-date 30 June 2018 against the corresponding Year-to-date 30 June 2017

	YTD 30.6.2018 RM'000	YTD 30.6.2017 RM'000	Changes RM'000	%
Revenue	434,129	401,429	32,700	8.1%
Other income, net	1,750	7,983	(6,233)	-78.1%
Profit before interest and tax	100,614	89,259	11,355	12.7%
Profit before tax	95,042	86,454	8,588	9.9%
Profit after tax	80,130	69,483	10,647	15.3%
Profit after tax attributable to owners of the Company	70,134	60,443	9,691	16.0%
Revenue				
Power	325,079	316,333	8,746	2.8%
Resources	74,296	54,648	19,648	36.0%
Property	4,752	4,866	(114)	-2.3%
Sub-total	404,127	375,847	28,280	7.5%
Investment holding & others	30,002	25,582	4,420	17.3%
Total revenue	434,129	401,429	32,700	8.1%
Profit before tax				
Power	86,224	84,453	1,771	2.1%
Resources	11,772	10,438	1,334	12.8%
Property	2,531	5,483	(2,952)	-53.8%
Sub-total	100,527	100,374	153	0.2%
Investment holding & others	(5,485)	(13,920)	8,435	-60.6%
Total profit before tax	95,042	86,454	8,588	9.9%
Significant income/(expense) items:				
Construction revenue	325,079	316,333	8,746	2.8%
Construction profit	86,661	83,896	2,765	3.3%
ESOS expense	(388)	(13,982)	13,594	-97.2%
Fair value gain on investment properties	-	2,816	(2,816)	-100.0%
Gain from quoted investments	504	397	107	27.0%
(Loss)/Gain on foreign exchange	(1,048)	2,578	(3,626)	-140.7%

B2. Performance review - Year-to-date 30 June 2018 against the corresponding Year-to-date 30 June 2017 (Cont'd)

Excluding discontinued operations, Group revenue increased by RM32.7 million or 8.1% to RM434.1 million for the 6-month period ended 30 June 2018 (30.6.2017: RM401.4 million). The increase was mainly attributable to a 36.0% increase in Resources Division's revenue to RM74.3 million (1H2017: RM54.6 million) and an RM8.7 million revenue increase from Don Sahong to RM325.1 million.

Group pre-tax profit from continuing operations expanded 9.9% from RM86.5 million to RM95.0 million for the 6-month period ended 30 June 2018. This was mainly due to lower ESOS expense (down RM13.6 million) and higher construction profit (up 3.3% or RM2.8 million), partially offset by RM1.0 million forex loss (from a RM2.6 million gain in 1H2017) and lower contribution from Property Division due to the absence of fair value gain recognition on investment properties (1H2017: RM2.8 million).

Power Division (Don Sahong)

During the 6-month period ended 30 June 2018, Don Sahong achieved a 16.5% physical completion, compared to 14.4% in the previous period. This brought the cumulative physical completion to 63.0%, which was in line with management's guidance. The higher percentage completion during the period was however partially offset by a stronger Malaysia Ringgit. The average RM:USD exchange rate in the first six month of 2018 was 10.3% lower than the same period last year. Consequently, construction revenue rose 2.8% or RM8.7 million to RM325.1 million. Correspondingly, pre-tax construction profit increased 3.3% or RM2.8 million to RM86.7 million.

Resources Division

Resources Division posted a 36.0% increase in revenue to RM74.3 million (1H2017: RM54.7 million), bolstered by a 39.9% growth in sales revenue of lime products to RM68.0 million (1H2017: RM48.6 million). Revenue contribution from other products, primarily calcium carbonate powder, limestone and cement bricks, came in at RM6.3 million and is slightly ahead when compared to RM6.1 million achieved in the previous corresponding period last year.

Sales volume of lime products grew 43.4% on both higher export and domestic demand. Export-to-domestic sales ratio in the first six months was 57:43. The average selling price of lime products was 2.4% lower than 1H2017. The decline was mainly due to a stronger Malaysia Ringgit against the US Dollar.

Resources Division's pre-tax profit increased 12.8% to RM11.8 million primarily attributable to higher sales volume, partially offset by lower average selling price and higher fuel, transportation and repair and maintenance costs.

Property Division

Property Division's revenue was stable at RM4.8 million (1H2017: RM4.9 million). Pre-tax profit was however 53.8% lower at RM2.5 million (1H2017: 5.5 million) mainly due to the absence of fair value gain in the current period (1H2017: 2.8 million).

B2. Performance review - Year-to-date 30 June 2018 against the corresponding Year-to-date 30 June 2017 (Cont'd)

(a) <u>Assets and Liabilities</u>

Significant changes in key assets and liabilities during the 6-month period ended 30 June 2018 are explained below:

Asset/Liability Items	As At 30.6.2018 RM'000	As At 31.12.2017 RM'000	Changes RM'000	Explanation
Property, plant and equipment ("PPE")	263,531	260,495	3,036	PPE increased by RM3.0 million primarily due to capital expenditures of 22.7 million for the following purposes: - RM16.0 million incurred by Resources Division mainly for kiln expansion; - RM3.4 million utilised for plantation development activities in Cambodia; and - RM2.7 million spent on expanding flexible packaging production capacity. Partially offset by: - Impairment loss of RM10.5 million on Tawau power plant; - Depreciation charges of RM7.7 million for the period; and - Asset disposal of RM1.1 million.
Investment in quoted shares	49,905	56,909	(7,004)	The decrease was due to decline in market values of quoted securities which were recognised as "fair value changes of available-for-sale financial assets" in Other Comprehensive Income.
Investment properties	167,662	167,662	-	There was no change during the period.
Inventories (non-current)^	45,696	45,696	-	There was no change during the period
Intangible asset	1,272,830	941,796	331,034	Intangible asset represented the cumulative construction revenue recognised for the Don Sahong Hydropower Project.

^ - *represents assets previously classified under land held for property development and project development expenditure in accordance with MFRS 15.*

B2. Performance review - Year-to-date 30 June 2018 against the corresponding Year-to-date 30 June 2017 (Cont'd)

(a) Assets and Liabilities (Cont'd)

Significant changes in key assets and liabilities during the 6-month period ended 30 June 2018 are explained below:

Asset/Liability Items	**As At 30.6.2018** RM'000	**As At 31.12.2017** RM'000	**Changes** RM'000	**Explanation**
Inventories (current)	48,401	42,280	6,121	The increase in inventories was mainly attributable to an increase in stock level of the Resources Division on higher sales volume.
Receivables	142,600	152,040	(9,440)	Receivables decreased mainly attributed to the followings: - RM25 million decrease due to realisation of advance payment (recorded as prepayment) paid to EPC contractor, Sinohydro through progressive billing by Sinohydro; and - RM9.7 million allowance for impairment loss on amount receivable from QHP. Partially offset by a RM28.4 million receivable from SESB arising from the Arbitral Tribunal Award in May 2018.
Deferred tax liabilities (net)	61,476	53,975	7,501	The increase mainly related to deferred tax liabilities provided for construction profit net of deferred tax assets arising from provisions made by SPSB for staff retrenchment, plant decommissioning and other costs.
Payables – current	245,309	188,708	56,601	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project, provisional costs made by SPSB for staff retrenchments, plant decommissioning & other related costs and RM7.8 million dividend payable by MFCB to its shareholders.

B2. Performance review - Year-to-date 30 June 2018 against the corresponding Year-to-date 30 June 2017 (Cont'd)

(b) Group borrowings and debt securities

As at 30 June 2018, the total amount outstanding under long-term and short-term borrowings (excluding hire purchase payables) was RM401.95 million. The Table below sets out the salient information on the Group's bank borrowings:

		Long-term		**Short-term**		**Total Borrowings**	
	Type	**Foreign Currency**	**RM**	**Foreign Currency**	**RM**	**Foreign Currency**	**RM**
Secured							
Bankers' acceptance	Floating	-	-	-	12,861	-	12,861
Term loans	Floating	267,409	13,580	-	13,582	267,409	27,162
Bank overdrafts	Floating	-	-	-	6,042	-	6,042
Revolving credits	Floating	-	-	-	71,000	-	71,000
		267,409	13,580	-	103,485	267,409	117,065
Unsecured							
Bank overdrafts	Floating	-	-	-	7,480	-	7,480
Revolving credits	Floating	-	-	-	10,000	-	10,000
		-	-	-	17,480	-	17,480
Total bank borrowings		267,409	13,580	-	120,965	267,409	134,545

The interest on 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 30 June 2018.

(c) Cash flow analysis for the financial period ended 30 June 2018

The Group generated RM1.0 million cash for its operating activities during the 6-month period ended 30 June 2018.

In the same period, the Group spent RM188.9 million on investing activities comprising mainly RM170.4 million on Don Sahong Hydropower Project and RM22.7 million capex on plant expansion. These investments were funded mainly by external borrowings. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM173.4 million to RM388.4 million (31.12.2017: RM215.0 million) while cash and cash equivalents decreased RM19.8 million to RM109.6 million.

B3. Variation of Current Quarter against Preceding Quarter

Continuing Operations

	2Q 2018 RM'000	1Q 2018 RM'000	Changes RM'000	%
Revenue	218,941	215,188	3,753	1.7%
Other income/(expenses), net	3,477	(1,727)	5,204	-301.3%
Profit before interest and tax	53,318	47,296	6,022	12.7%
Profit before tax	51,361	43,681	7,680	17.6%
Profit after tax	43,187	36,943	6,244	16.9%
Profit after tax attributable to owners of the Company	38,467	31,667	6,800	21.5%
Revenue				
Power	164,042	161,037	3,005	1.9%
Resources	37,115	37,181	(66)	-0.2%
Property	2,653	2,099	554	26.4%
Sub-total	203,810	200,317	3,493	1.7%
Investment holding & others	15,131	14,871	260	1.7%
Total revenue	218,941	215,188	3,753	1.7%
Profit before tax				
Power	43,614	42,610	1,004	2.4%
Resources	4,983	6,789	(1,806)	-26.6%
Property	1,502	1,029	473	46.0%
Sub-total	50,099	50,428	(329)	-0.7%
Investment holding & others	1,262	(6,747)	8,009	-118.7%
Total profit before tax	51,361	43,681	7,680	17.6%
Significant income/(expense) items:				
Construction revenue	164,042	161,037	3,005	1.9%
Construction profit	43,730	42,931	799	1.9%
ESOS expense	(388)	-	(388)	na
Gain from quoted investments	495	9	486	5400.0%
Gain/(Loss) on foreign exchange	937	(1,985)	2,922	-147.2%

B3. Variation of Current Quarter against Preceding Quarter (Cont'd)

Compared to the preceding quarter, Group revenue from continuing operations improved by RM3.8 million to RM218.9 million in the current quarter. The increase was mainly due to higher construction revenue which came in RM3.0 million higher at RM164.0 million (1Q2018 - RM161.0 million). Revenue contribution from the Resources Division was stable quarter-on-quarter whereas the Property Division registered a 26.4% increase in revenue due to development income recognised during the quarter.

Group pre-tax profit from continuing operations rose 17.6% to RM51.4 million (1Q2018: RM43.7 million) primarily due to RM0.9 million forex gain (as compared to a RM2 million forex loss in 1Q2018), RM1.4 million gain on disposal of property, plant and equipment and higher construction profit, partially offset by lower contribution from the Resources Division.

Power Division (Don Sahong)

Don Sahong recorded an 8.3% physical completion for current quarter, marginally higher than 8.2% registered in the preceding quarter. Consequently, construction revenue and profit have both increased slightly by RM3.0 million to RM164.0 million and by RM0.8 million to RM43.7 million, respectively.

Resources Division

Resources Division's revenue was stable quarter-on-quarter at RM37.1 million (1Q 2018: RM37.2 million). Lime products sales volume and average selling price was fairly stable as compared to 1Q 2018. Revenue contribution from other products was flat quarter-on-quarter.

Resources Division's pre-tax profit however declined RM1.8 million or 26.6% to RM5.0 million from 1Q 2018 due mainly to higher production cost arising from higher petcoke prices and transportation costs.

Property Division

The RM0.6 million increase in Property Division's revenue was attributable to recognition of development income of RM0.6 million in the current quarter (1Q2018: nil). Rental income was stable quarter-on-quarter.

Pre-tax profit improved from RM1.0 million in 1Q2018 to RM1.5 million mainly due to development profit recognised coupled with lower operating expenses in the current quarter.

B4. Prospects

Don Sahong Power Project ("Project")

Overall construction of the Project is progressing well and is on track to achieve 80% physical completion as guided by management by the end of 2018. Civil works of the power house has reached 72% and channel excavation is near completion except for the areas surrounding the cofferdams. Overall embankment works are about 70% complete. Fabrication of the four turbine generators and the ancillary parts are on schedule and are progressively being shipped to site for assembly. Assembly of the first unit electromechanical equipment is expected to be completed by 2Q 2019.

The estimated 80% physical completion by year end would translate into a 33.5% physical completion for the year 2018 as compared to 30% recorded in 2017. This would result in higher construction revenue and profit in US Dollar terms. However, contribution in Malaysian Ringgit is expected to be offset by a stronger Malaysia Ringgit against the US Dollar when compared to the average RM:USD exchange rate of RM4.30 in 2017.

Tawau Power Plant

Serudong Power Sdn Bhd ("SPSB"), a 51% owned subsidiary of the Group, has since 2 December 2017 ceased energy supply to SESB following the expiry of the Power Purchase Agreement ("PPA"). Efforts to extend the PPA were unsuccessful due to SESB's disagreement to the new energy rates approved by the Energy Commission and the Ministry of Energy, Green Technology and Water. Consequently, the Group has in the current quarter reclassified the financial results of SPSB as Discontinued Operations and has restated the comparative figures accordingly.

The Group decided to make full impairment on SPSB's property, plant and equipment and inventory in the current quarter with a total carrying value of RM13.9 million. An additional RM14.1 million provision has also been made in the current quarter for plant decommissioning cost, staff retrenchment cost and other incidental expenses (refer Note A7). SPSB is currently exploring several options on the planned disposal of the power plant assets.

China Power Plant

Following the expiry of the joint venture agreement with Qixian Heat & Power Co. Ltd ("QHP") on 22 October 2017, the surviving owner of the power assets, QHP, has decided not to continue with the business. While SMHP is not legally obligated to share the cost of the plant closure, management felt that being a good business partner, the Company has agreed to share some of the cost of the plant closure.

At 1 January 2018, the amount receivable from QHP was RM13.2 million, being the balance of the Company's share of SMHP's working capital recoverable from QHP. Following a settlement agreement on the plant closure cost sharing formula, the Group has received RM3.5 million cash as full and final settlement of the amount owing from QHP. Full provision on the unrecoverable amount of RM9.7 million has been made in the current quarter (refer Note A7).

B4. Prospects (Cont'd)

Resources Division

Management remains optimistic of the demand outlook for lime products in Malaysia and the region. The Resources Division is currently operating at 75% to 80% of kiln practical capacity. To support future growth, construction of Kiln 8 and lime crushing facility at an estimated cost of RM28.2 million is currently underway and is expected to be commissioned by the end of 2018.

To mitigate the effects of a stronger Ringgit, management has revised prices upwards for new order from export customers. Cost pressures from higher fuel and transportation costs have stabilised. Management is hopeful that margins will improve through efficiency gains from both higher sales volume and plant utilisation rate.

Property Division

Rental income is expected to remain stable in the remaining quarters of 2018. There are no plans to reactivate the development segment this year. Efforts will continue to market the remaining completed unsold units with a book value of approximately RM10 million.

B5. Profit forecast

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

B6. Income tax expense

	Current Quarter 30 June		Year-To-Date 30 June	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
- Malaysian	1,918	1,652	2,514	4,138
- Overseas	6,256	8,196	12,398	12,833
	8,174	9,848	14,912	16,971
Discontinued operations				
- Malaysian	1,163	861	1,413	1,722
- Overseas	-	5,097	-	8,247
	9,337	15,806	16,325	26,940

The effective tax rate of the Group for the current quarter and 6-month period ended 30 June 2018 was significantly 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 and the impact of claim for reinvestment allowances.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 21 August 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations

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. The Tribunal has delivered its decision on 31 May 2018, details of which are disclosed in Note A11(b).

GOM vs IHSB

Details of this lawsuit are disclosed in Note A14.

Other than as disclosed above, there was no material litigation as at 21 August 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 2.0 sen per ordinary share for the financial year ended 31 December 2017 amounting to RM7,808,175.82 was paid on 6 July 2018. This dividend had 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 2018 (31 December 2017: interim tax-exempt dividend of 2.0 sen).

The interim dividend will be paid on 12 October 2018 to the Depositors who are registered in the Record of Depositors at the close of business on 28 September 2018. The 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 2017: 2.0 sen) per ordinary share.

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

	Current Quarter 30 June		Year-To-Date 30 June	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Continuing Operations</u>				
After crediting:				
Dividend income	495	277	504	283
Fair value gain on investement properties	-	-	-	2,816
Gain on disposal of:				
- property, plant and equipment	1,447	13	1,460	43
- quoted shares	-	-	-	102
Gain on foreign exchange:				
- realised	-	2,523	-	5,068
- unrealised	1,013	-	-	-
Interest income	635	955	1,133	2,204
Write-back of:				
- impairment loss on quoted shares	-	-	-	12
After charging:				
Depreciation of property, plant and equipment	(3,735)	(3,592)	(7,646)	(6,636)
Interest expense	(1,957)	(1,498)	(5,572)	(2,806)
Loss on foreign exchange:				
- realised	(76)	-	(916)	-
- unrealised	-	(874)	(121)	(2,488)
(Write-down)/Write-back of inventories	(1)	(3)	103	(8)
Write-off of plant and equipment	(75)	-	(78)	-
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	44,258	(14,308)	7,386	(19,106)
Fair value changes of available-for-sale financial assets	(479)	657	(7,007)	11,534
Cash flow hedge	1,512	-	5,082	-

B11. Earnings per share

	Quarter ended 30 June		Period ended 30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	38,467	29,738	70,134	60,443
- Discontinued operations	(10,030)	9,652	(10,193)	16,324
	28,437	39,390	59,941	76,767
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	410,903	401,900	410,786	401,900
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	-	-	109	-
- Warrants	1	1	1	1
	390,407	381,404	390,399	381,404
Basic earnings per share (sen):				
- Continuing operations	9.85	7.80	17.96	15.85
- Discontinued operations	(2.57)	2.53	(2.61)	4.28
- Total	7.28	10.33	15.35	20.13

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 6-month period ended 30 June 2018 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	Quarter ended 30 June		Period ended 30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(b) Diluted earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	38,467	29,738	70,134	60,443
- Discontinued operations	(10,030)	9,652	(10,193)	16,324
	28,437	39,390	59,941	76,767
Weighted average number of ordinary shares ('000)	390,407	381,404	390,399	381,404
Weighted average number of shares under options and warrants ('000)	83,367	91,957	83,367	91,957
Weighted average number of shares that would have been issued at average market price ('000)	(51,038)	(74,562)	(52,053)	(74,562)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	422,736	398,799	421,712	398,799
Diluted earnings per share (sen):				
- Continuing operations	9.10	7.46	16.63	15.16
- Discontinued operations	(2.37)	2.42	(2.42)	4.09
- Total	6.73	9.88	14.21	19.25

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. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 28 August 2018.