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

Interim Financial Report
31 December 2018

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 2018

	Note	4th Quarter Ended 31.12.2018 RM'000	4th Quarter Ended 31.12.2017 RM'000	Financial Year Ended 31.12.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
Continuing operations					
Revenue		220,928	222,324	874,119	833,093
Cost of sales		(162,688)	(163,974)	(653,498)	(612,458)
Gross profit		58,240	58,350	220,621	220,635
Other income, net		1,843	(91)	9,488	10,820
Operating expenses		(8,316)	(6,307)	(24,925)	(39,407)
Profit from operations		51,767	51,952	205,184	192,048
Finance costs		(933)	(2,202)	(7,743)	(6,759)
Share of results in joint venture, net of tax		(1)	-	(1)	-
Profit before tax		50,833	49,750	197,440	185,289
Income tax expense		(14,654)	(9,826)	(37,908)	(33,355)
Profit after tax from continuing operations		36,179	39,924	159,532	151,934
Discontinued operations					
(Loss)/Profit after tax from discontinued operations	A7	(423)	(14,886)	(13,746)	15,039
Profit after tax for the period		35,756	25,038	145,786	166,973
Other comprehensive income/(expenses)		(16,889)	(85,332)	11,383	(107,056)
Total comprehensive income/(loss) for the year		18,867	(60,294)	157,169	59,917
Profit after tax attributable to:					
Owners of the Company		31,166	21,498	129,266	138,336
Non-controlling interests		4,590	3,540	16,520	28,637
		35,756	25,038	145,786	166,973
Total comprehensive income attributable to:					
Owners of the Company		14,335	(62,767)	139,281	34,498
Non-controlling interests		4,532	2,473	17,888	25,419
		18,867	(60,294)	157,169	59,917
EPS - Basic (sen)	B11				
- Continuing operations		7.78	8.08	35.59	33.75
- Discontinued operations		0.14	(2.58)	(2.56)	2.28
		7.92	5.50	33.03	36.03
EPS - Diluted (sen)	B11				
- Continuing operations		7.32	7.48	33.23	31.32
- Discontinued operations		0.13	(2.38)	(2.39)	2.11
		7.45	5.10	30.84	33.43

The notes set out on pages 7 to 40 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 2018

	Unaudited As At 31.12.2018 RM'000	Audited As At 31.12.2017 RM'000 Restated
ASSETS		
Non-Current Assets		
Property, plant and equipment	283,737	260,008
Investment in joint venture	4,000	-
Investment in quoted shares	43,247	56,909
Investment in unquoted shares	335	335
Land use rights	21,223	17,327
Investment properties	174,757	167,662
Inventories	44,044	45,696
Intangible asset	1,635,027	941,796
Deferred tax asset	-	170
Goodwill on consolidation	10,812	10,812
	2,217,182	1,500,715
Current Assets		
Inventories	54,554	42,280
Derivative asset	647	-
Receivables	103,910	152,527
Bank balances and deposits	130,508	138,750
	289,619	333,557
TOTAL ASSETS	2,506,801	1,834,272
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	540,667	524,005
Treasury shares	(30,046)	(30,046)
Reserves	842,159	732,733
	1,352,780	1,226,692
Non-Controlling Interests	172,756	133,757
Total Equity	1,525,536	1,360,449
Non-Current Liabilities		
Payables	8,855	7,083
Long-term borrowings	486,308	112,741
Deferred tax liabilities	88,342	54,145
	583,505	173,969
Current Liabilities		
Payables	283,236	188,708
Short-term borrowings	112,387	108,436
Derivative liability	-	2,351
Taxation	2,137	359
	397,760	299,854
Total Liabilities	981,265	473,823
TOTAL EQUITY AND LIABILITIES	2,506,801	1,834,272
Net Assets Per Ordinary Share (RM)	3.41	3.14

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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 2018

	← 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	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 1.1.2017	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 (expensses)/income for the period	-	-	-	-	(118,061)	16,574	-	-	(2,351)	138,336	34,498	25,419	59,917
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 arising from:	-	-	-	-	-	-	-	-	-				
- conversion of Warrants	21,260	-		-	-	-	-	(2,350)		-	18,910	-	18,910
- exercise of 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
Deconsolidation 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	-	-	-	-	-	-	(15,075)	-	-	15,021	(54)	(35)	(89)
Balance at 31.12.2017	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

The notes set out on pages 7 to 40 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 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	-	-	-	-	-	(24,266)	(475)	-	-	15,486	(9,255)	-	(9,255)
Balance at 1.1.2018, restated	524,005	(30,046)	-	17,746	(27,490)	(2,011)	-	16,221	(2,351)	730,618	1,226,692	133,757	1,360,449
Total comprehensive income for the period	-	-	-	-	20,679	(13,662)	-	-	2,998	129,266	139,281	17,888	157,169
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(15,621)	(15,621)	-	(15,621)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,929)	(3,929)
ESOS options granted	-	-	-	388	-	-	-	-	-	-	388	-	388
ESOS options lapsed	-	-	-	(73)	-	-	-	-	-	73	-	-	-
Issuance of ordinary shares arising from:													
- conversion of Warrants	14,818	-	-	-	-	-	-	(1,638)	-	-	13,180	-	13,180
- exercise of ESOS options	1,844	-	-	(464)	-	-	-	-	-	-	1,380	-	1,380
Total transactions with owners of the Company	16,662	-	-	(149)	-	-	-	(1,638)	-	(15,548)	(673)	(3,929)	(4,602)
Effect of increase in issued and paid-up capital of a subsidiary	-	-	-	-	-	-	-	-		(12,520)	(12,520)	25,040	12,520
Balance at 31.12.2018	540,667	(30,046)	-	17,597	(6,811)	(15,673)	-	14,583	647	831,816	1,352,780	172,756	1,525,536

The notes set out on pages 7 to 40 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 financial year ended 31 December 2018

		Financial Year Ended	
		31.12.2018	**31.12.2017**
		RM'000	**RM'000**
Cash flows (for)/from operating activities			
Profit before tax			
- Continuing operations		197,440	185,289
- Discontinued operations		(7,818)	27,275
Adjustments for non-cash flow	- Non-cash items	(127,915)	(110,582)
	- Non-operating items	1,906	5,297
Operating profit before working capital changes		63,613	107,279
Changes in working capital	- Net change in assets	(26,044)	(3,435)
	- Net change in liabilities	17,223	41,034
Cash from operations		54,792	144,878
Income tax paid		(8,887)	(29,729)
Retirement benefits paid		(1,489)	-
Net cash from operating activities		44,416	115,149
Cash flows for investing activities			
Acquisition of additional interest in a subsidiary		-	(431)
Cash outflow for development project		(379,035)	(312,634)
Dividend received		1,041	1,252
Interest received		2,575	3,691
Investment in joint ventures		(4,001)	-
Payments for purchase of:			
- property, plant and equipment		(52,955)	(29,478)
- land use rights		(127)	(1,032)
- quoted shares		-	(1,633)
Proceeds from disposal of:			
- property, plant and equipment		4,792	429
- quoted shares		-	569
Net cash outflow:			
- from deconsolidation of a subsidiary		-	(22,102)
- for acquisition of a subsidiary		-	(10,000)
Net cash for investing activities		(427,710)	(371,369)

The notes set out on pages 7 to 40 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 Cash Flows (Cont'd)
For the financial year ended 31 December 2018

	Financial Year Ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to:		
- shareholders of the Company	(15,621)	(19,252)
- subsidiaries' non-controlling interests	(3,929)	(18,565)
Interest paid	(7,744)	(7,145)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	4,607	33,820
- Hire purchase payables	3,920	(1,209)
- Term loans	364,390	92,524
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	1,380	739
- Conversion of Warrants	13,180	18,910
Proceeds from issuance of shares by a subsidiary		
to non-controlling interests	12,520	750
Withdrawal of bank deposits pledged and with original maturity periods of more than three months	1,595	24,984
Net cash from financing activities	374,298	125,556
Effect of foreign exchange translation	1,766	(3,130)
Net decrease in cash and cash equivalents	(7,230)	(133,794)
Cash and cash equivalents at beginning of the period	129,348	263,142
Cash and cash equivalents at end of the period	122,118	129,348

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

Continuing operations		
Bank balances and deposits	103,081	114,012
Bank overdrafts	(6,785)	(6,202)
Discontinued operations		
Bank balances and deposits	27,427	24,738
	123,723	132,548
Less:		
- Deposits with original maturity period of more than three months	-	(1,512)
- Deposits pledged to licensed banks	(1,605)	(1,688)
	122,118	129,348

The notes set out on pages 7 to 40 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.

This is the first year the Group has prepared its financial statements 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 ("FVPL") 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.

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(Co. No. 6682-V)

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	-	(2,143)	260,008
Land held for property development	45,095	-	(45,095)	-
Project development expenditure	601	-	(601)	-
Inventories	-	-	45,696	45,696
Current assets				
Receivables (including contract assets)	161,787	(10,338)	1,078	152,527
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

A1. Basis of preparation (Cont'd)

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
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

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	641	-	1,844	-
- Conversion of Warrants	5,937	-	14,818	-
At 31.12.2018	417,364	(20,497)	540,667	(30,046)

During the financial year ended 31 December 2018, the Company has:

(a) Issued new ordinary shares are as follows:

	Issue Price	No. of Shares
Exercise of ESOS options	2.00	403,057
Exercise of ESOS options	2.41	238,000
Conversion of Warrants	2.22	5,936,842

As at 31 December 2018, the total number of warrants which remained unexercised was 52,851,842 (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 417,363,525 (31.12.2017 : 410,785,626) issued ordinary shares as at 31December 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 31 December 2018 was therefore 396,866,225 (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 was 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 financial year ended 31 December 2018 is as follows:

	4th Quarter Ended 31.12.2018 RM'000	4th Quarter Ended 31.12.2017 RM'000	Financial Year Ended 31.12.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
Revenue	-	31,624	-	331,245
Cost of sales	(93)	(37,662)	(2,049)	(284,849)
Gross (loss)/profit	(93)	(6,038)	(2,049)	46,396
Other income/(expenses), net	3,263	(4,461)	(4,188)	(2,360)
Operating expenses	(356)	(4,214)	(1,580)	(16,375)
Loss on deconsolidation	-	-	-	-
Profit/(Loss) from operations	2,814	(14,713)	(7,817)	27,661
Finance costs	-	(1)	(1)	(386)
Profit/(Loss) before tax	2,814	(14,714)	(7,818)	27,275
Income tax expense	(3,237)	(172)	(5,928)	(12,236)
(Loss)/Profit after tax for the period	(423)	(14,886)	(13,746)	15,039
Other comprehensive expenses	-	(50,225)	-	(52,794)
Total comprehensive (expenses)/income for the period	(423)	(65,111)	(13,746)	(37,755)
(Loss)/Profit after tax attributable to:				
Owners of the Company	546	(10,055)	(10,017)	8,747
Non-controlling interests	(969)	(4,831)	(3,729)	6,292
	(423)	(14,886)	(13,746)	15,039
Total comprehensive (expenses)/income attributable to:				
Owners of the Company	546	(60,313)	(10,017)	(43,052)
Non-controlling interests	(969)	(4,798)	(3,729)	5,297
	(423)	(65,111)	(13,746)	(37,755)

No revenue was generated in the current quarter and financial year ended 31 December 2018 as operations have ceased since 22 October 2017 in respect of SMHP and since 2 December 2017 in respect of SPSB.

Included in other expense of RM4.2 million for the financial year ended 31 December 2018 mainly comprised RM9.8 million impairment loss on amount receivable from QHP and RM28.3 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, offset by RM31.6 million gain in respect of the second partial and final award issued by the Arbitral Tribunal in relation to arbitration proceedings initiated by SPSB against SESB.

A7. Discontinued operations (Cont'd)

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

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After crediting:				
Interest income:				
- External parties	189	220	558	599
- Intra-group of companies	238	367	873	648
Arbitral Tribunal's award	2,823	-	31,615	-
After charging:				
Allowance for impairment loss on receivables	-	(1,585)	(9,778)	(1,585)
Amortisation of land use rights	-	(19)	-	(190)
Depreciation of property, plant and equipment	-	(13,890)	(35)	(31,114)
Impairment loss on plant and equipment	-	-	(10,471)	-
Interest expense	-	(1)	(1)	(386)
Loss on deconsolidation of subsidiary	-	(3,209)	-	(3,209)
Gain/(Loss) on foreign exchange:				
- realised	-	1	-	(19)
Provision for staff retrenchment, plant decommissioning and other expenses	(1)	-	(14,402)	-
Writedown in value of inventories	(4)	(352)	(3,456)	(352)
Write-off of plant and equipment	(2)	-	(2)	(37)
After other comprehensive expenses:				
Foreign currency translation difference for foreign operations	-	(50,225)	-	(52,794)

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

	Financial Year Ended 31 December	
	2018 RM'000	2017 RM'000
Operating activities	22,288	73,292
Investing activities	(3,899)	(2,672)
Financing activities	(11,029)	(51,593)
Net cash inflow	7,360	19,027

A8. Segment information

Financial Year Ended 31 December 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	656,228	142,249	9,455	66,187	-	874,119
- Discontinued operations	-	-	-	-	-	-
	656,228	142,249	9,455	66,187	-	874,119
Inter-segment revenue	-	-	-	129,250	(129,250)	-
Consolidated revenue	656,228	142,249	9,455	195,437	(129,250)	874,119
Results						
Profit from operations						
- Continuing operations	177,061	16,979	14,323	127,353	(130,532)	205,184
- Discontinued operations	(7,817)	-	-	-	-	(7,817)
	169,244	16,979	14,323	127,353	(130,532)	197,367
Finance costs						(7,744)
Share of results in joint venture						(1)
Profit before tax						189,622
Income tax expense						(43,836)
Profit after tax						145,786
Total assets						
At 31 December 2018						
- Continuing operations	1,729,109	328,384	303,674	1,227,827	(1,122,501)	2,466,493
- Discontinued operations	40,308	-	-	-	-	40,308
	1,769,417	328,384	303,674	1,227,827	(1,122,501)	2,506,801

A8. Segment information (Cont'd)

Financial Year Ended 31 December 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	645,441	119,944	9,150	58,558	-	833,093
- Discontinued operations	331,245	-	-	-	-	331,245
	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	172,816	20,720	12,516	76,357	(90,361)	192,048
- Discontinued operations	27,661	-	-	-	-	27,661
	200,477	20,720	12,516	76,357	(90,361)	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 December 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 financial year ended 31 December 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 19 February 2019, 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) Option agreement to develop and/or purchase all or any part of 4 parcels of land

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:

   (i) 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;

   (ii) 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;

   (iii) 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

   (iv) 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 and 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:

(i) 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);

(ii) 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;

(iii) 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

(iv) 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 and Final Award from Arbitral Tribunal (Cont'd)

On 28 September 2018, Arbitral Tribunal has issued the Final Award where the pertinent details are summarised as follows:

(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.

Both Parties further agreed on the shortfall in EP and CP for the balance term of the PPA i.e. from 2 December 2016 to 1 December 2017 as calculated within the parameters determined by the above Final Award which amounted to RM2.823 million.

As at 31 December 2018, SESB has paid all the above-mentioned sums to SPSB and hence this shall put an end to the arbitration proceedings between both parties.

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

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

There was no significant event subsequent to the end of the period reported up to 19 February 2019, 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 financial year ended 31 December 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 totaling 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 additional 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 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 7 June 2018, GOM filed an appeal to the Court of Appeal against the High Court's decision to dismiss the application for summary judgment. 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.

On 5 October 2018, IHSB entered into a consent judgment ("Consent Judgment") with IRBM, which was sealed by the Shah Alam High Court ("High Court") on 12 October 2018 and received by IHSB on 15 October 2018, to settle the civil suit filed by the IRBM at the High Court for the recovery of taxes for the Years of Assessment 2009 and 2010 only upon the final determination of the same by the Special Commissioners of Income Tax and any appeal to the Courts therefrom for the Main Suit.

This means that the taxes for the Years of Assessment 2009 and 2010 will not be due and payable until the appeal by IHSB to the Special Commissioners of Income Tax on the validity of the assessments have been properly and finally determined. There will no longer be a trial at the High Court.

As a consequence, on 8 October 2018, IRBM withdrew its appeal to the Court of Appeal against the decision of the High Court on 14 May 2018 to dismiss its application for summary judgment.

Other than as disclosed above, there was no material contingent liability as at 19 February 2019, 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

The Group has no contingent asset as at 19 February 2019, 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 2018, the Group has the following commitments:

	31.12.2018 RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	16,467
Don Sahong Hydropower Project	
Authorised but not provided for:	
Contracted	387,386
Not contracted	55,183
	442,569
Total	459,036

A16. Significant related party transactions

	4th Quarter Ended 31.12.2018 RM'000	Financial Year Ended 31.12.2018 RM'000
Sales of lime products to a joint venture company	2,878	13,233

Other than as disclosed above, there was no other significant related party transaction during the current quarter and financial year ended 31 December 2018.

A17. Derivative financial instruments

	31.12.2018 RM'000	31.12.2017 RM'000
Derivative financial assets/(liabilities)		
Interest rate swap	647	(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 USD47.77 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 financial year ended 31 December 2018, a gain of RM3.0 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 31 December 2018 ("4Q2018") versus ("vs") the corresponding quarter 31 December 2017 ("4Q2017")

Continuing Operations

	4Q 2018 RM'000	4Q 2017 RM'000	Changes RM'000	%
Revenue	220,928	222,324	(1,396)	-0.6%
Other income, net	1,843	(91)	1,934	-2125%
Profit before interest and tax	51,766	52,072	(306)	-0.6%
Profit before tax	50,833	49,750	1,083	2.2%
Profit after tax	36,179	39,924	(3,745)	-9.4%
Profit after tax attributable to owners of the Company	30,620	31,553	(933)	-3.0%
Revenue				
Power	167,123	166,118	1,005	0.6%
Resources	31,576	36,153	(4,577)	-12.7%
Property	2,587	2,120	467	22.0%
Sub-total	201,286	204,391	(3,105)	-1.5%
Investment holding & others	19,642	17,933	1,709	9.5%
Total revenue	220,928	222,324	(1,396)	-0.6%
Profit before tax				
Power	47,433	45,093	2,340	5.2%
Resources	3,268	5,295	(2,027)	-38.3%
Property	1,316	6,036	(4,720)	-78.2%
Sub-total	52,017	56,424	(4,407)	-7.8%
Investment holding & others	(1,184)	(6,674)	5,490	-82.3%
Total profit before tax	50,833	49,750	1,083	2.2%
Significant income/(expense) items:				
Construction revenue	167,123	166,118	1,005	0.6%
Construction profit	47,741	45,437	2,304	5.1%
Fair value gain on investment properties	-	3,500	(3,500)	na
Gain/(Loss) from quoted investments	237	(1,059)	1,296	-122.4%
Gain on foreign exchange	2,479	(2,905)	5,384	-185.3%

B1. Performance review - 4Q 2018 vs 4Q 2017 (Cont'd)

Group revenue from continuing operations came in at RM220.9 million, marginally lower than RM222.3 million achieved a year ago. Higher revenue from power, property and other divisions was more than offset by a 12.7% decline in revenue from resources division.

Group pre-tax profit was however 2.2% higher at RM50.8 million. Improved Group PBT was the result of a 5.2% increase in power division PBT contribution and lower losses from investment holding and others, partially offset by a 38.3% decline in resources division and 78.2% decrease in property contribution.

Investment holding and others registered a loss of RM1.2 million in the current quarter, compared to a loss of RM6.7 million in the same period last year. 4Q2017 loss was mainly attributable to foreign exchange loss of RM2.9 million (4Q2018: gain of RM2.5 million) and higher gain from quoted investment

Divisional performance is further described below.

Power Division (Don Sahong)

Physical completion of Don Sahong for the quarter under review was 8%, consistent with that of 4Q2017. However, construction revenue in Malaysia Ringgit term improved marginally by 0.6% to RM167.1 million as a result of translation gain.

Following a project cost review, management revised down the Group project cost by USD1 million (project cost at project company level remained unchanged at US$401 million) on lower estimated financing fees during construction period. The downward revision resulted in a cumulative positive adjustment to pre-tax construction profit of RM3.2 million, which was recognised in 4Q2018. Together with translation gain, pre-tax construction profit rose 2.3% to RM47.7 million.

Resources Division

The Resources Division recorded a 12.7% decline in revenue to RM31.6 million against RM36.2 million in the same period last year due to slower export sales of lime products mainly to Indonesia and India. Revenue contribution from other products decreased marginally by RM0.1 million on lower sales of bricks.

Correspondingly, sales volume of lime products declined by 13.9% on lower export volume. The average selling price was flat year-on-year.

Lower sales volume, coupled with higher transportation and packaging costs resulted in a 38.3% decrease in pre-tax profit to RM3.3 million.

B1. Performance review - 4Q 2018 vs 4Q 2017 (Cont'd)

Property Division

Higher revenue reported by the Property Division was due to the recognition of sale of one development unit (4Q2017: Nil). Rental income remained stable over the same period last year.

Pre-tax profit however decreased significantly by RM4.7 million to RM1.3 million primarily due to the absence of a RM3.5 million fair value gain on investment property and development cost write-back recognised in 4Q2017.

B2. Performance review – Financial Year ("FY") 2018 versus ("vs") FY 2017

Continuing Operations

	2018 RM'000	2017 RM'000	Changes RM'000	%
Revenue	874,119	833,093	41,026	4.9%
Other income, net	9,488	10,820	(1,332)	-12.3%
Profit before interest and tax	205,183	192,168	13,015	6.8%
Profit before tax	197,440	185,289	12,151	6.6%
Profit after tax	159,532	151,934	7,598	5.0%
Profit after tax attributable to owners of the Company	139,283	129,589	9,694	7.5%
Revenue				
Power	656,228	645,441	10,787	1.7%
Resources	142,249	119,945	22,304	18.6%
Property	9,455	9,150	305	3.3%
Sub-total	807,932	774,536	33,396	4.3%
Investment holding & others	66,187	58,557	7,630	13.0%
Total revenue	874,119	833,093	41,026	4.9%
Profit before tax				
Power	177,058	172,807	4,251	2.5%
Resources	18,606	19,295	(689)	-3.6%
Property	12,315	12,512	(197)	-1.6%
Sub-total	207,979	204,614	3,365	1.6%
Investment holding & others	(10,539)	(19,325)	8,786	-45.5%
Total profit before tax	197,440	185,289	12,151	6.6%
Significant income/(expense) items:				
Construction revenue	656,228	645,441	10,787	1.7%
Construction profit	178,129	172,556	5,573	3.2%
ESOS expense	(388)	(13,979)	13,591	-97.2%
Fair value gain on investment properties	6,375	6,316	59	0.9%
Gain from quoted investments	1,041	208	833	400.5%
Gain on foreign exchange	1,983	3,303	(1,320)	-40.0%

B2. Performance review - FY 2018 vs FY 2017 (Cont'd)

Excluding discontinued operations, the Group's annual turnover expanded by 4.9% to RM874.1 million. The increase was mainly attributable to an 18.6% increase in Resources Division, a RM10.8 million increase in construction revenue and higher contribution from other businesses (mainly increase in sales of label and packaging products).

The Group registered a pre-tax profit of RM197.4 million in 2018, a 6.6% increase from the previous year. The improvement in PBT was underpinned by a 2.5% increase in construction profit of Don Sahong to RM177.1 million and lower losses by investment holding and others, partially offset by a 3.6% decrease in Resources Division and marginal decline in Property Division.

Losses from investment holding and others fell RM8.8 million to RM10.5 million mainly as a result a RM13.6 million decrease in ESOS expense to RM0.4 million and higher gain from quoted investment, partially offset by lower foreign exchange gain.

A more detailed explanation on each core division is provided below.

Power Division (Don Sahong)

During the year, Don Sahong achieved 32.5% physical completion, against 30% in 2017. This brought the cumulative physical completion to 79.0% at end of 2018, from 46.5% at the end of 2017.

Despite a higher percentage completion, construction revenue expanded only by 1.7% or RM10.8 million to RM656.2 million (2017: RM645.4 million) as higher percentage completion was partly offset by translation loss. The average RM:USD exchange rate in 2018 was 6.1% lower than 2017.

Pre-tax construction profit however rose at a slightly faster rate of 3.2% to RM178.1 million (2017: RM172.6 million), bolstered by a RM3.2 million positive adjustment in 4Q2018 following the US$1 million downward revision in Group project cost estimate.

B2. Performance review - FY 2018 vs FY 2017 (Cont'd)

Resources Division

The Resources Division revenue rose 18.6% or RM22.3 million to RM142.2 million (2017: RM119.9 million), supported by a 22.7% growth in sales of lime products to RM129.6 million (2017: RM105.6 million). Revenue contribution from other products came in at RM12.6 million, representing a decrease of RM1.7 million from RM14.4 million achieved a year ago mainly due to lower sales of calcium carbonate powder.

Higher revenue reported by lime products as a result of a 24.9% increase in lime sales volume from both export and domestic markets was partially offset by a 1.7% decrease in average selling price due to a 6.1% weakening of the US Dollar against the Malaysia Ringgit.

Despite higher sales revenue, the Resources Division posted a 3.6% decline in pre-tax profit to RM18.6 million as margin was adversely impacted by the stronger Malaysia Ringgit against the US Dollar, higher production costs and an increase in transportation and packaging costs.

Property Division

Property Division's revenue was marginally higher by RM0.3 million at RM9.5 million (2017: RM9.2 million) due to higher development revenue. Two units of properties were sold in 2018 versus only one unit in 2017. Pre-tax profit remains fairly stable for 2018 at RM12.3 million (2017: RM12.5 million), which included RM6.4 million fair value gain on investment properties (2017: RM6.3 million).

B2. Performance review - FY 2018 vs FY 2017 (Cont'd)

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

Significant changes in key assets and liabilities during the financial year ended 31 December 2018 are explained below:

Asset/Liability Items	**As At 31.12.2018** RM'000	**As At 31.12.2017** RM'000	**Changes** RM'000	**Explanation**
Property, plant and equipment ("PPE")	283,737	260,008	23,729	PPE increased by RM23.7 million primarily due to capital expenditures of RM53.0 million for the following purposes: - RM31.9 million incurred by Resources Division mainly for kiln expansion; - RM10.2 million spent on expanding flexible packaging production capacity and; - RM8.1 million incurred for plantation development activities in Cambodia. Partially offset by: - Depreciation and amorisation charges of RM16.3 million for the period; - Impairment loss of RM10.5 million on Tawau power plant; and - Asset disposal/write off amounting to RM2.9 million.
Investment in quoted shares	43,247	56,909	(13,662)	The decrease was due to decline in market values of quoted securities.
Investment properties	174,757	167,662	7,095	Investment properties increased due to fair value gain and reclassification of certain development units from inventories to investment properties.
Inventories (non-current) ^	44,044	45,696	(1,652)	Decrease due mainly to reclassification to investment properties.
Intangible asset	1,635,027	941,796	693,231	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 - FY 2018 vs FY 2017 (Cont'd)

(a) Assets and Liabilities (Cont'd)

Significant changes in key assets and liabilities during the financial year ended 31 December 2018 are explained below:

Asset/Liability Items	**As At 31.12.2018** RM'000	**As At 31.12.2017** RM'000	**Changes** RM'000	**Explanation**
Inventories (current)	54,554	42,280	12,274	Increase was mainly attributable to an increase in petcoke fuel stock by Resources Division.
Receivables	103,910	152,527	(48,617)	Receivables decreased mainly attributed to the followings: - Realisation of RM42.7 million advance payment (recorded as prepayment) paid to EPC contractor, Sinohydro in the form of deduction from progressive billing issued by Sinohydro during the financial year ended 31 December 2018; and - Decrease in RM14.4 million owing by QHP (China power plant). The above is offset by increase in prepaid term loan interest of RM3.8 million.
Deferred tax liabilities (net)	88,342	53,975	34,367	Increase mainly related to additional deferred tax liabilities provided for the recognition of construction profit.
Payables – current	283,236	188,708	94,528	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project and provisional costs for decommissioning of Tawau power plant.

B2. Performance review - FY 2018 vs FY 2017 (Cont'd)

(b) Group borrowings and debt securities

As at 31 December 2018, total borrowings (exclude hire purchase) amounted to RM598.7 million (31 December 2017: RM221.2 million). The Table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD	RM	USD	RM	Borrowings
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Bankers' acceptance	-	-	-	14,009	14,009
Term loans	459,723	26,585	-	12,593	498,901
Bank overdrafts	-	-	-	5,645	5,645
Revolving credits	-	-	-	69,000	69,000
	459,723	26,585	-	101,247	587,555
Unsecured					
Bank overdrafts	-	-	-	1,140	1,140
Revolving credits	-	-	-	10,000	10,000
	-	-	-	11,140	11,140
Total bank borrowings	459,723	26,585	-	112,387	598,695

The increase in total borrowings since 31 December 2017 was mainly attributable to drawdown of RM365.5 million club-deal loan facility to part finance the construction costs of Don Sahong project.

Interest rate on the Group's bank borrowings are wholly floating in nature.

The interest rate 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 31 December 2018.

(c) Cash flow analysis for the financial year ended 31 December 2018

The Group generated RM44.4 million cash from its operating activities during the financial year ended 31 December 2018.

In the same period, the Group spent RM427.7 million on investing activities comprising mainly RM379.0 million on Don Sahong Hydropower Project and RM53.0 million capex on plant expansion. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM376.9 million to RM591.9 million (31.12.2017: RM215.0 million) while cash and cash equivalents decreased RM7.2 million to RM122.1 million (31.12.2017: RM129.3 million).

B3. Variation of Current Quarter ("4Q 2018") versus ("vs") Preceding Quarter ("3Q 2018")

Continuing Operations

	4Q 2018 RM'000	3Q 2018 RM'000	Changes RM'000	%
Revenue	220,928	219,062	1,866	0.9%
Other income/(expenses), net	1,843	5,895	(4,052)	-68.7%
Profit before interest and tax	51,766	52,803	(1,037)	-2.0%
Profit before tax	50,833	51,565	(732)	-1.4%
Profit after tax	36,179	43,223	(7,044)	-16.3%
Profit after tax attributable to owners of the Company	30,620	38,529	(7,909)	-20.5%
Revenue				
Power	167,123	164,026	3,097	1.9%
Resources	31,576	36,377	(4,801)	-13.2%
Property	2,587	2,116	471	22.3%
Sub-total	201,286	202,519	(1,233)	-0.6%
Investment holding & others	19,642	16,543	3,099	18.7%
Total revenue	220,928	219,062	1,866	0.9%
Profit before tax				
Power	47,433	43,353	4,080	9.4%
Resources	3,268	4,571	(1,303)	-28.5%
Property	1,316	8,219	(6,903)	-84.0%
Sub-total	52,017	56,143	(4,126)	-7.3%
Investment holding & others	(1,184)	(4,578)	3,394	-74.1%
Total profit before tax	50,833	51,565	(732)	-1.4%
Significant income/(expense) items:				
Construction revenue	167,123	164,026	3,097	1.9%
Construction profit	47,741	43,727	4,014	9.2%
Fair value gain on investment properties	-	6,375	(6,375)	na
Gain from quoted investments	237	300	(63)	-21.0%
Gain on foreign exchange	2,479	546	1,933	354.0%

B3. Variation of 4Q 2018 vs 3Q 2018 (Cont'd)

Excluding discontinued operations, Group revenue edged up 0.9% quarter-on-quarter to RM220.9 million (3Q 2018: RM219.1 million). A RM3.1 million or 1.9% increase in power revenue and RM3.1 million increase in "other" businesses were largely offset by a 13.2% or RM4.8 million decline in revenue from Resources Division.

When compared to 3Q 2018, Group's PBT declined marginally by -1.4% or RM0.7 million to RM50.8 million as a 9.4% increase in power contribution and lower losses from investment holding and others were more than offset by a 28.5% decrease in Resources Division and 84% decline in Property Division.

The loss incurred by investment holding and others was RM3.4 million lower due mainly to higher forex gain in the current quarter. More detailed explanation on each core division is provided below.

Power Division (Don Sahong)

Physical completion for both current and the preceding quarters was 8.0%. The RM3.1 million or 1.9% increase in construction revenue was due to translation gain.

Translation gain aside, construction profit which rose 9.2% to RM47.7 million was bolstered by a one-off cumulative positive adjustment of RM3.2 million resulting from the US$1 million downward revision of project cost at the Group level.

Resources Division

Resources Division's revenue was 13.2% or RM4.8 million lowered at RM31.6 million when compared to RM36.4 million in 3Q2018. This was largely due to slower export sales volume of lime products to India and Indonesia, partially offset by a 1.6% increase in average selling price as Ringgit weakened against the US Dollar.

Pre-tax profit decreased 28.5% or RM1.3 million to RM3.3 million (3Q 2018: RM4.6 million) as a result of lower sales volume of lime products, higher production cost and higher transportation and packaging costs.

Property Division

Property Division's revenue improved RM0.5 million attributed to the sale of a property unit in the current quarter (3Q2018: Nil). Rental income was stable quarter-on-quarter.

However, pre-tax profit shrunk from RM8.2 million in 3Q 2018 to RM1.3 million mainly due to the absence of fair value gain on investment property (3Q2018: RM6.4 million) and writeback of development cost in 3Q2017.

B4. Prospects

Don Sahong Power Project ("Project")

Construction of the Project is progressing on schedule and is expected to be completed by the end of 2019. At 31 December 2018, overall completion reached 79%. Civil works of the powerhouse was 99% complete, excavation works 93%, embankments 85% and mechanical and electrical works 67%. Construction of the transmission line achieved 50% completion at the end of last year and is expected to be completed before commissioning of the first turbine. Dry test of the first turbine is expected to start in 2Q2019, while wet test is scheduled to commence in 3Q2019.

The Group is expected to recognise construction revenue and profit equivalent to 21% of physical completion in 2019, compared to 32.5% in 2018. The decline in physical completion percentage in 2019 when compared to 2018 would imply lower construction revenue and profit recognition in US Dollar term in 2019. The projected decline in construction revenue and profit is however expected to be partly offset by energy sales in 2H2019 as the four turbines are progressively being tested and commissioned before estimated commercial operation date (COD) by the end of 2019.

Resources Division

Resources division is expected to face headwinds from softening regional economies. A slowdown in construction activities and cancellation/deferral of mega infrastructure projects in Malaysia is also expected to have a knock-on effect on demand for lime products in the domestic market. Against the backdrop of a subdued market condition, management will continue to work towards securing new customers/projects, especially in the export markets.

Barring any significant fluctuation in the foreign currency exchange rates, the average selling price of lime products is expected to remain stable. Cost pressures experienced in 2018 arising mainly from rising petcoke, transportation and packaging material costs have stabilized in recent months. Nonetheless, these costs are closely tied to oil price movements and global demand for petcoke (a waste product from downstream oil activities). Therefore, the situation could change for better or worse depending on future oil price movements and demand-supply dynamics of petcoke as a source of fuel.

Construction of Kiln 8 has been completed which would enable the Group to respond quickly when the demand situation for lime products improves.

Property Division

Rental income from PJ8 and Greentown carparks is expected to remain stable. There are currently no plans to restart our development segment given the weak residential property market in Malaysia. Efforts will continue in 2019 to market the remaining completed unsold inventory with a book value of about RM11 million.

B5. Profit forecast

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

B6. Income tax expense

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>**Continuing operations**</u>				
- Malaysian	8,181	(2,377)	12,781	3,982
- Overseas	6,473	12,203	25,127	29,373
	14,654	9,826	37,908	33,355
<u>**Discontinued operations**</u>				
- Malaysian	3,237	(54)	5,928	1,870
- Overseas	-	226	-	10,366
	3,237	172	5,928	12,236
	17,891	9,998	43,836	45,591

The effective tax rate of the Group for current quarter was significantly higher than the Malaysian statutory tax rate of 24% mainly due to deferred tax provided on cumulative fair value gain of investment properties following an upward revision of Real Property Gains Tax rate from 5% to 10% for real property disposed after 5 years.

The Group's effective tax rate for the financial year ended 31 December 2018 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 and the impact of reinvestment allowances, offset by additional 5% deferred tax as described in the preceding paragraph.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 19 February 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations

(a) <u>SPSB vs SESB</u>

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.

B8. Material litigations (Cont'd)

(a) SPSB vs SESB (Cont'd)

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.

On 31 May 2018 and 28 September 2018, SPSB received a Second Partial Final Award and Final Award from the Tribunal respectively amounting to a total of RM28.8 million payables by SESB to SPSB. Details of the awards are disclosed in Note A11(b).

(b) GOM vs IHSB

Details of this lawsuit are disclosed in Note A14(a).

Other than as disclosed above, there was no material litigation as at 19 February 2019, 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.

(b) An interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018 (31 December 2017: interim tax-exempt dividend of 2.0 sen) amounting to RM7,813,314.50 was paid on 12 October 2018.

(c) The Board of Directors proposes a final tax-exempt dividend of 2 sen per ordinary share for the financial year ended 31 December 2018 (2017: 2.0 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

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
After crediting:				
Dividend income	237	99	1,041	1,252
Fair value gain on investement properties	-	3,500	6,375	6,316
Gain on disposal of:				
- property, plant and equipment	275	262	2,222	305
Gain/(Loss) on foreign exchange:				
- realised	2,795	(1)	2,926	7,256
- unrealised	-	-	-	-
Interest income	483	78	2,017	3,092
Write-back of:				
- Allowance for impairment loss on receivables	-	(192)	-	-
After charging:				
Depreciation of property, plant and equipment	(4,284)	(3,735)	(16,277)	(15,480)
ESOS expense	-	-	(388)	(13,982)
Interest expense	(933)	(2,202)	(7,743)	(6,759)
Loss on foreign exchange:				
- realised	-	(861)	-	-
- unrealised	(336)	(2,031)	(943)	(3,928)
Write-down in value of inventories	(375)	(223)	(273)	(307)
Allowance for impairment loss on				
- receivables, net	(3,248)	(459)	(3,248)	(464)
Write-off of plant and equipment	(200)	(135)	(278)	(135)
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	(502)	(40,922)	22,047	(68,485)
Fair value changes of equity investments	(12,965)	8,166	(13,662)	16,574
Cash flow hedge	(3,422)	(2,351)	2,998	(2,351)

B11. Earnings per share

(a) **Basic earnings per share**

	4th Quarter ended 31 December		Financial Year ended 31 December	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit after tax attributable to owners of the Company:				
- Continuing operations	30,620	31,553	139,283	129,589
- Discontinued operations	546	(10,055)	(10,017)	8,747
	31,166	21,498	129,266	138,336
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	410,906	410,768	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	110	7	239	167
- Warrants	3,127	1	871	2,454
	393,646	390,279	391,399	384,024
Basic earnings per share (sen):				
- Continuing operations	7.78	8.08	35.59	33.75
- Discontinued operations	0.14	(2.58)	(2.56)	2.28
- Total	7.92	5.50	33.03	36.03

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 2018 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	4th Quarter ended 31 December		Financial Year ended 31 December	
	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	30,620	31,553	139,283	129,589
- Discontinued operations	546	(10,055)	(10,017)	8,747
	31,166	21,498	129,266	138,336
Weighted average number of ordinary shares ('000)	393,646	390,279	391,399	384,024
Weighted average number of shares under options and warrants ('000)	77,402	83,487	77,402	83,554
Weighted average number of shares that would have been issued at average market price ('000)	(52,504)	(51,780)	(49,659)	(53,776)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	418,544	421,986	419,142	413,802
Diluted earnings per share (sen):				
- Continuing operations	7.32	7.48	33.23	31.32
- Discontinued operations	0.13	(2.38)	(2.39)	2.11
- Total	7.45	5.10	30.84	33.43

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 26 February 2019.