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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Executive Chairman**  
Goh Nan Kioh

**Executive Directors**  
Goh Nan Yang  
*(Also Alternate to Goh Nan Kioh)*  
Khoo Teng Keat

**Senior Independent Director**  
Dato' Koh Hong Sun

**Independent Directors**  
Yeow See Yuen  
Dato' Tan Ang Meng  
Tuan Haji Pengiran Saifuddin bin Pengiran Tahir, JP  
Jesper Bjorn Madsen  
Professor Dato' Dr. Tan Hui Meng

**Non-Independent Non-Executive Director**  
Tay Kheng Chiong

### AUDIT COMMITTEE

Yeow See Yuen *(Chairman)*  
Dato' Tan Ang Meng  
Jesper Bjorn Madsen

### REMUNERATION COMMITTEE

Goh Nan Kioh *(Chairman)*  
Dato' Koh Hong Sun  
Dato' Tan Ang Meng

### NOMINATING COMMITTEE

Dato' Koh Hong Sun *(Chairman)*  
Dato' Tan Ang Meng  
Yeow See Yuen

### EMPLOYEES' SHARE OPTION COMMITTEE

Goh Nan Kioh *(Chairman)*  
Yeow See Yuen  
Dato' Koh Hong Sun

### COMPANY SECRETARY

Foo Wen Yunn (MAICSA 7057965)

### REGISTERED OFFICE

A-12-01, Level 12  
Block A, PJ8  
23 Jalan Barat  
Seksyen 8  
46050 Petaling Jaya  
Tel: +603-7960 8818  
Fax: +603-7960 7818  
E-mail: [mfcfb@mega-first.com](mailto:mfcfb@mega-first.com)

### SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd.  
(Company No. 378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Tel: +603-7849 0777 (Helpdesk)  
Fax: +603-7841 8151 / 03-7841 8152  
Email: [ssr.helpdesk@symphony.com.my](mailto:ssr.helpdesk@symphony.com.my)

### AUDITORS

Crowe Horwath (AF 1018)

### STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad  
Stock Code: 3069  
Stock Name: MFCB  
Sector: Trading/Services

### WEBSITE ADDRESS

[www.mega-first.com](http://www.mega-first.com)

## PROFILE OF DIRECTORS

### Goh Nan Kioh

Malaysian, Male, Aged 64  
Executive Chairman

Chairman of the Remuneration Committee and the Employees' Share Option Committee

**Mr Goh Nan Kioh** joined the Board on 1 February 2003 as a Non-Independent Non-Executive Director. He was appointed as Chairman of the Board on 29 July 2003 and as Executive Chairman on 1 July 2011. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries.

Mr Goh Nan Kioh and his wife's siblings namely Dr Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

### Goh Nan Yang

Malaysian, Male, Aged 54  
Executive Director and Alternate Director to Mr Goh Nan Kioh

**Mr Goh Nan Yang** joined the Board on 13 March 2003 as the alternate director to Mr Goh Nan Kioh, who is his brother. He was appointed as Executive Director on 26 November 2004. Mr Goh graduated from the University of Toledo with a Bachelor of Science honours degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures.

Mr Goh Nan Yang is a non-executive director and deemed substantial shareholder of D&O Green Technologies Berhad ("D&O"), a company listed on Bursa Malaysia. He is deemed to be interested in various transactions between MFCB Group and D&O Group by virtue of his common directorships, and substantial shareholding in D&O.

### Khoo Teng Keat

Malaysian, Male, Aged 47  
Executive Director

**Mr Khoo Teng Keat** joined the Board on 6 September 2011 as Executive Director. He holds a Bachelor of Commerce (Actuarial Science) honours degree from University of Melbourne, Australia. Prior to joining the Company, Mr Khoo has more than 14 years experience as an equity analyst and has held senior positions with several reputable international investment banks.

### Dato' Koh Hong Sun

Malaysian, Male, Aged 65  
Senior Independent Director

Chairman of the Nominating Committee, Member of the Remuneration Committee and the Employees' Share Option Committee

**Dato' Koh Hong Sun** joined the Board as an Independent Director on 1 December 2010. He holds a Master degree in Strategic and Security Studies from Universiti Kebangsaan Malaysia.

Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

Dato' Koh is also a Director of Genting Malaysia Berhad and DeGem Berhad (both listed on Bursa Malaysia). He is a Director of GLM REIT Management Sdn Bhd, the manager of Tower Real Estate Investment Trust and the Chairman of QBE Insurance (Malaysia) Berhad.

## Profile of Directors [cont'd]

### Yeow See Yuen

Malaysian, Male, Aged 50  
Independent Director

Chairman of the Audit Committee, Member of the Nominating Committee and the Employees' Share Option Committee

**Mr Yeow See Yuen** joined the Board as an Independent Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. Mr Yeow started his career in 1991 with Coopers & Lybrand, Singapore Office in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During that period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy.

Mr Yeow is also a Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

### Tay Kheng Chiong

Malaysian, Male, Aged 54  
Non-Independent Non-Executive Director

**Mr Tay Kheng Chiong** joined the Board as a Non-Independent Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Strathclyde, Scotland and is a Chartered Engineer with the Institution of Engineering and Technology, United Kingdom. Mr Tay has more than 25 years' experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Opto Technologies Sdn Bhd.

Mr Tay is presently the Group Managing Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

### Dato' Tan Ang Meng

Malaysian, Male, Aged 62  
Independent Director

Member of the Audit Committee, the Remuneration Committee and the Nominating Committee

**Dato' Tan Ang Meng** joined the Board as an Independent Director on 1 December 2010. He is a certified public accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

Dato' Tan started his career in 1975 with PricewaterhouseCoopers, Kuala Lumpur Office in the audit division. He left the firm in 1981 to join UMW Holdings Berhad as Group Accountant. In 1983, he joined Guinness Malaysia Berhad as Assistant Chief Accountant. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn Bhd, he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served with the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he joined as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010.

Dato' Tan is also a Director of Red Sena Berhad (listed on Bursa Malaysia) as well as QBE Insurance (Malaysia) Berhad.

## Profile of Directors [cont'd]

**Tuan Haji Pengiran Saifuddin  
bin Pengiran Tahir, JP**  
Malaysian, Male, Aged 60  
Independent Director

**Tuan Haji Pengiran Saifuddin bin Pengiran Tahir, JP** joined the Board on 15 August 2014 as Independent Director. He holds a Law Degree from University of London, England and a Master Degree in Business Administration from Universiti Malaysia Sabah. Tuan Haji Pengiran was admitted to the High Court of Borneo in 1988 and his career in the legal field included the appointment as a Senior Legal Officer in the Sabah State Attorney General Department from 1994 until 1996. Embarking into the corporate management field, he joined a fleet management services company, Angkatan Hebat Sdn Bhd as its Deputy Chief Executive Officer in 1996. A year later, he took up a similar position in K.K.I.P., the developer of Sabah's premier integrated industrial estate, and served in that capacity for over 13 years. Tuan Haji Pengiran Saifuddin was appointed Managing Director of Sabah Urban Development Corporation Sdn Bhd in 2010 before moving on to Sabah Economic Development Corporation (SEDCO) to take up his current position as Group General Manager in December 2013.

**Jesper Bjorn Madsen**  
Danish, Male, Aged 64  
Independent Director

Member of the Audit Committee

**Mr Jesper Bjorn Madsen** joined the Board as an Independent Director on 30 November 2016. He holds a Master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland. Mr Madsen has worked in the legal field for 4 years before joining Carlsberg A/S Group in 1984 and retired in 2009. During his 25 years working for Carlsberg A/S Group, he has held positions as Vice-President responsible for overseas investments and markets, General Manager and Managing Director of Carlsberg Brewery Hong Kong Ltd, Chief Operating Officer of Carlsberg Asia Pte Ltd, Senior Vice-President of Carlsberg Breweries A/S with responsibility for Asia, among other markets. He was also a non-executive Chairman or Vice-Chairman in a number of Carlsberg's subsidiaries in Asia.

Mr Madsen is also a Director of D&O Green Technologies Berhad (listed on Bursa Malaysia) and the Independent and Non-Executive Chairman of Tibet Water Resources Ltd (listed on Hong Kong Stock Exchange).

Mr Madsen is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

**Professor Dato' Dr. Tan Hui Meng**  
Malaysian, Male, Aged 63  
Independent Director

**Professor Dato' Dr. Tan Hui Meng** joined the Board on 20 March 2017. He is a Consultant Urologist in a private hospital in Malaysia. He is also an Adjunct Professor in University of Malaya and the University of Pennsylvania, and a member of 21 learned societies. He is the Honorary President of the Asia Pacific Society and Japan ASEAN Council for Men's Health and Aging. He is currently an Executive Member of the International Society of Men's Health, World Chinese Urological Associations (USA), Asian Society of Endourology and the International Society for Study of the Aging Males.

His research interest includes urolithiasis (stone diseases) prostatic diseases, erectile dysfunction and hormonal changes in the ageing male. He has published about 156 articles and abstracts in peer-reviewed journals and 13 books on erectile dysfunction and men's health. Professor Dato' Dr. Tan sits on the editorial boards of 10 journals. He has been a consultant and panelist for the past three WHO Sponsored Consultations in Sexual Medicine in 1999, 2003 and 2009, as well the WHO affiliated the International Consultation of Urological Disease (ICUD)-Men's Health and Infertility in 2015/2016. Professor Dato' Dr. Tan was bestowed the Outstanding Urologist Award by the World Chinese Urological Association (WCUA), an affiliate of the American Urological Association (AUA) in 2010.

### Note:

Save as disclosed above, the Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.

## PROFILE OF KEY SENIOR MANAGEMENT

### **Chu Beng Han**

Malaysian, Male, Aged 53  
Head, Resources Division

Mr Chu Beng Han is the Head of the Resources Division. He joined Rock Chemical Industries (Malaysia) Berhad on 1 July 2004 as Group Operations Manager and later promoted as Executive Director on 26 November 2004. He was re-designated as Head of the Resources Division in March 2012.

Mr Chu Beng Han obtained a Bachelor of Engineering (Civil) degree from National University of Singapore. Prior to joining the Group, he has over 8 years of working experience in an international building and structural forensic consultancy firm and another 7 years in a senior management position in a public listed company involved in cement and ready-mixed concrete business.

He is the nephew of Mr Goh Nan Kioh and Mr Goh Nan Yang.

### **IR. Yeong Chee Meng**

Malaysian, Male, Aged 65  
Head, Don Sahong Hydropower Project

Mr Yeong Chee Meng is the Head of the Don Sahong Hydropower Project. He joined the Company in April 2008 as Project Director for the Don Sahong Hydropower Project in Lao PDR. He is responsible for managing the development of the Don Sahong Hydropower Project, organizing all investigative works, formulating all works contracts, supervising consultants and contractors, and control and manage project schedule and cost to ensure all project milestones and targets such as land acquisition, environmental approval, construction schedule and cost, testing and commissioning, and commercial operation, are met.

Mr Yeong Chee Meng obtained a Bachelor of Engineering (Civil) honours degree from University Malaya. He also holds a Master of Applied Science in Project Management degree from University of South Australia. Upon graduation in 1978, he spent 22 years with the Public Works Department of Malaysia ("PWD"). During that period, he progressed through a series of positions including District Engineer – Sabak Bernam, Selangor, Assistant Director (Roads) – Penang State, Deputy Director – Negri Sembilan State and Head of Computer/IT Centre – Kuala Lumpur Headquarters. Over the next 14 years, his career progressed to several senior management positions such as General Manager (Construction) with KL International Airport Berhad, Managing Director of Sarawak Hidro Sdn Bhd, Project Director for Alfaisal University in Saudi Arabia and Senior General Manager (Non-Revenue Water Division) with SYABAS.

### **Sim See Sheng**

Malaysian, Male, Aged 60  
Chief Resident Engineer,  
Don Sahong Power Company Ltd

Mr Sim See Sheng joined Don Sahong Power Company Ltd as the Chief Resident Engineer for the Don Sahong Hydropower Project in Lao PDR. He is responsible for the timely completion of the Don Sahong Hydropower Project.

Mr Sim holds a Bachelor of Science (Honours) Degree from University of Birmingham, England (1982). He has more than 33 years of experience in construction supervision and engineering management as owner's engineer, consultant engineer and contractor's project in mega and small hydropower projects, dam construction, general civil and building works. He is specialised in project implementation and supervision management of mega hydropower projects which includes feasibility studies, due diligence of hydro plants, project feasibility design and construction supervision of concrete buttress dam, earth blanket and concrete face rockfill dams, RCC dam, tunnels, power intake structures, deep sluice, canal headworks, spillway, storage ponds, surge tank, low & high pressure pipe line conduit, power house, foundation engineering, plinth grouting, dam instrumentation and reservoir impoundment procedures.

He started his career in Sarawak Electricity Supply Corporation as the Senior Civil Engineer. Thereafter, he held several senior engineering positions in various companies in Asia, Eurasia and Europe, before joined Don Sahong Power Company Ltd.

### **Neo Hong Chee**

Malaysian, Male, Aged 45  
Financial Controller, Mega First Corporation Berhad

Mr Neo Hong Chee is the Financial Controller of the Company. He joined the Company in October 2007 and is responsible for the finance and treasury function within the Group.

Mr Neo began his career in Crowe Horwath in the audit and assurance department, before moving on to a multinational corporation, where he held various roles including finance manager and international business development manager. He also has experience in cross-border joint venture, project management and HR processes. He has obtained a pass in the Certificate Stage examinations of the Association of Chartered Certified Accountants.

## Profile of Key Senior Management [cont'd]

**Jeff Fernandez**  
Malaysian, Male, Aged 48  
General Manager, Tawau Power Plant

Mr Jeff Fernandez is the General Manager of the Tawau Power Plant. He joined the MFCB Group in January 1996 as Mechanical Engineer. In November 1996, he was seconded to the Tawau Power Plant as Mechanical Engineer and later promoted as Senior Mechanical Engineer and Assistant Plant Manager. In 2012, he was promoted as General Manager of the Tawau Power Plant. Mr Jeff Fernandez is responsible for and oversees the daily administration, operation and maintenance of the Tawau Power Plant.

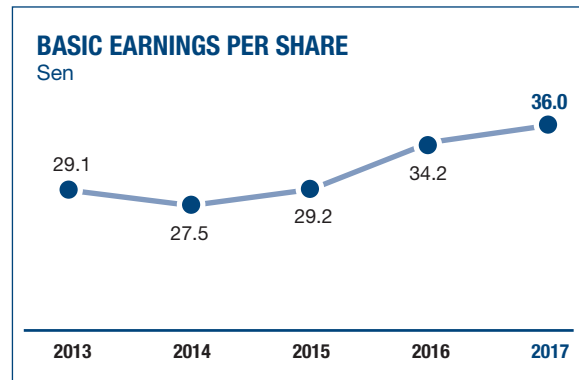
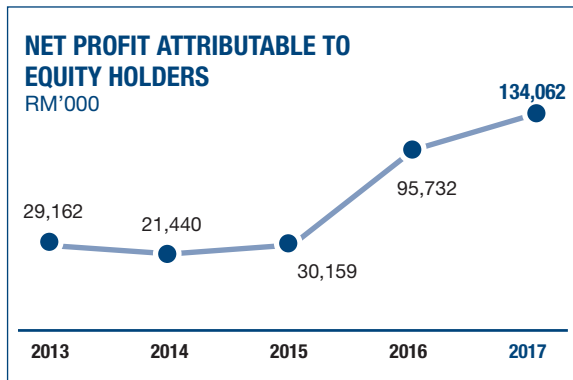
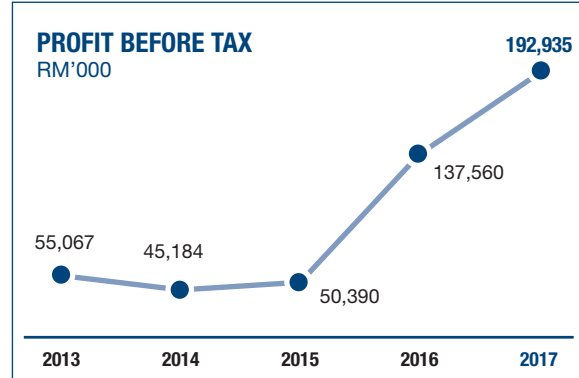
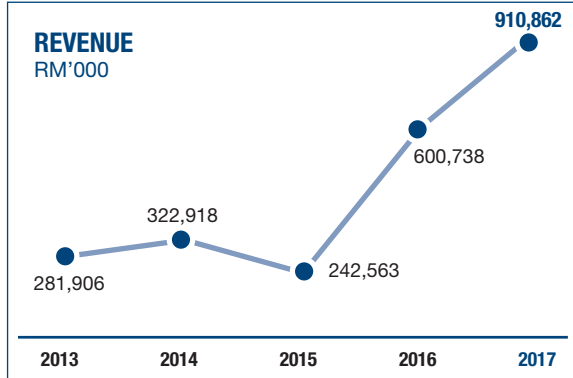
Mr Jeff Fernandez obtained a Bachelor of Science in Mechanical Engineering degree from Mapua Institute of Technology, Manila, Philippines. He is a registered Internal Combustion Engine Engineer – Grade One with the Department of Safety and Health, Malaysia.

Upon graduation, he spent 1.5 year with a sawmill and plywood manufacturing company as maintenance and construction supervisor before joining MFCB .

**Note:**

Save as disclosed above, the key senior management staff have no family relationship with any Director and/or major shareholder of the Company, have no directorship in public companies and listed issuers, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.

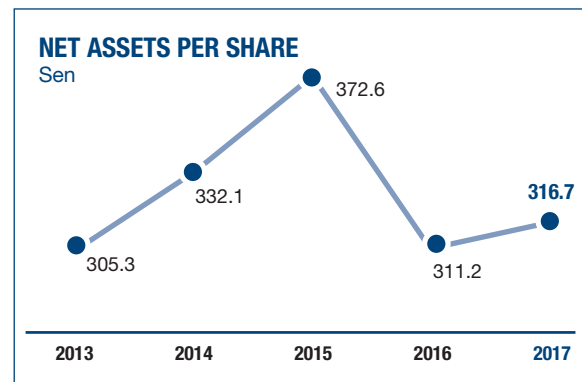
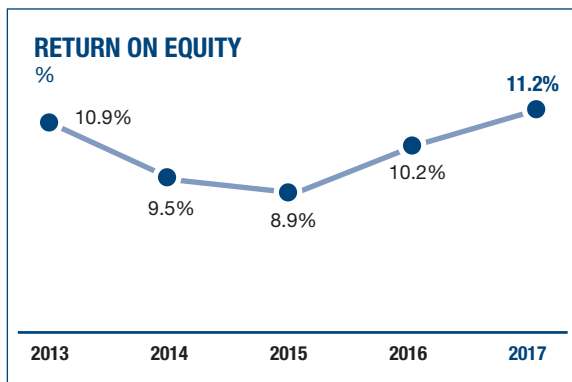
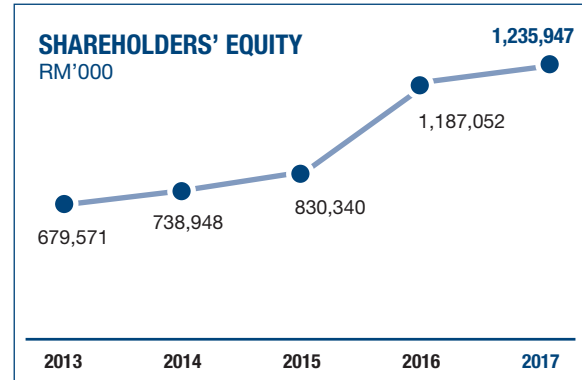
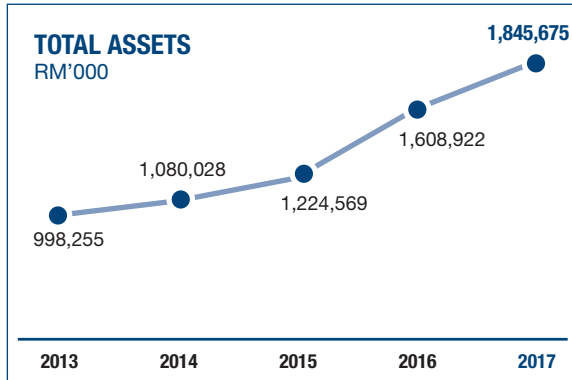
## FINANCIAL HIGHLIGHTS



Financial Year Ended 31 December	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>CONTINUING OPERATIONS</b>					
<b>Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>					
Revenue	281,906	322,918	242,563	600,738	<b>910,862</b>
Earnings before interest, taxes, depreciation and amortisation	71,208	63,125	71,444	160,941	<b>219,694</b>
Profit before tax	55,067	45,184	50,390	137,560	<b>192,935</b>
Profit after tax	32,372	26,531	34,145	115,556	<b>157,710</b>
Net profit attributable to equity holders	29,162	21,440	30,159	95,732	<b>134,062</b>
<b>Additional Information</b>					
Interest expenses	2,886	3,824	5,397	6,090	<b>6,766</b>
Depreciation	13,255	14,117	15,657	17,291	<b>19,993</b>

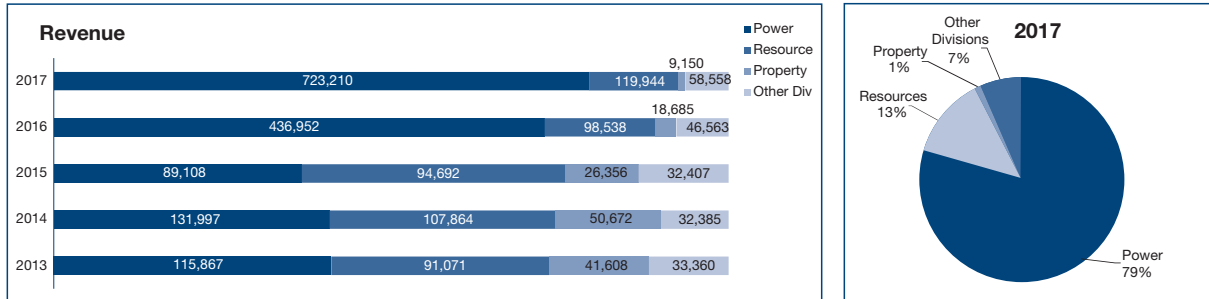


## Financial Highlights [cont'd]

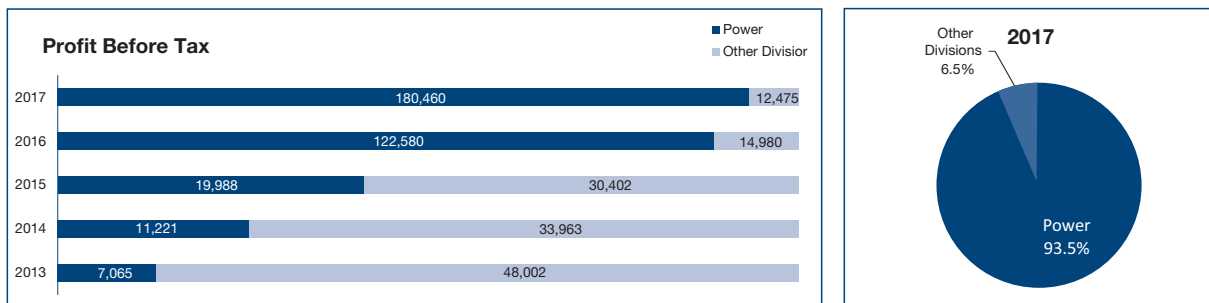


Financial Year Ended 31 December	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>Consolidated Statements of Financial Position</b>					
Total assets	998,255	1,080,028	1,224,569	1,608,922	<b>1,845,675</b>
Total borrowings	71,779	92,774	139,976	88,631	<b>221,177</b>
Shareholders' equity	679,571	738,948	830,340	1,187,052	<b>1,235,947</b>
Bank balances and deposits	156,635	235,473	198,045	291,326	<b>138,750</b>
<b>Financial Indicators</b>					
Return on equity %	10.9%	9.5%	8.9%	10.2%	<b>11.2%</b>
Return on total assets %	7.4%	6.5%	6.1%	7.5%	<b>7.5%</b>
Gearing ratio %	10.6%	12.6%	16.9%	7.5%	<b>17.9%</b>
Net assets per share (sen)	305.3	332.1	372.6	311.2	<b>316.7</b>
Dividend per share (sen)	7.5	8.0	8.0	5.0	<b>4.0</b>
Gross dividend yield %	3.4%	3.3%	3.2%	2.3%	<b>1.1%</b>
Interest cover (times)	51.7	39.4	28.2	33.4	<b>30.8</b>
Basic earnings per share (sen)	29.1	27.5	29.2	34.2	<b>36.0</b>
Price earning ratio (times)	7.5	8.7	8.5	6.3	<b>10.2</b>
Share price as at the financial year end (RM)	2.18	2.40	2.49	2.15	<b>3.67</b>

## Financial Highlights [cont'd]

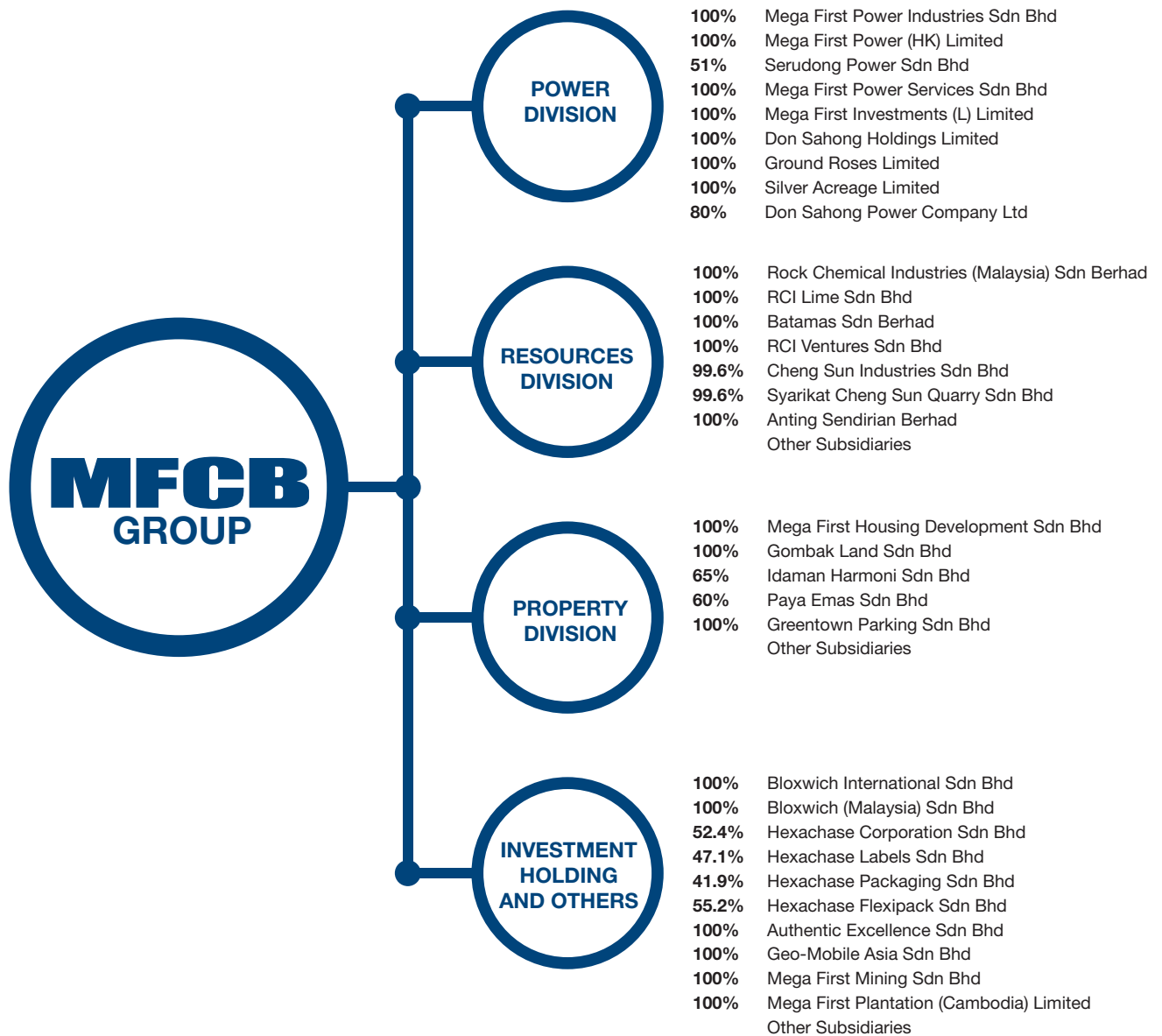


Financial Year Ended 31 December	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
Power	115,867	131,997	89,108	436,952	<b>723,210</b>
Resources	91,071	107,864	94,692	98,538	<b>119,944</b>
Property	41,608	50,672	26,356	18,685	<b>9,150</b>
Investment Holding and Others	33,360	32,385	32,407	46,563	<b>58,558</b>
	<b>281,906</b>	<b>322,918</b>	<b>242,563</b>	<b>600,738</b>	<b>910,862</b>



Financial Year Ended 31 December	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>CONTINUING OPERATIONS</b>					
<b>Profit Before Tax</b>					
Power	7,065	11,221	19,988	122,580	<b>180,460</b>
Resources	21,391	21,365	11,337	15,026	<b>19,295</b>
Property	12,965	28,378	7,428	12,323	<b>12,512</b>
Investment Holding and Others	13,646	(15,780)	11,637	(12,369)	<b>(19,332)</b>
	<b>55,067</b>	<b>45,184</b>	<b>50,390</b>	<b>137,560</b>	<b>192,935</b>

## CORPORATE STRUCTURE



## CHAIRMAN'S STATEMENT

### DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Mega First Corporation Berhad, I hereby present to you our annual report and audited financial statements for the financial year ended 31 December 2017.

#### Overview of Group Financial Performance and Prospects

For the financial year ended 2017, the Group recorded a 40.3% increase in profit before tax from continuing operations of RM192.9 million (2016: RM137.6 million). This 40.3% increase was mainly due to construction profit from the Don Sahong Hydropower Project amounting to RM172.6 million (2016: RM96.1 million) and higher earnings from the Resources Division amounting to RM19.3 million (2016: RM15.0 million). The Property Division's profit contribution remained flat at RM12.5 million.

Financial year 2017 was a year of change and transition for the Group, especially in its Power Division.

During the year, the Board of Directors made the decision not to extend the Group's sino-foreign cooperative joint venture agreement in relation to its coal fired power plant in China upon its expiry in October 2017. This decision was not taken lightly given the profits that this power plant has contributed historically to the Group. However, tightening environmental protection policies being implemented by the Chinese government have put the earnings from this power plant under serious pressure and profits have been declining rapidly since year 2015. An extension of this joint venture would require large capital injection to upgrade or modify the existing plant and machinery and the Board of Directors is of the view that this huge capital outlay could not be recouped given the short extension term of 5 years.

The Power Purchase Agreement ("PPA") in Sabah between Serudong Power Sdn. Bhd. ("SPSB") and Sabah Electricity Sdn. Bhd. ("SESB") expired on 2 December 2017 and the power plant has stopped energy supply since that date. The proposed new commercial terms of the PPA extension, which have been approved by the Energy Commission and YB Minister of Energy, Green Technology and Water are now being discussed with SESB before the PPA extension can be executed.

The changes in the Power Division are not all bleak and we are enthusiastically looking forward to the completion of the Don Sahong Hydropower Project as it progresses on track to commence commercial operations at the end of year 2019. During the year, the Group entered into loan facilities amounting to USD150 million to finance the construction of this project to completion. Prior to the drawdown of the loan facilities, the project was funded by internally generated funds as well as the cash call (Rights Issue completed in 2016) and Warrants conversion.

Despite the loss of cash flow from the China and Sabah power plant and in anticipation of higher interest expenses due to utilisation of the loan facilities in 2018, the Board of Directors are confident that the Group will be able to weather this transitional period with a prudent and disciplined management approach. Decisive measures have been taken to conserve cash, delay non-essential capital expenditures, increase operational efficiencies and reduce dividend payout ratio. In the meantime, earnings for the financial year 2018 will be driven by the continuous recognition of construction profit from the Don Sahong Hydropower Project as well as projected earnings improvements from existing businesses.



## Chairman's Statement [cont'd]

### OPERATIONS REVIEW AND PROSPECTS

#### Power Division

##### China Power Plant Discontinued Operations

Upon the expiry of the joint venture agreement on 22 October 2017, the China power plant had contributed a profit before tax of RM19.6 million (2016: RM62.1 million) representing a 68.4% decrease compared to the prior year. This was mainly due to the shorter operation period, lower sales volume due to the continued decrease in demand for industrial steam, increased environmental compliance costs as well as losses on deconsolidation of this joint venture.

##### Sabah Power Plant

Earnings contribution from this power plant decreased 41.3% to RM3.7 million (2016: RM6.3 million) due to a shorter operation period, overheads incurred in the month of December without any corresponding revenue earned as well as a one-off partial arbitration award of RM1.0 million that was received in financial year 2016.

At the time of writing, we are still in discussions with SESB on the PPA extension.

##### Don Sahong Hydropower Project

The Don Sahong Hydropower Project was the largest contributor to the Group's earnings this year and we expect that it will continue to be the largest contributor in the coming years. Prior to commercial operations, its earnings contribution is in the form of construction profit and thereafter, earnings will be in the form of revenue from sales of energy.

In terms of progress, construction work on the Don Sahong Hydropower Project is slightly ahead of schedule. The progress of construction work is as follows:

- Powerhouse concreting works and the electrical and mechanical works have reached 73.5% and 36.5% respectively.
- Embankment excavation works have achieved 99.6% and concreting works are continuing as per schedule.
- Channel excavation works have achieved 85% completion.
- Inlet underwater excavation has resumed in December 2017 after the end of the rainy season in November 2017.
- Offsite fabrication of the turbine and generator components are in progress and the parts will be progressively transported to the site for assembly and installation in the first quarter of 2019.
- Transmission line construction has commenced in January 2018.

Overall physical completion of the Project as at the end of 2017 was 46.5% and we expect the cumulative physical completion to be about 80% at the end of 2018. We are continuously monitoring the progress of the project to ensure that any risks are identified early and any issues that arise are addressed quickly to avoid any costs overrun or delays.



## Chairman's Statement [cont'd]

### Resources Division

The Resources Division has performed commendably registering a 28.4% increase in profit before tax for the financial year 2017. In the prior year, the increase in profit was 32.5%. These double digit percentage increases in profits over the past two years prove that the market for lime products in Malaysia and the Asia Pacific region is large and that our capacity expansion strategy has paid off.

Prior to the capacity expansion project in 2014, we had 4 kilns and by the end of 2017, we had 7 kilns. Currently, the kiln capacity utilisation rate is at 80% and growing and we will be adding another kiln with a rated capacity of 400 MT to bring our total kiln number to 8 and a total plant rated capacity of 1,960 MT per day.

On the sales front, steps are being taken to aggressively push sales to address the market's demand at competitive pricing while on an operational level, we constantly ensure that the plant is properly managed and maintained to gain maximum operational efficiencies and consistently high quality products.

We remain steadfast in our belief that the Resources Division has enormous potential and will continue to aggressively drive it for the foreseeable future.

### Shareholder Value Creation

Shareholder value creation is always the top priority of the Group's management.

For the financial year 2017, basic earnings per share ("EPS") increased 5.3% to 36.02 sen (2016: 34.19 sen). Shareholder's equity grew marginally at 4.1% to RM1.24 billion (2016: RM1.19 billion).

We feel that these small increases in shareholder value is commendable given the changes the Group is undergoing, especially with the non-extension of the China power plant joint venture and the capital outlay required during the construction of the Don Sahong Hydropower Project. The Group's deposits and bank balances remain fairly strong at RM138.8 million (2016: RM291.3 million) and we believe that by practising prudent financial management, we will be able to ride out this 2 year transitional period before the Don Sahong Hydropower Project commences operations comfortably.

Taking into consideration the Group's funding requirements for the coming year, the Board of Directors is pleased to recommend a final tax-exempt dividend of 2 sen per ordinary share for approval of the shareholders at the forthcoming Annual General Meeting. Together with the interim dividend of 2 sen per ordinary share that was paid out on 13 October 2017, the total dividend for the financial year 2017 is 4 sen per ordinary share.

### Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to express my sincere thanks to the Group's management team and employees for their hard work and dedication to the Group. I strongly believe that people are the backbone of any organisation and without them, the Group would not be in the position it is today.

I would also like to give thanks to our bankers, customers, suppliers and business associates who have continued to have full confidence in us and who continue to extend their full support despite the changes the Group is currently undergoing.

To my fellow colleagues on the Board, I have enjoyed working with you in the past year and hope that we can continue in the sharing of our ideas and knowledge in the coming year.

Last but not least, I would like to thank all our shareholders for continuing to believe in us and the future of the Group. I assure you that our Board of Directors and management team are committed to the long term success, growth and sustainability of the Group.

**Goh Nan Kioh**  
Executive Chairman  
27 March 2018

# SUSTAINABILITY STATEMENT

## 1. INTRODUCTION

We are pleased to present our first Sustainability Statement which has been prepared in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

In view that sustainability aims have become more important nowadays, we acknowledge our responsibility to address the requirements of all stakeholders who are demanding for more information and our drive to benefit the society, environment and people.

Our commitment to operate a sustainable business makes a positive difference in the perception of all our stakeholders. As a corporate that operates across different countries with various business activities, we are mindful that our actions have an impact to the community, environment and people in which we operate. A strong sustainability performance underpins a company's ability to deliver consistent and superior business results, pursue profitable growth, and attract and retain talented people.

We are committed to be a responsible corporate citizen and make good business practices our top priority. By fulfilling our responsibilities, we believe that our stakeholders will be rewarded with sustainable value in the long run.

## 2. SCOPE

The importance of business sustainability has not only aroused wide attention within the corporate world, but also society as a whole.

The Statement covers the activities carried out during the reporting period, unless specified otherwise, and the results achieved.

## 3. GOVERNANCE STRUCTURE

Sustainability is embedded in our organisation's culture and is led from the top. The Group's governance structure supports and drives the sustainable development journey. We are guided by our code of conduct and ethics established to promote healthy corporate culture, ethical business practices and sustainability. Comprehensive Policies and Systems are also in place to manage sustainable practices across our various business activities.

Currently, our sustainability initiatives are led by the Executive Directors, who report directly to the Board and provide stewardship towards incorporating sustainability into the Group's business strategies with participation from management of respective business units, as illustrated below:



## Sustainability Statement [cont'd]

### 4. MATERIALITY PROCESS

Our Management has sought to deliver value to our stakeholders through business strategies adopted and operational activities designed. In relation to this, an internal review and evaluation of key operations was carried out to gain feedback from heads of business units on how sustainability within the organisation can be better managed. The review also provided us with an update on sustainability initiatives carried out in the reporting year.

As part of this internal review of our materiality assessment carried out, it allow us to prioritise materiality factors identified and update the list with any new factors in the future, where required. Following the review, we have identified three core areas of sustainability matters which have a material impact on our business as deliberated in Sections 5, 6 and 7.

### 5. ECONOMIC

Community development is an integral part of our corporate culture. Each of our businesses set aside monetary aid to support the communities in which they operate in and to the best of our ability, we try to create job opportunities to the local people.

In Laos and Cambodia in particular, we have seen a dramatic improvement in the quality of life of the communities around the areas we operate as a result of our direct and indirect contributions. In Laos, among some of our efforts include the building of a bridge and access roads, which has greatly improved the connectivity between remote villages and the mainland, enabling villagers to operate businesses, have access to wider job opportunities as well as access to basic healthcare and education. We have also provided irrigation for rice cultivation and training in fish farming and other livelihood improvement training. More importantly, we have improved the natural fish pathways and removed illegal fish traps around the Project Site, which we believe will improve fish migration resulting in growing fish stocks to the benefit of the fishing community around the area. We have also provided access to clean water, sanitation, electricity, education and we are committed to the building of a community health centre. In Cambodia, we are committed to enhancing the activities and programs of the local authorities as well as serving the basic needs of the local communities including building water wells and repairing rural access roads. All these commitments and efforts are aimed at changing the lives of communities in a sustainable and responsible manner.

It is intended that our contributions provide a positive impact to the community's livelihoods.

### 6. ENVIRONMENTAL

As a Group with core business activities in the power generation and resources sectors, we recognised that our operations have an impact on the environment. We take environmental concerns very seriously and we always try to ensure that our operations are in full compliance with the environmental laws and regulations governing the industries in the countries in which we operate. This includes emission management, waste reduction and waste disposal management amongst others. We also consistently strive to reduce environmental impact throughout the entire product life cycle, from design to recycling, and ensure that we are up to date with the industry's environmental best practices.

The Don Sahong Hydropower Project for example, is the Group's first venture into renewable energy and moving forward, if the opportunity arises, it is the Group's intention to grow its Power Division by investing in clean renewable sources of energy. As for our plantation project in Cambodia, we are exploring the option of generating our own green electricity by installing wind turbines or solar panels on site.



## Sustainability Statement [cont'd]

Since the signing of the MOU for the Don Sahong Hydropower Project, we have made great efforts to ensure the long term sustainability of the surrounding environment. Numerous environmental studies have been undertaken and recommendations for improvement have been implemented. Most of these studies include creating alternative natural pathways for fish migration. Prior to the closure of Hou Sahong for construction in January 2016, we have improved numerous pathways to ensure sustainable fish migration around the Project area and we are committed to improving more natural fish pathways in the future. At the same time, we are committed to monitor and ensure the effectiveness of these fish migration pathways. Environmental monitoring to identify risks to the environment is ongoing and will continue even after commercial operation is achieved and remedial action taken as soon as risks are identified.

### 7. SOCIAL

We recognised that our employees are our greatest assets and managing talent and staff retention is our key priority.

At the most basic level, we treat our employees fairly and help them develop their talents. We believe in good work-life balance for our employees as well as to create a healthy and safe workplace for all.

We recruit candidates based on their abilities as well as their overall suitability for the job and organisation. In terms of talent development, management takes a keen interest in all employees and ensure that all employees are equipped with the necessary skills and knowledge to perform their job function through various training programmes. We also cultivate our employees with the professional mind-set of doing what is best for the Group as a whole. In terms of staff retention, we implement remuneration practices that are market competitive and employees can expect to progress to more senior and challenging roles within the Group that commensurate with their effort, performance and contributions.

### 8. MOVING FORWARD

This is our first Sustainability Statement. Although we have made some progress towards formalising sustainability within our business, we acknowledge that there are always room for improvement in terms of initiatives undertaken and our current reporting structure. Our Management will continue measuring sustainability matters that are material to our businesses and move towards benchmarking our progress against international standards of reporting.

As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. As we look to the future, it is our Group's vision to continue creating value for our stakeholders, investing in communities and be an organisation that people are proud to be connected to, partnering with and working for.

This Statement has been approved by the Board on 27 March 2018.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### OVERVIEW

Mega First Corporation Berhad is a diversified company with three main businesses - Power Generation, Resources and Property Development and Investment.

The Power Division is the largest earnings contributor, accounting for 85% of continuing operations' core pre-tax profit, followed by the Resources Division at 9% and the Property Division at 6%. The Group also operates several smaller businesses such as packaging products and printing of labels and stickers as well as manufacturing of automotive components. These smaller operating units are not separately disclosed as their earnings contributions are not material to the Group. Additionally, the Group has a land lease and concession project in Cambodia and intends to develop it for agriculture purposes. Earnings from agricultural activities will not be material in the short-to-medium term.

### FINANCIAL RESULTS

The following table sets forth a summary of the results of operations for the financial years ended 31 December 2017 and 2016:

	2017 RM'000	2016 RM'000	Changes RM'000	%	Proportion of Total	
					2017 %	2016 %
<b>Continuing Operations</b>						
Revenue	910,862	600,738	310,124	51.6%		
Operating profit	219,694	160,941	58,753	36.5%		
Profit before interest and tax	199,701	143,650	56,051	39.0%		
Profit before tax	192,935	137,560	55,375	40.3%		
Profit after tax	157,710	115,556	42,154	36.5%		
<b>Discontinued Operations</b>						
Profit after tax	9,263	41,682	(32,419)	-77.8%		
<b>Revenue</b>						
Power	723,210	436,952	286,258	65.5%	79.4%	72.7%
Resources	119,944	98,538	21,406	21.7%	13.2%	16.4%
Property	9,150	18,685	(9,535)	-51.0%	1.0%	3.1%
Sub-total	852,304	554,175	298,129	53.8%	93.6%	92.2%
Investment holding & others	58,558	46,563	11,995	25.8%	6.4%	7.8%
Revenue from continuing operations	910,862	600,738	310,124	51.6%	100.0%	100.0%
<b>Profit before tax</b>						
Power	180,460	122,580	57,880	47.2%	93.5%	89.1%
Resources	19,295	15,026	4,269	28.4%	10.0%	10.9%
Property	12,512	12,323	189	1.5%	6.5%	9.0%
Sub-total	212,267	149,929	62,338	41.6%	110.0%	109.0%
Investment holding & others	(19,332)	(12,369)	(6,963)	56.3%	-10.0%	-9.0%
Profit before tax from continuing operations	192,935	137,560	55,375	40.3%	100.0%	100.0%

## Management's Discussion & Analysis [cont'd]

### FINANCIAL RESULTS (CONT'D)

	2017 RM'000	2016 RM'000	Changes RM'000	%	Proportion of Total 2017 %	2016 %
<b>Significant income/ (expense) items:</b>						
Construction revenue	645,441	362,444	282,997	78.1%		
Construction profit	172,556	96,116	76,440	79.5%		
ESOS expense	(13,982)	(2,783)	(11,199)	402.4%		
Fair value gain on investment properties	6,316	8,616	(2,300)	-26.7%		
Gain/(Loss) from quoted investments	208	(863)	1,071	124.1%		
Gain on foreign exchange	3,309	14,411	(11,102)	-77.0%		
Loss on deconsolidation	(3,209)	-	(3,209)	100.0%		

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

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

The underlying strong performance of the Group's core continuing operations was however dampened by significantly higher ESOS expense of RM14.0 million (2016: RM2.8 million) and substantially lower forex gain of RM3.3 million (2016: RM14.4 million) resulting from the Group's foreign cash holdings on a strengthening Malaysia Ringgit. Excluding the effects of ESOS expense and forex gain, the Group's continuing operations would have generated a 61.7% increase in pre-tax profit to RM203.6 million (2016: 125.9 million).

#### Power Division

##### Don Sahong Hydropower Project (the "Project")

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

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



## Management's Discussion & Analysis [cont'd]

### FINANCIAL RESULTS (CONT'D)

#### Tawau Power Plant

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

Revenue for 2017 rose 4.4% to RM77.8 million due to higher energy tariff resulting from a 36.9% increase in the average Medium Fuel Oil (MFO) price to RM1.60 per litre, partially offset by a 19.8% decline in energy sales volume to 153,112 MWh on shorter operating period resulting from major repair works in May, June and November and the expiry of the PPA on 2 December 2017. The higher MFO prices do not have a material impact on pre-tax profit due to a cost pass-through pricing mechanism that is in place.

Pre-tax profit fell 41.3% to RM3.7 million from RM6.3 million a year ago on shorter operating period (no revenue after 2 December 2017) while SPSB continued to incur operating overheads after the expiry of the PPA on 2 December 2017. 2016 pre-tax profit also included a RM1.0 million partial arbitration award (2017: Nil).

#### **Resources Division**

The Group's Resources Division is mainly involved in the quarrying of limestone and the manufacturing of lime products: quicklime, hydrated lime and quicklime powder. Its products are used in a wide range of industries, and are sold locally as well as exported to various countries around the region.

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

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

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

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

Limestone is the main raw material for the products of the Resources Division, and all limestone used for the products are sourced from the quarries of the Group located within the vicinity of the manufacturing plants. The Division is actively sourcing and acquiring limestone reserves to secure continuous supply of good quality limestone feedstock in the long-term. During the financial year, the Resources Division added another 116 acres of limestone land reserves. While the continuous expansion of limestone reserves would be earnings dilutive in the short-to-medium term, management believes it will significantly enhance the total value of the Resources Division in the long term.

## Management's Discussion & Analysis [cont'd]

### FINANCIAL RESULTS (CONT'D)

#### Property Division

The Group has mothballed its property development segment since 2015. Focus is now confined to selling off its remaining completed property inventory located in Melaka, Salak Tinggi and Ipoh. On the investment side, the Property Division will continue to manage its investment properties, comprising mainly the PJ8 office buildings cum commercial lots and more than 900 parking bays in Greentown, Ipoh.

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

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

#### Discontinued Operations

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

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

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

## Management's Discussion & Analysis [cont'd]

### FINANCIAL POSITION (CONT'D)

#### Assets and liabilities

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

Asset/Liability Items	As At 31.12.2017 RM'000	As At 31.12.2016 RM'000	Changes RM'000	Explanation
Property, plant and equipment ("PPE")	262,151	323,517	(61,366)	<p>PPE decreased mainly because of the deconsolidation of the China power plant operations following the expiry of the JV Agreement on 22 October 2017.</p> <p>Excluding the effects of the deconsolidation, PPE increased RM70.3 million mainly due to the following capex:</p> <ul style="list-style-type: none"> <li>• RM14.2 million for kiln expansion;</li> <li>• RM32.8 million for additional limestone reserves through the acquisition of new subsidiaries;</li> <li>• RM12.2 million mainly for the expansion of flexible packaging production capacity by Hexachase Flexipack Sdn Bhd; and</li> <li>• RM8.5 million for the plantation project in Cambodia.</li> </ul> <p>Depreciation (continuing operations) for the financial year was RM20.0 million.</p>
Investment in quoted shares	56,909	40,315	16,594	<p>There were no significant transactions during the financial year. The increase was due to changes in market values of quoted securities which were recognised as "fair value changes of available-for-sale financial assets" in Other Comprehensive Income.</p>
Investment properties	167,662	149,356	18,306	<p>The increase was attributable to the following:</p> <ul style="list-style-type: none"> <li>• Reclassification of certain completed residential and commercial units from inventory to investment property; and</li> <li>• RM6.3 million fair value gain adjustment.</li> </ul>

## Management's Discussion & Analysis [cont'd]

### FINANCIAL POSITION (CONT'D)

#### Assets and liabilities (Cont'd)

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

Asset/Liability Items	As At 31.12.2017 RM'000	As At 31.12.2016 RM'000	Changes RM'000	Explanation
Land held for property development	45,095	44,438	657	There was no significant change in land held for property development. There was no new property launches during the financial year.
Project development expenditure	601	72,065	(71,464)	Project development expenditure mainly captured the costs incurred and/or accrued for the Don Sahong Hydropower Project less the amount recognised as cost of sales in the calculation of construction profit for the Don Sahong Hydropower Project.
Intangible asset	941,796	370,391	571,405	Intangible asset represented the cumulative construction revenue recognised for the Don Sahong Hydropower Project.
Inventories	42,280	59,874	(17,594)	The decline in inventory was mainly attributable to the deconsolidation of SMHP and reclassification of certain property development units to investment property.
Receivables	161,787	227,168	(65,381)	Receivables decreased primarily attributed to drop in advance payment made to contractor for the Don Sahong Hydropower Project and the deconsolidation of SMHP, partially offset by higher receivables in the Resources Division and amount owing by QHP.
Deferred tax liabilities	56,176	33,054	23,122	The increase mainly related to deferred tax provision for construction profit.
Payables - current	188,825	133,283	55,542	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project, partially offset by the effects of the deconsolidation of SMHP.

As a group, we maintain a group cash management system which enables us to fund the operations and expansion of our subsidiaries. We secure and maintain adequate credit and loan facilities as required at our main operating units to support our sales and manufacturing activities, working capital needs and planned capital investments, notably the Don Sahong Hydropower Project and the development of the agriculture land in Cambodia.

## Management's Discussion & Analysis [cont'd]

### FINANCIAL POSITION (CONT'D)

#### Group Borrowings and Debt Securities

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

	Type	Long-term		Short-term		Total Borrowings	
		Foreign Currency	RM	Foreign Currency	RM	Foreign Currency	RM
<b>Secured</b>							
Term loans	Floating	94,234	18,507	–	13,832	94,234	32,339
Revolving credits	Floating	–	–	–	71,000	–	71,000
Bankers' acceptance	Floating	–	–	–	7,402	–	7,402
Bank overdraft	Floating	–	–	–	241	–	241
		94,234	18,507	–	92,475	94,234	110,982
<b>Unsecured</b>							
Revolving credit	Floating	–	–	–	10,000	–	10,000
Bank overdraft	Floating	–	–	–	5,961	–	5,961
		–	–	–	15,961	–	15,961
		94,234	18,507	–	108,436	94,234	126,943

The foreign currency term loans included USD23.3 million (RM94.2 million) drawn down from the USD150 million club deal banking facilities to part finance the construction of the Don Sahong Hydropower Project.

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

#### Cash Flow Analysis

The Group generated a positive RM115.1 million after tax from operating activities during the financial year. Net cash and cash equivalent however declined RM133.8 million from RM263.1 million as at 31 December 2016 to RM129.3 million at the end of 2017, while gross borrowings rose RM126.4 million from RM88.6 million as at 31 December 2016 to RM215 million at the end of 2017. During the financial year, the Group raised RM19.6 million in capital through the exercise of Warrants and ESOS.

Cash made available from operating activities, cash and cash equivalents, borrowings and new capital totaling RM394.9 million were deployed mainly in the following manner:

- RM312.6 million for Don Sahong Hydropower Project;
- RM29.5 million for property, plant and equipment (please refer to balance sheet analysis);
- RM10.0 million for acquisition of a subsidiary whose principal asset is limestone reserves;
- RM19.3 million dividends paid to shareholders of the Company; and
- RM18.6 million dividends paid to subsidiaries' minority shareholders.



## Management's Discussion & Analysis [cont'd]

### FOREIGN CURRENCY EXPOSURE

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

#### Don Sahong Hydropower Project

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

The remaining sources of funds will be mainly in US Dollar, including the club deal banking facilities of USD150 million and USD53 million supplier credit.

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

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

#### Resources Division

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

### DIVIDEND POLICY

The Company does not have a fixed long-term dividend policy. In deciding the dividend payout for each year, the Board considers the strength of cash flow from operating activities, the cash outlay commitments and future plans of the Group. For the financial year under review, the Company has decided to trim its dividend from a total of 5 sen in 2016 to 4 sen per share to conserve cash for the Don Sahong Hydropower Project.

### FORWARD-LOOKING STATEMENT

The Group's growth prospects can be found in the Chairman's Statement.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. This overview statement provides an overview of the Group's practices and applications of the Recommended Practices under the Malaysian Code on Corporate Governance 2017 ("MCCG") throughout the financial year ended 31 December 2017.

The details on how the Company has applied each Practice set out in the Code during the financial year ended 31 December 2017 are disclosed in the Corporate Governance Report 2017 ("CG Report"), which is available on the Company's website, [www.mega-first.com](http://www.mega-first.com). This overview statement is to be read together with the CG Report.

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

The Board takes full responsibility for the oversight and overall performance of the Company and of the Group. In discharging its functions and responsibilities, the Board is guided by the Board Charter, which outlines the duties and responsibilities and matters reserved by for the Board. Prior approval from the Board is required for material capital expenditure, projects, acquisitions or divestitures. Additionally, the Directors are expected to act in a professional manner and to observe high ethical business standards, honesty and integrity at all times and thereby protect and promote the reputation and performance of the Company.

In order to discharge their duties and responsibilities effectively, all directors have unrestricted access to senior management personnel and the Company Secretary. Further details regarding Board meetings' agenda and Board papers containing information for deliberation at the Board meetings are furnished timely to the Board to accord sufficient time for the Directors to review the Board papers. The Board is also informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees.

Board Committees, namely Audit Committee, Remuneration Committee, Nominating Committee and Employees' Share Option Committee have also been established by the Board to assist them in the discharge of its stewardship role. All the committees have written terms of reference and, where applicable, comply with the recommendations of the Code. These Board Committees examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The Board receives reports of the Committees' proceedings and deliberations. The ultimate responsibility for decision making, however, lies with the Board.

In light of the MCCG and Companies Act, 2016, the Board Charter was reviewed and approved by the Board in November 2017. The Company also adopts the Employee Code of Conduct and Disciplines ("COCD"). The COCD set out the standard of conduct and culture required for all employees of the Group. The Group has also established a Whistleblowing Policy. All documents are available at the Company's website, [www.mega-first.com](http://www.mega-first.com).

The Executive Chairman essentially functions as Chief Executive Officer and Chairman of the Board. He leads the Board and ensures that appropriate discussion takes place and relevant opinions among Board members are forthcoming. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings and shareholders have adequate opportunity to air their views and obtain answers to their queries. The Executive Chairman also oversees the business affairs of the Group and is responsible for leading the Management in the execution of broad policies and strategies approved by the Board. The fact that the Executive Chairman is also the single largest shareholder, there is the advantage of shareholder leadership and a natural alignment of interests. He has shown tremendous commitment and had played an integral role in the stewardship of the Group.

## Corporate Governance Overview Statement [cont'd]

### I. Board Responsibilities (Cont'd)

The Executive Chairman is assisted by the Executive Directors in ensuring the smooth and effective running of the Group. The Executive Directors are assisted by the head of each division in implementing and running the Group's day-to-day business activities. The head of division with their "hands-on" knowledge and expertise in operational issues is responsible for formulating strategic plans to accommodate changes swiftly.

The Board is comfortable that there is no undue risk of potential conflict of interest as all related party transactions are disclosed and strictly dealt with in accordance with the MMLR. In addition, the Independent Directors who constitute a majority of the Board, provides for effective oversight over management and ensures that there is independence of judgement.

### II. Board Composition

The Board, led by an experienced Executive Chairman, is made up of ten (10) members of whom three (3) are Executive Directors, six (6) are Independent Directors and one (1) Non-Independent Non-Executive Director. Independent Directors form more than half of the Board, thus fulfilling the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad for ensuring that minority shareholders' interests are adequately represented.

The Board recognises the advantages of maintaining a diverse Board in terms of background, knowledge, experience, expertise, skills, ethnicity, age, and gender when appointing new Directors. The composition of the Board consists of individuals with a wide range of experience, industry knowledge and skills in the management and direction of the Group. A brief profile of the Directors is presented in this Annual Report.

At present, there is no fixed limit to the term for its Independent Directors to remain as Independent Directors on the Board. The Board is of the view that an Independent Director should be judged on his calibre, experience and knowledge of the Group as well as his or her ability to act independently in the best interest of the Group. Nonetheless an annual shareholders' approval will be sought for the retention of an Independent Director who has served the Board for more than 9 years. In the case of an Independent Director who has served the Board for more than 12 years, shareholders' approval will be sought through a two-tier voting. The Nominating Committee shall assess the independence of the Independent Director and thereafter proposes to the Board to recommend to shareholders for their approval to retain the Independent Director.

In respect of the year ended 31 December 2017, the Board believes that its current composition and size is adequate and provide for sufficient diversity taking into account the scope and nature of the Group's operations.

#### Directors' Training

All Directors have successfully completed the mandatory accreditation programme prescribed by the MMLR.

The Directors are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties. Each Director also evaluate his own training needs on a continuous basis that would best enable them to enhance their knowledge and contributions to the Board. The Board, through the Nominating Committee, oversees the training needs of its Directors. The Company Secretary compiles training programmes including those conducted by Bursa Malaysia, which are available to the Directors for their selection and participation.

The Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

## Corporate Governance Overview Statement [cont'd]

### II. Board Composition (Cont'd)

#### Directors' Training (Cont'd)

The programmes that were attended by the Directors during the year under review includes the following:-

Name	Programmes
Goh Nan Kioh	<ul style="list-style-type: none"> <li>Companies Act 2016 : Overview of the Changes And How They Affect You and Your Business</li> </ul>
Goh Nan Yang	<ul style="list-style-type: none"> <li>Management Discussion and Analysis Disclosure Guide</li> </ul>
Khoo Teng Keat	<ul style="list-style-type: none"> <li>Companies Act 2016 : Overview of the Changes And How They Affect You and Your Business</li> </ul>
Dato' Koh Hong Sun	<ul style="list-style-type: none"> <li>Bursa Malaysia's Sustainability Forum 2017</li> <li>Sustainability Engagement Series for Directors/CEO</li> <li>Directors Guide to Crisis Management and Leadership During Crisis</li> <li>Audit Committee Conference 2017</li> <li>Fintech - Opportunities for the Financial Services Industry in Malaysia</li> <li>29th Annual Senior Managers' Conference 2017 of Genting Malaysia Berhad</li> </ul>
Tay Kheng Chiong	<ul style="list-style-type: none"> <li>Companies Act 2016 : Overview of the Changes And How They Affect You and Your Business</li> <li>Management Discussion and Analysis Disclosure Guide</li> </ul>
Yeow See Yuen	<ul style="list-style-type: none"> <li>Companies Act 2016 : Overview of the Changes And How They Affect You and Your Business</li> <li>Management Discussion and Analysis Disclosure Guide</li> </ul>
Dato' Tan Ang Meng	<ul style="list-style-type: none"> <li>Breakfast Talk on MD&amp;A Statement</li> <li>Financial Institution Director's Education Programme</li> <li>Board Selection – Engagement with Potential Directors</li> </ul>
Pengiran Saifuddin bin Pengiran Tahir	<ul style="list-style-type: none"> <li>Strategic Planning Workshop</li> <li>Governance Culture in Your Organisation</li> <li>Managing Change Effectively</li> <li>Risk Management and Opportunity to Improve MS ISO 9001:2015</li> <li>Towards Board Excellence</li> </ul>
Jesper Bjorn Madsen	<ul style="list-style-type: none"> <li>Management Discussion and Analysis Disclosure Guide</li> </ul>
Professor Dato' Dr. Tan Hui Meng	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> </ul>

#### Nominating Committee ("NC")

The NC consists wholly of Non-Executive Directors and is chaired by the Senior Independent Director. The composition of the NC is set out in the Corporate Information section of this Annual Report.

The NC's role include assessing and recommending candidature of directors, succession plans and training programs, boardroom diversity, board composition, annual assessment of directors, Board and Board Committees. The NC meets as and when required, but at least once a year.

The activities undertaken by the NC in the year under review includes assessing the candidature for appointments to the Board and reviewing the results of the annual assessment on the Board, Board Committees and individual Directors, the effectiveness of the Board as a whole, training for Directors as well as the independence of an Independent Director whose tenure has exceeded nine (9) years. The possibility of replacing Executive Directors and senior management will be addressed when circumstances require.

## Corporate Governance Overview Statement [cont'd]

### III. REMUNERATION

In line with the practice as recommended by the MCCG, the Terms of Reference of the Remuneration Committee has been amended to incorporate the Remuneration Policy for Directors and Senior Management. The revised Terms of Reference of Remuneration Committee, which is available on the Company's website, [www.mega-first.com](http://www.mega-first.com), was adopted and approved by the Board on 27 March 2018. The Remuneration Committee is responsible to implement the Remuneration Policy by reviewing and recommending matters relating to remuneration of Board and Senior Management. It is designed to ensure the transparency in determining the levels and components of remuneration package which continues to retain dedicated directors and senior management.

### PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

The AC comprises three (3) Independent Non-Executive Directors and is chaired by Mr Yeow See Yuen.

Presently, none of the members of the AC was a former key audit partner. As one of its functions, the AC undertakes an annual assessment of the external auditors to gauge their performance, suitability, objectivity and independence. To be in line with the MCCG, the requirements on the observation of a cooling-off period of at least two (2) years before a former key audit partner can be appointed as member of the AC and annual assessment of the external auditor by the AC were incorporated in the Terms of Reference of the AC, which was approved by the Board on 27 March 2018.

#### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility for maintaining the system of risk management and internal controls to safeguard shareholders' investment and the Company's assets. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities. The business unit head identifies and communicates with the Executive Directors of the Company the critical business risks and the management action plan to manage the risks. Such approaches are to mitigate and manage rather than eliminate risks and provide only reasonable assurance against misstatement or loss.

The Board is assisted by the Audit Committee to review and evaluate the adequacy and effectiveness of the internal control system through deliberation of Internal Audit Reports. A Risk Assessment Team was established to oversee the risk management activities of the Group, oversees the effective communication and implementation of the Group's risk tolerance and other related issues.

The details of the Risk Management and Internal Control Framework is disclosed in the Statement on Risk Management and Internal Control of this Annual Report.

## Corporate Governance Overview Statement [cont'd]

### **PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **I. COMMUNICATION WITH STAKEHOLDERS**

The Board acknowledges the need for shareholders and stakeholders to be informed of all material business matters affecting the Company. They are kept well informed of developments and performances of the Company through timely announcements and disclosures made to the Bursa Malaysia, including the release of financial results on a quarterly basis. The Company's annual report which contains all the necessary disclosures in addition to facts and figures about the Group and the Company is released within four months after the financial year end. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations. All announcements and disclosures made to Bursa Malaysia, including the annual report, are also accessible from the Company's website, [www.mega-first.com](http://www.mega-first.com).

#### **II. CONDUCT OF GENERAL MEETINGS**

Annual General Meetings ("AGM") is an important forum for communicating with the Shareholders. Members of the Board, the Financial Controller and external auditors are present to answer questions raised at the 51st AGM held on 22 May 2017. The Chairman presented the overall performance and progress of business activities of the Group. Shareholders were able to participate and provided with opportunity to raise queries in relation to the Company business activities and all queries were answered by the Directors appropriately.

The voting of all resolutions at the AGM was conducted through e-polling system to facilitate good participation of shareholders. The Board endeavours to comply with the good practice in the upcoming AGM and other future General Meetings of the Company.

*This statement is made in accordance with a resolution of the Board of Directors passed on 27 March 2018.*

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Principle B of the Malaysian Code on Corporate Governance 2017 (“MCCG”) requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ interests and the Group’s assets. The Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, Practices 9.1 and 9.2 of the MCCG require Directors of listed companies to include in their annual report a statement about the state of their risk management and internal control as a group. The Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (“the Guidance”) provides guidance for compliance with the aforesaid requirements. Set out below is the Board’s Statement on Risk Management and Internal Control for the financial year ended 31 December 2017, which has been prepared in accordance with the Guidance, MMLR and recommendations of MCCG.

## Board’s Responsibilities

The Board acknowledges that it is responsible for the overall risk management and internal control system of the Group, and for reviewing its adequacy, integrity and effectiveness. The Group has an established internal audit function that reports to the Audit Committee. It is responsible for undertaking regular review of the risk management and internal control processes in order to provide the Board with independent and objective assurance that the risk management and internal control system is adequate and effective in addressing the risks identified. The Board recognises that such system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the financial year under review, and the process has been in place during the financial year and up to the date of approval of the Annual Report. This process is an integral part of the Group’s system of risk management and internal control.

## Management’s Responsibilities

Management is accountable to the Board for risk management and internal control and has implemented processes to identify, evaluate, manage and report risks and controls.

Business plans and business strategies are formulated by Executive Directors and presented to the Board for review to ensure proposed plans and strategies are in line with the Group’s risk appetite. On the day-to-day operations, the respective Head of Division/Business Unit are responsible for managing the risk of their division/business unit. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding internal controls to mitigate the risks are discussed during management meetings.

## Internal Audit Function and Activities

The Internal Audit function and activities can be found in the Audit Committee Report.

## Statement on Risk Management and Internal Control [cont'd]

### The Risk Management Process

The Group defines risk as any event that may impact upon its business objectives. It is measured in terms of likelihood and consequences. Business risks arise as much from the likelihood of loss opportunities as it does from uncertainties and hazards. Our risk management process is to identify, evaluate, respond and monitor appropriately the risks that might affect the Group's business objectives.

The key aspects of the risk management process are as follows:

#### (a) Establish Context

A Risk Assessment Team ("RAT"), headed by an Executive Director, is established to oversee the risk management activities of the Group. The RAT also oversees the effective communication and implementation of the Group's risk tolerance and other related issues. Significant risks are brought to the attention of the RAT and the Board.

#### (b) Identify Risk

Risks are primarily identified and assessed by segments, countries and functions. Risk identification involves examining all sources of potential risk and the perception of all stakeholders, both internal and external, which impact the achievement of the business objectives. All identified risks are documented in a Key Risk Record after assessing its possibilities and causes of occurrence as well as implications with treatment and ongoing monitoring.

#### (c) Analyse Risk

The identified risks are analysed to determine their risk levels, which are determined by the relationship between the likelihood and the consequences if the risk occurs. The likelihood and consequences are assessed by taking into account the adequacy and enforcement of existing controls. The Group uses a five-level scale for probability and a set of scales to measure different aspects of the impact. Risks are then scored in a qualitative risk matrix.

Risks are categorised into four levels – low, moderate, high and extreme.

Risk Level	Action to be Taken
Low risk	Managed by routine procedures and low level delegations, unlikely to consider specific application of resources.
Moderate risk	Managed by specific monitoring or response procedures within line management delegations.
High risk	Executive management accountability with senior management responsibility specified.
Extreme risk	Immediate action must be taken to reduce the risk. If it is not possible to reduce the risk immediately, it must be referred to the Executive Chairman.

Risks are managed by taking specific measures that are adapted to each identified risk, with broad participation of the management.

#### (d) Evaluate Risk

The evaluation takes into account the degree of control over each identified risk and the cost impact, benefits and opportunities presented by the risk. The significance of the risk, and the importance of the policy, program, process or activity, are considered in deciding if a risk is acceptable or otherwise. Risks with "High" or "Extreme" will be given high priority while risks that are beyond the control of the Group will be monitored closely with no specific action plan.



## Statement on Risk Management and Internal Control [cont'd]

### The Risk Management Process (Cont'd)

#### (e) Treat Risk

Risks are treated in different ways depending on their nature. The intention of a risk treatment is to reduce the expected level of an unacceptable risk. There are a number of options available for treating risks. These should be considered in the light of cost and benefit for implementing action.

Where risks are identified as unavoidable or no suitable treatment plans are available, the management has accepted them. Other treatment options include avoiding the risk by not taking the activity that is likely to trigger the risk, reducing the risk by implementing preventive or reactive controls and transferring the risk by outsourcing the activity or purchasing insurance for insurable risks.

#### (f) Monitor and Review Risks

Review of the risk profiles, control procedures and status of the action plans are carried out on a regular basis by the respective Head of Division/Business Unit. This is to ensure that appropriate actions are taken to address issues reported on a timely basis or within agreed timelines in addition to keeping abreast of changes in business and operating environment.

The Key Risk Records from the core business divisions are reviewed by the RAT, and the status of mitigation plans are communicated to the Board.

Under the Group's Risk Management Framework, sources of risk can be categorised into the following risks, with different strategies to mitigate each:

#### (a) Strategic and Business Risks

The Group voluntarily accepts some risks in order to generate high expected returns. The first task in risk management is to establish whether the Group has a vision of the direction it wants to take. The Group takes on risks through its research and development activities and in-depth discussion at Board level.

#### (b) Operational Risk

The management of the Group's day-to-day operational risks is mainly decentralised at the division/business unit level and guided by standard operating procedures. Operational risks that cut across the organisation are coordinated centrally.

#### (c) Financial and Commercial Risks

The Group is exposed to various financial and commercial risks relating to credit, liquidity, interest rates, foreign currency exchange rates and commodity prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to these risks are set out in Note 40 to the financial statements.

#### (d) Governance and Compliance Risks

The Group operates in diverse geographical locations and as such is exposed to compliance risks of the laws and regulations in the various countries the Group operates, and compliance with the various certifications. The responsibility and oversight of compliance is delegated to department heads. They have sufficient subject-specific knowledge and are familiar with the policies and procedures outlined in operating procedures manuals.

## Statement on Risk Management and Internal Control [cont'd]

### Internal Control System

- (a) The Group has an organisational structure that is aligned with its business and operational requirements, with clear and formally defined approving authority limits and authorisation procedures, which is the primary instrument that governs and manages the business decision making process within the Group.
- (b) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.
- (c) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by the management, focusing on variances and important operational issues, and the findings discussed with the business units.
- (d) The Group has in place management information systems that capture, compile, analyse and report relevant data, which enable the management to make business decisions in an accurate and timely manner. Management and financial reports are generated regularly to facilitate financial and operating reviews of the various business units by the management and the Board.
- (e) Adequate insurance and physical security of major assets are in place to ensure that assets are safeguarded and sufficiently covered against disaster that will result in material losses to the Group.
- (f) On a quarterly basis, the Board reviews and discusses a comprehensive Quarterly Review Report, covering the Group's performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the business units in the light of any significant shifts in risk profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management.
- (g) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for enhancement.
- (h) Regular internal audits are carried out to review the adequacy, integrity and effectiveness of the risk management and internal control system of the business units based upon the audit plan. Material audit findings are reported immediately to the Audit Committee.

The reports outlining all significant audit observations and follow-up actions are submitted to the Audit Committee. The Audit Committee reviews the findings with the management at its quarterly meetings and updates the Board on significant issues for the Board's attention and action. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

- (i) The Group's system of risk management and internal control applies to the Company and its subsidiaries only. Joint venture is excluded as it is relatively immaterial. However, the Group's interest in its joint venture is served through representation on the Board of the joint venture, receipt and review of management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investment based on the joint venture's performance.
- (j) A Whistleblowing Policy has been established to facilitate disclosure of any improper conduct within the Group.

## Statement on Risk Management and Internal Control [cont'd]

### Assurance to the Board

The Executive Directors and Financial Controller are responsible for ensuring that the Group's risk management and internal control processes are systematically assessed and continuous improvements scrutinised by means of independent and objective evaluations. The Board has been assured by the Executive Directors and Financial Controller that these processes are adequately established and effectively implemented, and nothing has come to their attention which may render the financial results presented and information provided to be false and misleading in any material respect.

### Board's Commitment and Option

The Board is mindful that the development of the Risk Management Framework is an ongoing process and continues to take steps to improve the risk management and internal control processes. During the financial year under review, some weaknesses in risk management and internal control were identified but were not considered significant to be mentioned in this Statement as none had materially impacted the business operations of the Group. Nevertheless, remedial actions and corrective measures have been or are being taken to address these weaknesses.

The Board is of the view that the Group's system of risk management and internal control is reasonably adequate in mitigating risks. However, the Board recognises the fact that it requires continuous review to meet the changing and challenging business environment as well as to safeguard shareholders' investments and the Group's assets. Therefore, the Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary put in place appropriate plans to further enhance the Group's system of risk management and internal control.

### Review of this Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the external auditors, Crowe Horwath, have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 31 December 2017.

Their limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements ISAE3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information as well as Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. It also does not require the external auditors to consider whether the processes to deal with material internal control aspects of any significant problems will, in fact, remedy the problems.

Based on their review, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

## AUDIT COMMITTEE REPORT

### A. COMPOSITION

The Committee comprises three (3) members, all of whom satisfy the independence requirements of the Listing Requirements. The composition of the members during the financial year ended 31 December 2017 (“the financial year”) were as follows:-

- i. Mr Yeow See Yuen  
*Chairman (Independent Director)*
- ii. Dato’ Tan Ang Meng  
*(Independent Director)*
- iii. Mr Tay Kheng Chiong (resigned on 27 November 2017)  
*(Non-Independent Non-Executive Director)*
- iv. Mr Jesper Bjorn Madsen  
*(Independent Director)*

### B. ATTENDANCE AT MEETINGS

A total of five (5) meetings were held during the financial year and the attendance record of each of the member at the Committee meetings were as follows:-

Members	No. of Meetings		Percent
	Held	Attended	
Yeow See Yuen (Chairman)	5	5	100
Dato’ Tan Ang Meng	5	5	100
Tay Kheng Chiong	5	4	80
Jesper Bjorn Madsen	5	5	100

The Head of the Internal Audit Department and the Company Secretary were in attendance at all the meetings. The Financial Controller and Finance Manager were present by invitation at all the meetings whilst an Executive Director was present by invitation at certain meetings. In addition, the Committee had met twice with the External Auditors, Messrs Crowe Horwath without the presence of management, to discuss any matters which the External Auditors may wish to discuss.

### C. TERMS OF REFERENCE

In performing its statutory duties and responsibilities, the Committee is guided by the terms of reference which can be viewed on the Company’s website at [www.mega-first.com](http://www.mega-first.com). The terms of reference was reviewed on 27 March 2018 to be in line with the new requirement of Malaysian Code on Corporate Governance 2017.

## Audit Committee Report [cont'd]

### D. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Committee carried out its duties and responsibilities as set out in the terms of reference and carried out the activities as follow:

#### 1. Financial Statement and Reporting Review

- 1.1 Reviewed and discussed the quarterly management report and accounts on the unaudited results of the Group. The review had included the comparative quarterly and year-to-date results.
- 1.2 Reviewed the adequacy and appropriateness of disclosure of unaudited quarterly financial statements before recommendation to the Board for consideration and approval prior to release to Bursa Malaysia. When reviewing these financial statements, the Committee had obtained reasonable assurance that the condensed interim financial statements were prepared in accordance with the applicable financial reporting standards and the Bursa Malaysia Listing Requirements.
- 1.3 Reviewed the audited financial statements of the Group and of the Company as well as the statutory auditors' report thereon prior to the submission to the Board for their consideration and approval, upon being satisfied that, inter alia, the financial statements were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Companies Act, 2016. The Committee's review has included an intelligent scrutiny of the statutory financial statements based on an analytical approach whilst at the same time obtaining assurance from management and the external auditors that the financial statements were in compliance with the relevant statutory requirements, accounting standards and Malaysian Financial Reporting Standards to ensure it presented a true and fair view of the Company's financial performance.
- 1.4 Reviewed the disclosure statements of published annual report of the Company which encompasses the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control and other documents as set out in Part A of Appendix 9C of the Listing Requirements.

#### 2. Matters Relating to External Audit

- 2.1 Reviewed and discussed with the external auditors their Audit Planning Memorandum covering inter alia, audit approach, significant events, areas of audit emphasis and timetable, before commencement of the annual audit.
- 2.2 Reviewed and discussed with the external auditors their Audit Review Memorandum upon completion of the annual audit, covering significant audit findings, internal control points, status of audit and accounting issues and on the matter of independence of the external auditors.
- 2.3 Met with the external auditors twice during the year without the presence of executive Board members and Management, to discuss issues, if any, arising out of the annual audit or any other matters the external auditors may wish to discuss with the Committee. There were no major issue raised during this meeting.

## Audit Committee Report [cont'd]

### D. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

#### 2. Matters Relating to External Audit

- 2.4 Assessed and evaluated the performance and conduct of the audit undertaken by the external auditors for their re-appointment as auditors of the Company. In the evaluation, the Committee considered the scope of audit, performance, suitability, objectivity and independence of external auditors by taking into the consideration of following factors :

*a. Objectivity and Independence*

The external auditors provide a written assurance to the Committee confirming that they were not aware of any relationship which be thought to impair their independence, and they were continuously complied with the relevant ethical and regulatory requirements.

The external auditors' independence was further enhanced by the By-Laws of Malaysian Institute of Accountants (on professional ethics, conduct and practice) as well as Crowe Horwath's internal policy, which requires the audit engagement partner to be rotated every five (5) years. The audit engagement partner responsible for the Group audit was rotated in 2017.

The provision of non-audit services rendered by external auditors was also reviewed by the Committee to assess reasonableness of fees charged and whether such services will impair their independence. The non-audit services rendered for the financial year ended 31 December 2017 were in relation to tax compliance services and the annual review of the Statement on Internal Control and Risk Management. The Committee opines that the services have not impaired the independence of external auditors.

*b. Effectiveness and Suitability*

The Committee deliberated on the effectiveness of external auditors having regards to areas encompassing technical competency, availability of resources and quality of services. The external auditors have also demonstrated openness, objectivity and professionalism in all communication with Management and the Committee.

Following the Committee's evaluation performed, the Committee was satisfied with the performance, suitability and independence of external auditors and therefore has recommended to the board for re-appointment as external auditors of the Company for 2018.

#### 3. Matters Relating to Internal Audit

- 3.1 Reviewed and approved the Audit Planning Memorandum of the internal auditors for the financial year ending 31 December 2018 to ensure adequate scope and resources of the internal audit function and coverage on the activities of the Group taking into consideration the assessment of key risk areas.
- 3.2 Reviewed and discussed the internal audit reports prepared by the Internal Audit Department which consists of the findings, recommendations and the corrective actions committed by the Management to ensure that all key risks will be addressed and adequate controls put in place on a timely basis.
- 3.3 Reviewed the progress of action plans committed by the Management for the key findings highlighted in previous Internal Audit Reports issued until all material findings have been fully rectified.
- 3.4 Reviewed with the assistance of the Internal Audit Department on a quarterly basis to determine the presence of any related party transaction to ensure transactions are fair and reasonable which complied with the internal procedures and the Listing Requirements.

## Audit Committee Report [cont'd]

### D. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

#### 4. Other Matters Considered by The Committee

- 4.1 Reported to the Board on significant issues and concerns discussed during the Committee meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.
- 4.2 Discussed and noted the updates on regulatory requirements issued by regulatory, statutory and professional bodies, and business news articles published by the mass media which may be of interest to the Committee and the Board.

### E. INTERNAL AUDIT FUNCTION AND ACTIVITIES

The internal audit function of the Company is performed in-house by its Internal Audit Department. The Committee is assisted by the Internal Audit Department in discharging its duties and responsibilities. The Internal Audit function is independent of the activities they audit. The Head of Internal Audit reports directly to the Committee and has unrestricted access to the Committee members on all matters. The Internal Audit Department expenses in respect of the financial year ended 31 December 2017 was RM308,203.

The primary responsibility of the Internal Audit Department is to undertake regular and systematic reviews of the risk management process, effectiveness of internal controls and governance practices of the Company and of the Group so as to provide reasonable assurance that the risk management process and internal controls are operating satisfactorily and effective and are in line with the Group's goals and objectives.

The Internal Audit Department performed routine audit and reviews on all business segments in accordance with the Audit Planning Memorandum which have been approved by the Committee. Audit reports were issued to the Management and the Committee with detailed findings, recommendations and management's responses on the findings. The Head of Internal Audit attends all meetings of the Committee and presents the quarterly work progress report on the status of completion of planned audit assignment including the findings on audit reports, updates on implementation of corrective actions on past key audit findings and the review of the quarterly related party transactions. During the financial year under review, eight (8) internal audit assignments were completed covering operating units on resources, property and other investment holdings within the Group. The audit activities encompassed operational and compliance audits of operations to ascertain adequacy and effectiveness of their system of internal control as well as determine the reliability and integrity of financial and operational information.

The Internal Audit Department also assisted the Committee to prepare the Audit Committee Report for inclusion in the Company's Annual Report, and reviewed the appropriateness of the Corporate Governance Overview Statement, Corporate Governance Report and the Statement on Risk Management and Internal Control in regard to the compliance with the Malaysian Code on Corporate Governance 2017, paragraph 15.15 of the Main Market Listing Requirements and Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers as well as that processes adopted by Management were consistent with the Internal Audit function's understanding of the Group's risk management and internal control systems and corporate governance practices.

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

### 1) Utilisation of Proceeds Raised from Corporate Proposals

Proceeds totalling RM243.7 million was raised under the Rights Issue with Warrants which was completed on 15 April 2016. The status of utilisation of these proceeds as at 31 December 2017 is set out below:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation from Completion Date
Don Sahong Hydropower Project	150,000	150,000	–	Within 36 months
Working capital and other general corporate purposes	25,035 <sup>(3)</sup>	25,035	–	Within 36 months
Repayment of short-term bank borrowings	65,000	65,000	–	Within 12 months
Estimated expenses in relation to the Rights Issue with Warrants	3,700	3,700 <sup>(4)</sup>	–	Within 3 months
	<u>243,735 <sup>(1)(2)</sup></u>	<u>243,735</u>	<u>–</u>	

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

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

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

(4) The variation in the amount of estimated expenses has been adjusted against the amount proposed for working capital and other general corporate purposes.

### 2) Material Contracts with Related Parties

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

### 3) Audit Fees and Non-Audit Fees for External Auditors

The amount of audit fees incurred by the Company and the Group amounted to approximately RM60,000 and RM449,900 respectively.

The amount of group non-audit fees payable to the Company's external auditors and their affiliated firm or corporation companies for the financial year ended 31 December 2017 amounted to approximately RM165,000.



## Additional Compliance Information Disclosures [cont'd]

### 4) Employees' Share Option Scheme

The Employees' Share Option Scheme of the Company ("ESOS") was implemented on 1 August 2010 and shall be in force for a period of ten (10) years from 1 August 2010.

The total number of options granted, exercised, lapsed and outstanding under the ESOS, are set out in the table below:-

Description	Number of Options (Since commencement of ESOS to 31 December 2017)	
	Grand Total	Directors
(a) Granted	29,550,846	18,850,288
(b) Exercised	3,014,610	2,672,000
(c) Lapsed	1,837,847	980,000
(d) Outstanding	24,698,389	15,198,288

Percentages of options applicable to Directors and Senior Management under the ESOS:-

Directors and Senior Management	During the financial year 2017	Since commencement up to 31 December 2017
(a) Aggregate maximum allocation	50%	50%
(b) Actual granted	15.9%	40.9%

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year saved as disclosed in Notes 9 and 44 to the financial statements.

### RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows:-

	<b>GROUP RM'000</b>	<b>COMPANY RM'000</b>
<b>Continuing operations</b>		
Profit before tax	192,935	24,549
Income tax expense	(35,225)	(233)
Profit after tax from continuing operations	157,710	24,316
<b>Discontinued operations</b>		
Profit after tax from discontinued operations	9,263	-
Profit for the financial year	166,973	24,316
Attributable to:-		
Owners of the Company	138,336	24,316
Non-controlling interests	28,637	-
	166,973	24,316

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

Since the end of the previous financial year, the Company paid:-

- (a) a final tax-exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2016 on 7 July 2017; and
- (b) an interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017 on 13 October 2017.

The Board proposes a final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017. 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.

## Directors' Report [cont'd]

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its issued and paid-up share capital from RM401,900,290 to RM524,004,652 (including transfer of RM99,856,708 from share premium account pursuant to Section 618(2) of Companies Act 2016, as detailed in Note 26 to the financial statements) by way of:-
- (i) an issuance of 8,517,726 new ordinary shares for cash at the price of RM2.22 from warrants conversion; and
  - (ii) an issuance of 367,610 new ordinary shares for cash at the prices of RM1.34, RM2.00 and RM2.41 pursuant to the exercise of options under the Employees' Share Option Scheme.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and

- (b) there was no debenture issued by the Company.

### TREASURY SHARES

The information on the treasury shares is disclosed in Note 27 to the financial statements.

### EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") was approved by shareholders of the Company at an Extraordinary General Meeting held on 20 May 2010. The Scheme was implemented on 1 August 2010 and shall be in force for a period of 10 years unless otherwise terminated in accordance with its By-Laws.

The details of the ESOS are set out in Note 28.5 to the financial statements.

### WARRANTS

The movement in Warrants 2016/2020 ("Warrants") of the Company during the financial year are as follows:-

	2017 '000	2016 '000
As at 1 January	67,306	–
Issued during the financial year	–	67,306
Converted during the financial year	(8,518)	–
As at 31 December	58,788	67,306

Warrant holders are not entitled to vote in any general meeting of shareholders of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holder becomes a shareholder of the Company by exercising the Warrants.

## Directors' Report [cont'd]

### OTHER FINANCIAL INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made up, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would require the further writing off of bad debts or the additional amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

The contingent liabilities are disclosed in Note 38 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (b) no item, transaction or event of a material and unusual nature has arisen during the financial year or in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Directors' Report [cont'd]

### DIRECTORS

The names of Directors who served during the financial year and up to the date of this report:-

- Goh Nan Kioh
- Goh Nan Yang (Also alternate to Goh Nan Kioh)
- Khoo Teng Keat
- Dato' Koh Hong Sun
- Yeow See Yuen
- Dato' Tan Ang Meng
- Pengiran Saifuddin Bin Pengiran Tahir
- Tay Kheng Chiong
- Jesper Bjorn Madsen
- Professor Dato' Dr. Tan Hui Meng (Appointed on 20 March 2017)

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office in shares of the Company and of its related corporations at the end of the financial year are as follows:-

	Balance as at 1.1.2017	Number of ordinary shares		Balance as at 31.12.2017
		Additions	Disposal	
<b>SHARES IN THE COMPANY</b>				
Goh Nan Kioh				
- Direct	2,063,120	-	-	2,063,120
- Deemed	126,138,086	8,500,000	-	134,638,086
Goh Nan Yang				
- Direct	1,717,000	-	-	1,717,000
Khoo Teng Keat				
- Direct	340,000	-	-	340,000
Dato' Koh Hong Sun				
- Direct	390,000	-	-	390,000
Yeow See Yuen				
- Direct	1,292,000	65,000	-	1,357,000
- Deemed	44,200	-	-	44,200
Dato' Tan Ang Meng				
- Direct	438,000	-	-	438,000
Tay Kheng Chiong				
- Direct	45,900	25,000	-	70,900
Professor Dato' Dr. Tan Hui Meng				
- Deemed	-	209,300	-	209,300

## Directors' Report [cont'd]

**DIRECTORS' INTERESTS (CONT'D)**

<b>WARRANTS IN THE COMPANY</b>	<b>Balance as at 1.1.2017</b>	<b>Number of warrants 2016/2020</b>		<b>Balance as at 31.12.2017</b>
		<b>Addition</b>	<b>Disposal</b>	
Goh Nan Kioh				
- Direct	364,080	-	-	364,080
- Deemed	23,247,255	-	(8,500,000)	14,747,255
Goh Nan Yang				
- Direct	303,000	-	-	303,000
Khoo Teng Keat				
- Direct	60,000	-	-	60,000
Dato' Koh Hong Sun				
- Direct	90,000	-	-	90,000
Yeow See Yuen				
- Direct	236,571	-	-	236,571
- Deemed	7,800	-	-	7,800
Tay Kheng Chiong				
- Direct	8,100	-	-	8,100
Professor Dato' Dr. Tan Hui Meng				
- Deemed	-	324,800	-	324,800

## Directors' Report [cont'd]

### DIRECTORS' INTERESTS (CONT'D)

In addition to the above, the following Directors who were in office at the end of the financial year are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company:-

	Exercise Price	Options over ordinary shares				Balance as at 31.12.2017
		Balance as at 1.1.2017	Granted	Exercised	Lapsed	
Goh Nan Kioh	RM2.00*	3,188,328	–	–	–	3,188,328
	RM2.41	–	1,800,000	–	–	1,800,000
Goh Nan Yang	RM2.00*	2,277,377	–	–	–	2,277,377
	RM2.41	–	2,000,000	–	–	2,000,000
Khoo Teng Keat	RM2.00*	1,138,688	–	–	–	1,138,688
	RM2.41	–	800,000	–	–	800,000
Dato' Koh Hong Sun	RM2.00*	113,869	–	–	–	113,869
	RM2.41	–	100,000	–	–	100,000
Yeow See Yuen	RM2.00*	1,366,426	–	–	–	1,366,426
	RM2.41	–	1,400,000	–	–	1,400,000
Dato' Tan Ang Meng	RM2.00*	113,869	–	–	–	113,869
	RM2.41	–	100,000	–	–	100,000
Tay Kheng Chiong	RM1.34*	310,862	–	(25,000)	–	285,862
	RM2.00*	113,869	–	–	–	113,869
	RM2.41	–	100,000	–	–	100,000
Pengiran Saifuddin Bin Pengiran Tahir	RM3.45	–	300,000	–	–	300,000

\* Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

In accordance with Section 8 of the Companies Act 2016, Goh Nan Kioh, by virtue of his interest in the shares of the Company, is deemed to have interests in the shares of all subsidiary companies within the Group to the extent of the Company's interests.

Other than as stated above, none of the Directors of the Company who were in office at the end of the financial year had any other interests in the shares or options over unissued shares of the Company or of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration section of our report) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which a Director has substantial financial interest as disclosed in Note 46 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Directors pursuant to the Company's ESOS and the Warrants as disclosed above.



## Directors' Report [cont'd]

### **DIRECTORS' REMUNERATION**

The details of the directors' remuneration are disclosed in Note 45 to the financial statements.

### **INDEMNITY AND INSURANCE COST**

The Directors and officers of the Group and of the Company are covered by Directors and Officers Liability Insurance ("D&O Insurance") for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total amount of indemnity coverage for the Directors and Officers of the Group was RM10,000,000. The insurance premium for the D&O Insurance paid during the financial year amounted to RM17,000. No indemnity was given to or insurance effected for auditors of the Company.

### **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Notes 14 and 42 to the financial statements.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 48 to the financial statements.

### **SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

The significant events occurring after the reporting period are disclosed in Note 49 to the financial statements.

### **AUDITORS**

The auditors, Messrs. Crowe Horwath, have indicated their willingness to continue in office.

The auditors' remuneration are disclosed in Note 6 to the financial statements.

### **SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS**

**GOH NAN YANG**  
Kingdom of Cambodia

**KHOO TENG KEAT**  
Petaling Jaya

27 March 2018

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Mega First Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 54 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("*By-Laws*") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and the *IESBA Code*.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Don Sahong Hydropower Project - Revenue Recognition, Project Development Expenditure and Intangible Asset</b>	
Refer to Note 4, Note 5, Note 20 and Note 21 in the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The Group has undertaken the Don Sahong Hydropower Project ("DSPC") in Lao PDR. The accounting treatment adopted is in accordance with IC Interpretation 12 where the concession agreement in DSPC is considered to be a service concession arrangement, and an intangible asset of RM941.8 million has been recognised as at 31 December 2017. Revenue of RM645.4 million and Construction cost of RM472.9 million on the construction of the hydropower asset have been recognised for the financial year ended 31 December 2017, using the percentage of completion method in accordance with FRS 111.</p> <p>The intangible asset, revenue and cost recognition for the DSPC is considered a key audit matter due to the magnitude of the balances and risk of material misstatement due to significant judgement being applied in their determination.</p>	<p>The audit of DSPC was undertaken by a component auditor ("CA"). Our procedures included:-</p> <ul style="list-style-type: none"> <li>(a) Assessed the objectivity, independence and expertise of the CA;</li> <li>(b) Assessed the related concession agreement for the fulfillment of the criteria of service concession arrangement for recognition of intangible asset;</li> <li>(c) Tested the internal controls of DSPC on approval of budgets, authorising and recording of costs incurred;</li> <li>(d) Reviewed and verified management's basis to certifying the progress of physical completion and assess the reasonableness of the percentage of completion and recognition of construction revenue and intangible asset;</li> <li>(e) Performed enquiry and obtained explanations from management to corroborate the audit evidence obtained by the CA.</li> </ul>

## Independent Auditors' Report [cont'd]

To the Members of Mega First Corporation Berhad

<b>Idaman Harmoni Sdn. Bhd. ("IHSB") – dispute over additional taxes and penalties imposed by Inland Revenue Board of Malaysia ("IRBM")</b> Refer to Note 38 in the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>One of the Group's subsidiaries, IHSB, has been imposed with additional taxes and penalties amounting to RM26.3 million by the IRBM.</p> <p>IHSB has disputed the additional taxes and penalties and no provision has been made as at 31 December 2017.</p> <p>There is a key audit area due to the risk of material misstatement arising from the dispute.</p>	<p>Our audit procedures included:-</p> <ul style="list-style-type: none"> <li>(a) Assessed the appropriateness of management's basis in disputing the additional taxes and penalties imposed;</li> <li>(b) Obtained the views from tax and legal advisors appointed by IHSB;</li> <li>(c) Discussed the merits of the dispute with the legal advisor;</li> <li>(d) Assessed the status of the dispute including legal proceedings to appeal against the additional taxes and penalties;</li> <li>(e) Assessed adequacy of disclosures made in Note 38 with regard to the contingent liabilities arising from the dispute.</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditors' Report [cont'd]

To the Members of Mega First Corporation Berhad

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent Auditors' Report [cont'd]

To the Members of Mega First Corporation Berhad

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 42 to the financial statements.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

27 March 2018

Kuala Lumpur

**Lee Kok Wai**  
Approval No: 02760/06/2018 J  
Chartered Accountant

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	GROUP		COMPANY	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 Restated
<b>Continuing operations</b>					
Revenue	5	910,862	600,738	94,573	83,412
Cost Of Sales		(681,183)	(446,344)	–	–
Gross Profit		229,679	154,394	94,573	83,412
Distribution Costs		(5,780)	(5,325)	–	–
Administrative Expenses		(36,147)	(24,295)	(19,646)	(7,964)
Other Expenses		(13,741)	(19,421)	(39,850)	(1,203)
Other Income		25,690	38,297	362	28,384
Profit From Operations	6	199,701	143,650	35,439	102,629
Finance Costs	7	(6,766)	(6,090)	(10,890)	(3,915)
Profit Before Tax		192,935	137,560	24,549	98,714
Income Tax Expense	8	(35,225)	(22,004)	(233)	(239)
Profit After Tax from Continuing Operations		157,710	115,556	24,316	98,475
<b>Discontinued operations</b>					
Profit After Tax from Discontinued Operations	9	9,263	41,682	–	–
Profit For The Financial Year		166,973	157,238	24,316	98,475

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Profit or Loss and Other Comprehensive Income [cont'd]

For the Financial Year Ended 31 December 2017

	Note	GROUP		COMPANY	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Profit After Tax For The Financial Year		166,973	157,238	24,316	98,475
Other Comprehensive (Expenses)/Income	10				
<u>Items that may be reclassified subsequently to profit or loss</u>					
Fair value changes of available-for-sale financial assets		16,574	585	(410)	(1,228)
Foreign currency translation		(121,279)	15,289	–	–
Cash flow hedge		(2,351)	–	–	–
Total Other Comprehensive (Expenses)/Income		(107,056)	15,874	(410)	(1,228)
Total Comprehensive Income For The Financial Year		59,917	173,112	23,906	97,247
Profit After Tax Attributable To:					
- Owners Of The Company		138,336	120,741	24,316	98,475
- Non-controlling Interests		28,637	36,497	–	–
		166,973	157,238	24,316	98,475
Total Comprehensive Income Attributable To:					
- Owners Of The Company		34,498	138,918	23,906	97,247
- Non-controlling Interests		25,419	34,194	–	–
		59,917	173,112	23,906	97,247
Basic Earnings Per Share (sen)	11				
- Continuing operations		34.91	27.11		
- Discontinued operations		1.11	7.08		
		36.02	34.19		
Diluted Earnings Per Share (sen)	11				
- Continuing operations		32.40	27.08		
- Discontinued operations		1.03	7.08		
		33.43	34.16		

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	GROUP			COMPANY		
		31.12.2017 RM'000	31.12.2016 RM'000 Restated	1.1.2016 RM'000 Restated	31.12.2017 RM'000	31.12.2016 RM'000 Restated	1.1.2016 RM'000 Restated
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Property, Plant And Equipment	13	262,151	323,517	338,209	5,801	4,687	4,156
Subsidiaries	14	–	–	–	645,649	455,868	321,875
Investment In Quoted Shares	15	56,909	40,315	41,512	2,255	2,665	6,800
Investment In Unquoted Shares	16	335	335	335	–	–	–
Land Use Rights	17	17,327	16,635	16,590	9,923	9,923	9,923
Investment Properties	18	167,662	149,356	140,740	–	–	–
Land Held For Property Development	19	45,095	44,438	51,215	–	–	–
Project Development Expenditure	20	601	72,065	112,952	601	1,196	1,229
Intangible asset	21	941,796	370,391	–	–	–	–
Goodwill On Consolidation	22	10,812	10,812	10,812	–	–	–
Deferred Tax Assets	31	170	2,690	3,068	–	–	–
Long-Term Prepayment		–	–	540	–	–	–
		1,502,858	1,030,554	715,973	664,229	474,339	343,983
<b>Current Assets</b>							
Inventories	23	42,280	59,874	67,575	–	–	–
Receivables	24	161,787	227,168	236,606	178,207	153,964	122,416
Property Development		–	–	6,370	–	–	–
Bank Balances And Deposits	25	138,750	291,326	198,045	514	134,715	36,018
		342,817	578,368	508,596	178,721	288,679	158,434
<b>TOTAL ASSETS</b>		1,845,675	1,608,922	1,224,569	842,950	763,018	502,417
<b>EQUITY AND LIABILITIES</b>							
Share Capital	26	524,005	401,900	243,345	524,005	401,900	243,345
Treasury Shares	27	(30,046)	(30,046)	(30,046)	(30,046)	(30,046)	(30,046)
Reserves	28	741,988	815,198	617,041	248,489	332,309	175,166
<b>Equity Attributable To Owners Of The Company</b>		1,235,947	1,187,052	830,340	742,448	704,163	388,465
<b>Non-controlling Interests</b>		133,757	156,688	156,516	–	–	–
<b>Total Equity</b>		1,369,704	1,343,740	986,856	742,448	704,163	388,465
<b>Non-Current Liabilities</b>							
Payables	29	7,083	1,223	1,678	–	–	–
Long-Term Borrowings	30	112,741	22,642	29,291	–	–	–
Deferred Tax Liabilities	31	56,176	33,054	19,296	–	–	–
		176,000	56,919	50,265	–	–	–

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.



## Statements of Financial Position [cont'd]

As at 31 December 2017

	Note	GROUP			COMPANY		
		31.12.2017 RM'000	31.12.2016 RM'000 Restated	1.1.2016 RM'000 Restated	31.12.2017 RM'000	31.12.2016 RM'000 Restated	1.1.2016 RM'000 Restated
<b>Current Liabilities</b>							
Payables	32	188,825	133,283	65,819	59,541	58,855	68,952
Short-Term Borrowings	33	108,436	65,989	110,685	40,961	–	45,000
Financial Derivative Liability	34	2,351	–	–	–	–	–
Taxation		359	8,991	10,944	–	–	–
		299,971	208,263	187,448	100,502	58,855	113,952
<b>Total Liabilities</b>		475,971	265,182	237,713	100,502	58,855	113,952
<b>TOTAL EQUITY AND LIABILITIES</b>		1,845,675	1,608,922	1,224,569	842,950	763,018	502,417
Net Assets Per Ordinary Share (sen)	35	317	311	373			

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

GROUP	← Non-Distributable					→ Distributable							Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-controlling Interests RM'000		
Balance at 1 January 2016	243,345	(30,046)	34,179	1,895	72,979	5,096	15,483	-	487,409	830,340	156,516	986,856	
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	120,741	120,741	36,497	157,238	
Other comprehensive income/ (expenses) for the financial year:													
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	585	-	-	-	585	-	585	
- Foreign currency translation difference	-	-	-	-	17,592	-	-	-	-	17,592	(2,303)	15,289	
Total comprehensive income for the financial year	-	-	-	-	17,592	585	-	-	120,741	138,918	34,194	173,112	
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	(26,698)	(26,698)	-	(26,698)	
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(34,563)	(34,563)	
ESOS options granted	-	-	-	2,783	-	-	-	-	-	2,783	-	2,783	
ESOS options lapsed	-	-	-	(121)	-	-	-	-	121	-	-	-	
Issuance of ordinary shares pursuant to:													
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	-	18,846	-	243,735	-	243,735	
- ESOS options	1,507	-	1,195	(437)	-	-	-	-	-	2,265	-	2,265	
Expenses in relation to Rights Issue with Warrants	-	-	(3,359)	-	-	-	-	(275)	-	(3,634)	-	(3,634)	
Total transactions with owners of the Company	158,555	-	65,677	2,225	-	-	-	18,571	(26,577)	218,451	(34,563)	183,888	
Realisation of capital reserve	-	-	-	-	-	-	67	-	(136)	(69)	(47)	(116)	
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	(588)	(588)	588	-	
Balance at 31 December 2016	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	

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Changes In Equity [cont'd]

For the Financial Year Ended 31 December 2017

GROUP	← Non-Distributable					→ Distributable					Attributable		Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS 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	Of The Company RM'000	Non-controlling Interests RM'000	
Balance at 1 January 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
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	-	138,336	138,336	28,637	166,973
Other comprehensive income/(expenses) for the financial year:													
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	16,574	-	-	-	-	16,574	-	16,574
- Foreign currency translation difference	-	-	-	-	(118,061)	-	-	-	-	-	(118,061)	(3,218)	(121,279)
- Cash flow hedge	-	-	-	-	-	-	-	-	(2,351)	-	(2,351)	-	(2,351)
Total comprehensive income for the financial year	-	-	-	-	(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 (Note 12)	-	-	-	-	-	-	-	-	-	(19,252)	(19,252)	-	(19,252)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(18,565)	(18,565)
ESOS options granted	-	-	-	13,982	-	-	-	-	-	-	13,982	-	13,982
ESOS options lapsed	-	-	-	(106)	-	-	-	-	-	106	-	-	-
Issuance of ordinary shares pursuant to:													
- Warrants	21,260	-	-	-	-	-	-	(2,350)	-	-	18,910	-	18,910
- ESOS options	988	-	1	(250)	-	-	-	-	-	-	739	-	739
Transfer to share capital upon implementation of the Companies Act 2016	99,857	-	(99,857)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	122,105	-	(99,856)	13,626	-	-	-	(2,350)	-	(19,146)	14,379	(18,565)	(4,186)
Balance carried forward	524,005	(30,046)	-	17,746	(27,490)	22,255	15,550	16,221	(2,351)	700,039	1,235,929	163,542	1,399,471

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Changes In Equity [cont'd]

For the Financial Year Ended 31 December 2017

GROUP	Non-Distributable						Distributable							Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS 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		
Balance brought forward	524,005	(30,046)	-	17,746	(27,490)	22,255	15,550	16,221	(2,351)	700,039	1,235,929	163,542	1,399,471	
Net dilution of interests in subsidiaries	-	-	-	-	-	-	-	-	-	72	72	216	288	
Deconsolidation of a subsidiary (Note 44)	-	-	-	-	-	-	-	-	-	-	-	(51,942)	(51,942)	
Acquisition of a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	-	10,100	10,100	
Fair value of acquired asset attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	11,876	11,876	
Realisation of capital reserves	-	-	-	-	-	-	(15,075)	-	-	15,021	(54)	(35)	(89)	
Balance at 31 December 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 accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Changes In Equity [cont'd]

For the Financial Year Ended 31 December 2017

COMPANY	← Non Distributable →					Distributable		Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	
Balance at 1 January 2016	243,345	(30,046)	34,179	1,895	837	-	138,255	388,465
Profit after taxation for the financial year	-	-	-	-	-	-	98,475	98,475
Other comprehensive expenses for the financial year:								
- Fair value changes of available-for-sale financial assets	-	-	-	-	(1,228)	-	-	(1,228)
Total comprehensive income for the financial year	-	-	-	-	(1,228)	-	98,475	97,247
Contributions by and distributions to owners of the Company:-								
Dividends	-	-	-	-	-	-	(26,698)	(26,698)
ESOS options granted	-	-	-	2,783	-	-	-	2,783
ESOS options lapsed	-	-	-	(121)	-	-	121	-
Issuance of ordinary shares pursuant to:								
- Rights Issue with Warrants	157,048	-	67,841	-	-	18,846	-	243,735
- ESOS options	1,507	-	1,195	(437)	-	-	-	2,265
Expenses in relation to Rights Issue with Warrants	-	-	(3,359)	-	-	(275)	-	(3,634)
Total transactions with owners of the Company	158,555	-	65,677	2,225	-	18,571	(26,577)	218,451
Balance at 31 December 2016	401,900	(30,046)	99,856	4,120	(391)	18,571	210,153	704,163

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Changes In Equity [cont'd]

For the Financial Year Ended 31 December 2017

COMPANY	Share Capital RM'000	Treasury Shares RM'000	Non Distributable			Distributable		Total Equity RM'000
			Share Premium RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	
Balance at 1 January 2017	401,900	(30,046)	99,856	4,120	(391)	18,571	210,153	704,163
Profit after taxation for the financial year	-	-	-	-	-	-	24,316	24,316
Other comprehensive expenses for the financial year:								
- Fair value changes of available-for-sale financial assets	-	-	-	-	(410)	-	-	(410)
Total comprehensive income for the financial year	-	-	-	-	(410)	-	24,316	23,906
Contributions by and distributions to owners of the Company:								
Dividends (Note 12)	-	-	-	-	-	-	(19,252)	(19,252)
ESOS options granted	-	-	-	13,982	-	-	-	13,982
ESOS options lapsed	-	-	-	(106)	-	-	106	-
Issuance of ordinary shares pursuant to:								
- Warrants	21,260	-	-	-	-	(2,350)	-	18,910
- ESOS options	988	-	1	(250)	-	-	-	739
Transfer to share capital upon implementation of the Companies Act 2016	99,857	-	(99,857)	-	-	-	-	-
Total transactions with owners of the Company	122,105	-	(99,856)	13,626	-	(2,350)	(19,146)	14,379
Balance at 31 December 2017	524,005	(30,046)	-	17,746	(801)	16,221	215,323	742,448

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

GROUP	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax		
- Continuing operations	192,935	137,560
- Discontinued operations	19,629	62,065
Adjustments for:		
Allowance for impairment losses on:		
- Investment in quoted shares	1,157	2,310
- Receivables, net	2,049	2,804
Amortisation of land use rights	190	223
Depreciation of property, plant and equipment	46,594	52,219
ESOS options expenses	13,982	2,783
Interest expense	7,145	6,169
Provision for retirement benefits	484	48
Write-off of:		
- Bad debts	-	2
- Inventories	660	1,328
- Land held for property development	-	6,708
- Plant and equipment	209	2,610
Loss on deconsolidation of a subsidiary	3,209	-
Construction profit	(172,556)	(96,113)
Dividend income	(1,252)	(580)
Fair value gain on investment properties	(6,316)	(8,616)
Gain on disposal of:		
- Property, plant and equipment	(305)	(1,280)
- Quoted shares	(114)	(867)
Loss/(Gain) on foreign exchange - Unrealised	3,928	(13,700)
Interest income	(3,691)	(4,776)
Write-back of:		
- Land held for property development	(657)	-
- Inventories written down	(1)	(186)
<b>Operating Profit Before Working Capital Changes</b>	<b>107,279</b>	<b>150,711</b>
Decrease/(Increase) in:		
Inventories	(4,674)	6,559
Property development	-	6,370
Receivables	1,239	(5,962)
Increase/(Decrease) in payables	41,034	(360)
<b>Cash From Operations</b>	<b>144,878</b>	<b>157,318</b>
Income tax paid	(29,729)	(33,960)
Retirement benefits paid	-	(212)
<b>Net Cash From Operating Activities</b>	<b>115,149</b>	<b>123,146</b>

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Cash Flows [cont'd]

For the Financial Year Ended 31 December 2017

GROUP	Note	2017 RM'000	2016 RM'000
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>			
Interest received		3,691	4,776
Dividend received		1,252	580
Decrease in land held for property development		–	69
Cash outflow for project development		(312,634)	(136,165)
Acquisition of additional interest of subsidiary		(431)	–
Net cash outflow from acquisition of a subsidiary	43	(10,000)	–
Net cash outflow from deconsolidation of a subsidiary	44	(22,102)	–
Proceeds from disposal of:			
- Property, plant and equipment		429	2,489
- Quoted shares		569	3,775
Purchase of:			
- Property, plant and equipment	39(a)	(29,478)	(45,000)
- Land use rights		(1,032)	(253)
- Quoted shares		(1,633)	(3,435)
<b>Net Cash For Investing Activities</b>		<b>(371,369)</b>	<b>(173,164)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(7,145)	(6,169)
Dividends paid to:			
- shareholders of the Company		(19,252)	(26,698)
- subsidiaries' non-controlling interests		(18,565)	(34,563)
Net (repayment)/drawdown of:			
- Trust receipts, bankers' acceptances & revolving credits	39(b)	33,820	(44,204)
- Hire purchase payables	39(b)	(1,209)	(716)
- Term loans	39(b)	92,524	(6,624)
Proceeds from issuance of shares arising from:			
- Exercise of ESOS options	739	2,265	
- Rights Issue	–	243,735	
- Conversion of Warrants		18,910	–
Proceeds from issuance of shares by a subsidiary to non-controlling interests		750	–
Withdrawal/(Placement) of deposits pledged to licensed banks or with original maturity period of more than 3 months		24,984	(3,486)
<b>Net Cash From Financing Activities</b>		<b>125,556</b>	<b>123,540</b>
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>		<b>(3,130)</b>	<b>16,790</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(133,794)</b>	<b>90,312</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>263,142</b>	<b>172,830</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	39(c)	<b>129,348</b>	<b>263,142</b>

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.



## Statements of Cash Flows [cont'd]

For the Financial Year Ended 31 December 2017

COMPANY	Note	2017 RM'000	2016 RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
Profit before tax		24,549	98,714
Adjustments for:			
Allowance for impairment losses on receivables		58	–
Depreciation of equipment		59	126
ESOS options expenses		13,982	2,783
Interest expense		3,964	3,915
Loss on disposal of equipment		–	1
Notional time value loss on dividend receivable		6,926	–
Gain on disposal of quoted shares		–	(866)
Write-off of bad debt		–	2
Dividend income		(92,513)	(79,913)
Loss/(Gain) on foreign exchange – Unrealised		38,406	(27,439)
Interest income		(462)	(1,647)
Write-back of allowance for impairment losses on receivables		(282)	–
Operating Loss Before Working Capital Changes		(5,313)	(4,324)
Increase in receivables		(500)	(3,933)
Increase in payables		288	4
Cash For Operations		(5,525)	(8,253)
Income tax paid		(182)	(73)
Net Cash For Operating Activities		(5,707)	(8,326)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>			
Interest received		462	1,647
Dividend received		92,513	79,913
Decrease in project development expenditure		595	33
Subscription of preference shares in a subsidiary		(228,084)	(118,464)
Advances to subsidiaries		(30,496)	(31,417)
Proceeds from disposal of equipment		–	6
Proceeds from disposal of quoted shares		–	3,773
Purchase of plant and equipment	39(a)	(1,173)	(664)
Net Cash For Investing Activities		(166,183)	(65,173)

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

## Statements of Cash Flows [cont'd]

For the Financial Year Ended 31 December 2017

COMPANY	Note	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,964)	(3,915)
Dividends paid		(19,252)	(26,698)
Net drawdown/(repayment) of short-term borrowings	39(b)	35,000	(45,000)
Advances from/(Repayment to) subsidiaries		478	(9,004)
Repayment to a related party		(80)	(1,097)
Proceeds from issuance of shares arising from:			
- Conversion of Warrants		18,910	-
- Exercise of ESOS options		739	2,265
- Rights Issue		-	243,735
Purchase of treasury shares		-	*
Withdrawal/(Placement) of deposits pledged to licensed banks or with original maturity period of more than 3 months		26,552	(2,568)
<b>Net Cash From Financing Activities</b>		<b>58,383</b>	<b>157,718</b>
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>		<b>(103)</b>	<b>11,910</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(113,610)</b>	<b>96,129</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>108,163</b>	<b>12,034</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	39(c)	<b>(5,447)</b>	<b>108,163</b>

\* - Negligible

The accompanying Notes on pages 67 to 154 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at A-12-01 Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 27 March 2018.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year saved as disclosed in Notes 9 and 44 to the financial statements.

## 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

### **FRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to FRS 107: Disclosure Initiative  
 Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses  
 Annual Improvements to FRSs 2014 – 2016 Cycle: Amendments to FRS 12:  
 Clarification of the Scope of Standard

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

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

### **FRSs and/or IC Interpretations (Including The Consequential Amendments)**

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

As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework for the annual period beginning on or after 1 January 2018. Therefore, the FRSs which are effective for annual periods beginning on or after 1 January 2018 above will not be applicable to the Group.

## Notes to the Financial Statements [cont'd]

### 3. BASIS OF PREPARATION (CONT'D)

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

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

As a transitioning entity as defined above, the Group will be presenting its first set of MFRS financial statements for the financial year ending 31 December 2018. In presenting the first set of MFRS financial statements, the Group is required to adjust the comparative financial statements prepared under the FRSs to amounts reflecting the application of MFRSs. The majority of the adjustments required on transition would be made, retrospectively, against opening retained profits at 1 January 2017. The Group is currently assessing the full impacts on the transition to the MFRS framework but the effects would only be observable/finalised in next financial year.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.1 Basis of Consolidation (Cont'd)

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### Business combinations from 1 January 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

##### Business combinations before 1 January 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

#### 4.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequent if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 Goodwill (Cont'd)

##### Business combinations from 1 January 2011 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

##### Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

#### 4.3 Financial Instruments

Financial assets and liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

##### (a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

##### (i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

##### (ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

##### (iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss. Interest income calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

##### (c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

##### (i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

##### (ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

##### (d) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

##### (e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 Financial Instruments (Cont'd)

(f) Hedge Activities

The Group enters into a derivative financial instrument to manage its exposure to interest rate risk, namely interest rate swap.

The Group designates the derivative as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

(i) Hedge Accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(ii) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### 4.4 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the financial period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

## Notes to the Financial Statements [cont'd]

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Functional and Foreign Currencies (Cont'd)****(c) Foreign Operations**

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

The principal closing rates used in the translation of foreign currencies are as follows:-

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
1 Chinese Renminbi	0.638	0.646
1 United States Dollar	4.0475	4.4860
1 Singapore Dollar	3.029	3.101
1 Hong Kong Dollar	0.518	0.578

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 Impairment

##### (a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

##### (b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 Impairment (Cont'd)

##### (b) Impairment of Non-Financial Assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 4.6 Property, Plant and Equipment

Property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

##### (a) Freehold Land and Leasehold Quarry Land

Freehold land is not depreciated.

Leasehold quarry land is in respect of land use rights held to extract limestone for the Group's quarry operations and is outside the scope of FRS 117. Leasehold quarry land is amortised on a straight-line basis over the period of the leases ranging from 30 to 60 years.

##### (b) Other Property, Plant and Equipment

Other property, plant and equipment, with the exception of power plants and construction-in-progress, are depreciated to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are:-

Buildings	2.0% to 6.5%
Power plant, machinery and equipment	5.0% to 50%
Vehicles	20% to 33%

Power plants of subsidiaries are depreciated on the straight-line basis to write off the cost less estimated residual value over the concession periods of 21/22 years, whichever applicable. Nevertheless, the concessions are subject to renewal according to terms as provided in the power purchase agreement.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.6 Property, Plant and Equipment (Cont'd)

##### (b) Other Property, Plant and Equipment (Cont'd)

Construction-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of construction-in-progress includes preliminary expenses, direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### 4.7 Capitalisation of Borrowing Costs

- (a) Borrowing costs incurred on the acquisition and construction or production of a qualifying asset which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.
- (b) Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

#### 4.8 Leased Assets

##### (a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.8 Leased Assets (Cont'd)

##### (b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### 4.9 Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

#### 4.10 Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the term of the leases.

#### 4.11 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially, investment properties are measured at cost includes expenditures that are directly attributable to the acquisition of investment properties. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to date of change in use.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.12 Land Held for Property Development and Property Development

##### (a) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

##### (b) Property Development

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

#### 4.13 Project Development Expenditure

Project development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Project development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised project development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Project development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The project development expenditure is amortised on a straight-line method over the tenure of the concession period when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.



## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.14 Inventories

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out method, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.15 Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

#### 4.16 Provisions

(a) General Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(b) Provision for Project Costs to Completion

Project costs to completion are unavoidable costs of meeting or completing the obligations under a substantially completed contract. Provisions for project costs to completion are recognised in the period in which the Group becomes legally or constructively committed to perform the contract.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.17 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements. When its inflow of economic benefit is virtually certain, then the related asset is recognised in the statement of financial position.

#### 4.18 Service Concession Arrangement

A service concession arrangement is an arrangement involving an operator constructing and/or upgrading, operating and maintaining infrastructure used to provide a public service for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. The grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group, as the operator for constructing and operating infrastructure, recognises intangible asset arising from a service concession arrangement to the extent that it receives a right (a license) to charge the grantor, based on usage of the public service, for the construction of assets. Intangible assets recognised as a result of the service concession arrangement are accounted for based on Note 4.19 Intangible Assets.

Revenue from construction services is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. Contract works mean Engineering, Procurement, Construction and Commissioning Contract ("EPC Contract") and construction of Transmission Facility. Provision for anticipated loss on the construction project will be made in the financial statements as soon as the possibility of loss is ascertained.

Contracts of which incurred construction costs exceed calculated construction costs, and costs of project of which revenue have not yet been recognised are shown as "project development expenditure" under non-current assets or, conversely, "accrued construction costs" under current liabilities in the statement of financial position.

Revenue from operation services is recognised when the services have been rendered.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.19 Intangible Assets

Intangible assets recognised as a result of the service concession arrangement are measured at cost, which are the fair value of the consideration received or receivable for the construction services provided and is amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.

The Group estimate the fair value of the consideration received or receivable for the construction services provided to be equal to the projected project costs plus a margin. Project costs comprise all costs incurred during the development and construction phase of the Project and borrowing costs. Development costs include preliminary site works, environmental and social, project development and management, professional fees and insurance costs. Costs during the construction phase include EPC Contract and construction of Transmission Facility.

#### 4.20 Revenue and Other Income

Revenue is measured at fair value of the consideration received and receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:-

- (a) Dividends from subsidiaries and other investments are recognised when the shareholders' right to receive is established.
- (b) Interest income on short-term deposits and advances are recognised on an accrual basis based on effective interest method.
- (c) Revenue from the provision of management services is recognised based on services rendered.
- (d) Revenue from the sale of electricity and steam is recognised upon invoiced value of electricity and steam delivered, net of billing adjustments and goods and services tax.
- (e) Revenue from property development projects is accounted for based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.
- (f) Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.
- (g) Rental income is accounted for on a straight-line method over the lease term.
- (h) Construction revenue from service concession arrangement is recognised for operator services provided under the terms of a service concession arrangement and receives payment for its services over the period of the arrangement. This typically involves the operator constructing or upgrading infrastructure which is used to provide a public service and then being responsible for operating and maintaining that infrastructure for a specified period of time. Revenue and costs of the operator relating to the construction or upgrade services and revenue and costs relating to the operation services are accounted for as described in Note 4.18 Service Concession Arrangement.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.21 Income Tax

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

## Notes to the Financial Statements [cont'd]

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.22 Employee Benefits****(a) Short-Term Benefits**

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**(c) Share-Based Payment Transactions**

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital or share premium if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

**(d) Termination Benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for those benefits.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment assets include all assets used by a segment. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

#### 4.24 Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and the Warrants.

#### 4.25 Non-Current Assets Held For Sale and Discontinued Operations

Non current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

#### 4.26 Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations or joint ventures.

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.26 Joint Arrangements (Cont'd)

Investments in joint ventures are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 31 December 2017. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

#### 4.27 Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the periods necessary to match the grants with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss in reporting the related expenses in profit or loss.

Grants that compensate the Group for the cost of an asset are presented in the statement of financial position by deducting the grants in arriving at the carrying amount of the relevant asset.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.28 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### 4.29 Accounting Estimates and Judgements

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Valuation of Investment Properties

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for factors such as tenure, location, size, market trends. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal value, market rental, and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value.



## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.29 Accounting Estimates and Judgements (Cont'd)

(c) Impairment of Property, Plant and Equipment and Investment Properties

The Group determines whether its property, plant and equipment and investment properties is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(d) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(f) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

## Notes to the Financial Statements [cont'd]

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.29 Accounting Estimates and Judgements (Cont'd)

(g) Impairment of Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(h) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(j) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(k) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(l) Construction Contracts

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction costs incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists.

## Notes to the Financial Statements [cont'd]

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.29 Accounting Estimates and Judgements (Cont'd)**

## (m) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

## (n) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

**5. REVENUE**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>				
Construction revenue	645,441	362,444	–	–
Sale of electricity and steam	77,769	74,508	–	–
Sale of goods	178,231	143,949	–	–
Sale of properties	660	10,355	–	–
Dividend income	336	2	92,513	79,913
Interest income	415	1,630	462	1,647
Rental income	8,010	7,850	–	–
Management fee	–	–	1,598	1,852
	<b>910,862</b>	<b>600,738</b>	<b>94,573</b>	<b>83,412</b>

## Notes to the Financial Statements [cont'd]

**6. PROFIT FROM OPERATIONS - CONTINUING OPERATIONS**

This is arrived at:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 Restated
<b>After crediting:</b>				
Fair value gain on investment properties	6,316	8,616	-	-
Gain on disposal of:				
- Property, plant and equipment	305	1,222	-	-
- Quoted shares	114	867	-	866
Gain on foreign exchange, net:				
- Realised	10,928	711	-	-
- Unrealised	500	13,700	-	27,439
Interest income	3,575	4,475	462	1,647
Write-back of:				
- Allowance for impairment loss on receivables	-	-	282	-
- Inventories written down	1	186	-	-
- Land held for property development	657	-	-	-
<b>After charging:</b>				
Allowance for impairment losses:				
- Available-for-sale financial assets (including cumulative losses reclassified from other comprehensive income)				
- Quoted shares	1,157	2,310	-	-
- Receivables, net	464	-	58	-
Auditors' remuneration:				
- Audit fees:				
- For the financial year	584	572	60	60
- Underprovision in the previous financial year	7	43	-	8
- Non-audit fees:				
- For the financial year	25	82	21	78
- Underprovision in the previous financial year	-	66	-	64
Depreciation of property, plant and equipment	19,993	17,291	59	126
Direct operating expenses arising from investment properties	2,367	2,237	-	-
Directors' remuneration:				
- Fees	447	286	447	286
- Salary, bonus and other remuneration	854	843	785	843
- Share options to Directors	8,325	1,657	8,325	1,657
- Other emoluments	38	30	38	30
Loss on disposal of:				
- Property, plant and equipment	-	1	-	1
Loss on foreign exchange, net:				
- Realised	3,691	-	1,231	1,075
- Unrealised	4,428	-	38,406	-

## Notes to the Financial Statements [cont'd]

**6. PROFIT FROM OPERATIONS - CONTINUING OPERATIONS (CONT'D)**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 Restated
<b>After charging:</b>				
Staff costs:				
- Defined contribution plan	2,923	3,994	313	244
- Salaries, wages, bonuses and allowances	37,236	35,800	2,678	2,202
- Share options to staff	5,657	1,126	5,657	1,126
- Other benefits	1,420	2,917	300	122
Write-offs of:				
- Bad debts	-	2	-	2
- Inventories	660	1,328	-	-
- Land held for property development	-	6,708	-	-
- Plant and equipment	172	2,062	-	-

There was no monetary value of benefits-in-kind received by Directors of the Group and of the Company for the respective financial year ended 31 December 2017 and 31 December 2016.

**7. FINANCE COSTS**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing operations</b>				
Interest on:				
- Bank overdrafts	191	125	176	97
- Revolving credits	2,757	2,860	2,635	2,653
- Term loans	2,277	1,965	-	-
- Hire purchase	361	116	-	-
- Bankers' acceptances	288	248	-	-
- Notional time value loss on dividend receivable	-	-	6,926	-
- Others	892	776	1,153	1,165
	6,766	6,090	10,890	3,915

## Notes to the Financial Statements [cont'd]

## 8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing operations</b>				
Current tax:				
- Malaysian tax	7,035	7,608	135	271
- Foreign tax	2,647	4,512	-	-
- Under/(Over)provision in previous financial years	1,096	(3,590)	98	(32)
	10,778	8,530	233	239
Deferred tax (Note 31):				
- Relating to originating and recognition of temporary differences	26,360	11,582	-	-
- (Over)/Underprovision in previous financial years	(1,913)	1,892	-	-
	24,447	13,474	-	-
	35,225	22,004	233	239

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

Certain foreign subsidiaries are exempted from paying income tax under the applicable tax laws:-

- during the tax free period starting from date of incorporation until the 5th anniversary of the concession plant's commercial operation date; or
- by virtue of carried out tax-exempt activity.

## Notes to the Financial Statements [cont'd]

**8. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to profit before tax at the statutory rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 Restated
Profit before tax:				
- Continuing operations	192,935	137,560	24,549	98,714
- Discontinued operations	19,629	62,065	-	-
	212,564	199,625	24,549	98,714
Tax at Malaysian statutory rate of 24%	51,015	47,910	5,892	23,691
Tax effects of:				
- Effect of lower tax rate in Malaysia	-	604	-	-
- Effect of differential in tax rates on fair value adjustment on investment properties	(665)	(1,944)	-	-
- Income not subject to tax	(4,757)	(11,739)	(22,203)	(26,486)
- Expenses not deductible	6,062	12,795	16,446	3,066
- Tax-exempt income	(5,105)	(7,172)	-	-
- Deferred tax assets not recognised during the financial year	566	693	-	-
- Utilisation of reinvestment allowances	(3,355)	(1,554)	-	-
- (Over)/Underprovision in previous financial years:				
- Current tax	1,096	(3,590)	98	(32)
- Deferred tax	(1,913)	1,892	-	-
- Withholding tax on dividends from a subsidiary	2,647	4,492	-	-
Income tax expense for continuing and discontinued operations	45,591	42,387	233	239

No deferred tax assets are recognised in respect of the following items:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	23,597	23,522	-	-
Unabsorbed capital allowances	621	263	-	-
Others	337	204	-	-
	24,555	23,989	-	-

## Notes to the Financial Statements [cont'd]

**8. INCOME TAX EXPENSE (CONT'D)**

Deferred tax assets have not been recognised in respect of the unutilised tax losses and unabsorbed capital allowances as they arose from the subsidiaries that have a history of losses and it is not probable that there will be future taxable profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2017, subject to agreement with the Inland Revenue Board, apart from the unutilised tax losses and unabsorbed capital allowances, the Group has unutilised reinvestment allowances of approximately RM18,195,000 (2016 : RM18,658,000) available to be carried forward to be offset against future taxable income.

**9. DISCONTINUED OPERATIONS**

As disclosed in Note 44 to the financial statements, the Group has discontinued its power plant operations in China on 22 October 2017. An analysis of the results of the discontinued operations is as follows:-

		<b>GROUP</b>	
	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Revenue	9(a)	253,476	314,719
Cost of sales		(216,124)	(241,309)
<hr/>			
Gross profit		37,352	73,410
Administrative expenses		(13,855)	(10,848)
Other expenses		(2,164)	(5,009)
Other income		1,884	4,591
Loss on deconsolidation		(3,209)	-
<hr/>			
Profit from operations	9(b)	20,008	62,144
Finance costs	9(c)	(379)	(79)
<hr/>			
Profit before tax		19,629	62,065
Income tax expense	9(d)	(10,366)	(20,383)
<hr/>			
Profit after tax		9,263	41,682
<hr/>			
Profit after tax attributable to:-			
Owners of the Company		4,274	25,009
Non-controlling interests		4,989	16,673
<hr/>			
		9,263	41,682
<hr/>			



## Notes to the Financial Statements [cont'd]

**9. DISCONTINUED OPERATIONS (CONT'D)**

- (a) Revenue relates to sale of electricity and steam.
- (b) Included in profit from operations are the following items:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>After crediting:</b>		
Gain on disposal of property, plant and equipment	–	59
Interest income	116	301
<b>After charging:</b>		
Audit fee	38	40
Allowance for impairment loss on receivables	1,585	2,804
Amortisation of land use rights	190	223
Depreciation of property, plant and equipment	26,601	34,928
Loss on deconsolidation of subsidiary	3,209	–
Write-off of plant and equipment	37	548

- (c) Finance costs consist of:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest on:		
- Bank overdrafts	376	74
- Others	3	5
	379	79

- (d) Income tax expense consist of:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax:		
- Foreign tax	8,594	20,059
Deferred tax (Note 31):		
- Relating to originating and recognition of temporary differences	1,772	324
	10,366	20,383

## Notes to the Financial Statements [cont'd]

## 9. DISCONTINUED OPERATIONS (CONT'D)

(e) The cash flows attributable to the discontinued operations are as follows:-

	GROUP	
	2017 RM'000	2016 RM'000
Net cash from operation activities	61,023	77,091
Net cash for investing activities	(713)	(10,428)
Net cash for financing activities	(45,071)	(75,591)
Net cash inflow/(outflow) from discontinued operations	15,239	(8,928)

## 10. OTHER COMPREHENSIVE (EXPENSES)/INCOME

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
<b>Continuing operations</b>				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Fair value changes of available-for-sale financial assets:				
- Changes during the year	15,670	(1,080)	(410)	(583)
- Reclassification adjustment to profit or loss on disposal	-	(645)	-	(645)
- Transfer to profit or loss for an impairment loss	904	2,310	-	-
	16,574	585	(410)	(1,228)
Foreign currency translation:				
- Changes during the year	(69,170)	21,859	-	-
Cash flow hedge				
- Changes during the year	(2,351)	-	-	-
	(54,947)	22,444	(410)	(1,228)
<b>Discontinued operations</b>				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation:				
- Changes during the year	(2,488)	(6,570)	-	-
- Recycled to profit or loss upon deconsolidation of foreign operations	(49,621)	-	-	-
	(52,109)	(6,570)	-	-
	(107,056)	15,874	(410)	(1,228)

## Notes to the Financial Statements [cont'd]

## 11. EARNINGS PER SHARE

	GROUP	
	2017	2016
<b>Basic earnings per share</b>		
Profit after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	134,062	95,732
- Discontinued operations	4,274	25,009
	138,336	120,741
<hr/>		
Weighted average number of ordinary shares('000):-		
Issued ordinary shares on 1 January	401,900	243,345
Effect of new ordinary shares issued pursuant to:		
- ESOS options	167	1,284
- Rights Issue with Warrants	-	123,573
- Warrants	2,454	-
Effect of treasury shares held	(20,497)	(15,009)
	384,024	353,193
<hr/>		
Weighted average number of ordinary shares for the financial year	384,024	353,193
<hr/>		
Basic earnings per share (sen):		
- Continuing operations	34.91	27.11
- Discontinued operations	1.11	7.08
	36.02	34.19
<hr/>		
<b>Diluted earnings per share</b>		
Profit after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	134,062	95,732
- Discontinued operations	4,274	25,009
	138,336	120,741
<hr/>		
Weighted average number of ordinary shares for the financial year ('000)	384,024	353,193
Weighted average number of shares under options and warrants ('000)	83,554	13,890
Weighted average number of shares that would have been issued at average market price ('000)	(53,776)	(13,625)
	413,802	353,458
<hr/>		
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	413,802	353,458
<hr/>		
Diluted earnings per share (sen):		
- Continuing operations	32.40	27.08
- Discontinued operations	1.03	7.08
	33.43	34.16
<hr/>		

## Notes to the Financial Statements [cont'd]

**11. EARNINGS PER SHARE (CONT'D)**

- 11.1 The basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.
- 11.2 The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders 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.

**12. DIVIDENDS**

A final tax-exempt dividend of 3.0 sen per ordinary share amounting to RM11,446,473 for the financial year ended 31 December 2016 was paid on 7 July 2017.

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

The Board proposes a final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017 (2016 : final tax-exempt dividend of 3.0 sen). 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.

**13. PROPERTY, PLANT AND EQUIPMENT**

GROUP	Freehold land and buildings RM'000	Long leasehold land RM'000	Short leasehold quarry land RM'000	Plant and machinery, equipment, vehicles, bearer plants and construction -in-progress RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2016	120,909	6,017	34,169	564,721	725,816
Additions	3,418	-	1,791	40,104	45,313
Disposals/Write-offs	(637)	-	(641)	(19,295)	(20,573)
Reclassifications	401	-	-	(401)	-
Translation differences	(1,708)	-	-	(6,222)	(7,930)
At 31 December 2016/ 1 January 2017	122,383	6,017	35,319	578,907	742,626
Additions	259	-	200	37,109	37,568
Acquisition of a subsidiary (Note 43)	-	-	20,885	-	20,885
Fair value of acquired asset attributable to non-controlling interest	-	-	11,876	-	11,876
Disposals/Write-offs	-	-	-	(822)	(822)
Deconsolidation of a subsidiary (Note 44)	(70,362)	-	-	(267,090)	(337,452)
Reclassifications	-	(3,136)	3,136	-	-
Translation differences	(1,163)	-	-	(3,130)	(4,293)
At 31 December 2017	51,117	2,881	71,416	344,974	470,388

## Notes to the Financial Statements [cont'd]

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold	Long	Short	Plant and	Total
	land and	leasehold	leasehold	machinery,	
	buildings	land	quarry	equipment,	
	RM'000	RM'000	land	vehicles,	
			RM'000	bearer	
				plants and	
				construction	
				-in-progress	
				RM'000	RM'000
<b>Accumulated Depreciation</b>					
At 1 January 2016	50,604	1,172	10,592	325,239	387,607
Additions	4,297	42	915	46,965	52,219
Disposals/Write-offs	(136)	–	(64)	(16,555)	(16,755)
Translation differences	(864)	–	–	(3,098)	(3,962)
At 31 December 2016/ 1 January 2017	53,901	1,214	11,443	352,551	419,109
Additions	3,509	29	2,028	41,028	46,594
Disposals/Write-offs	–	–	–	(489)	(489)
Deconsolidation of a subsidiary (Note 44)	(46,210)	–	–	(208,697)	(254,907)
Translation differences	(730)	(56)	157	(1,441)	(2,070)
At 31 December 2017	10,470	1,187	13,628	182,952	208,237
<b>Net Book Value</b>					
At 31 December 2017	40,647	1,694	57,788	162,022	262,151
At 31 December 2016	68,482	4,803	23,876	226,356	323,517
<b>COMPANY</b>					
		<b>Bearer</b>	<b>Equipment</b>		<b>Total</b>
		<b>Plant</b>	<b>and Vehicles</b>		<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>		
<b>Cost</b>					
At 1 January 2016		3,959	2,704		6,663
Additions		627	37		664
Disposals/Write-offs		–	(17)		(17)
At 31 December 2016/1 January 2017		4,586	2,724		7,310
Additions		1,158	15		1,173
At 31 December 2017		5,744	2,739		8,483
<b>Accumulated depreciation</b>					
At 1 January 2016		–	2,507		2,507
Additions		–	126		126
Disposals/Write-offs		–	(10)		(10)
At 31 December 2016/1 January 2017		–	2,623		2,623
Additions		–	59		59
At 31 December 2017		–	2,682		2,682

## Notes to the Financial Statements [cont'd]

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

COMPANY	Bearer Plant RM'000	Equipment and Vehicles RM'000	Total RM'000
<b>Net book value</b>			
At 31 December 2017	5,744	57	5,801
At 31 December 2016	4,586	101	4,687

Property, plant and equipment of the Group with net book value of RM41,190,000 (2016 : RM42,945,000) have been charged as security for banking facilities granted to certain subsidiaries.

Property, plant and equipment of the Group with net book value of RM10,060,000 (2016 : RM1,951,000) were acquired under hire purchase arrangements.

**14. SUBSIDIARIES**

	COMPANY	
	2017 RM'000	2016 RM'000 Restated
i) <u>Unquoted ordinary shares in Malaysia</u>		
At cost	315,740	315,740
Less: Accumulated impairment losses	(207,391)	(207,391)
At 31 December	108,349	108,349
ii) Unquoted ordinary shares in Malaysia, at cost	12,468	12,468
iii) Quasi equity loans to a subsidiary	92,117	92,117
iv) <u>Unquoted preference shares in Malaysia</u>		
At cost	304,731	186,267
Additions	228,084	118,464
Accumulated impairment losses	(77,326)	(77,326)
Unrealised foreign exchange differences	(22,774)	15,529
At 31 December	432,715	242,934
Net investment in unquoted shares at end of financial year	645,649	455,868

The subsidiaries are listed in Note 42 to the financial statements.

The quasi equity loans to a subsidiary represent advances made where the subsidiary is not expected to repay such balances to the Company as in substance, these amounts are treated as part of the Company's net investment in the subsidiary.

## Notes to the Financial Statements [cont'd]

**14. SUBSIDIARIES (CONT'D)**

The unquoted preference shares in Malaysia consist of the following:-

- a) Non-convertible 9% cumulative redeemable preference shares of USD1 per share issued by a wholly owned subsidiary of the Company. The non-convertible 9% cumulative redeemable preference shares may be redeemed at the option of the subsidiary; and
- b) Redeemable convertible non-cumulative 7% preference shares issued by certain wholly owned subsidiaries of the Company. These subsidiaries shall be entitled to redeem and/or convert the whole or any part of these preference shares at any time from the date of issue to 31 December 2020. These preference shares amounted to RM77,326,000 had been fully impaired in prior years.

The non-controlling interests at the end of the reporting period comprise the following:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Don Sahong Power Company Ltd.	32,406	12,420
Other Power related companies	23,831	89,077
Idaman Harmoni Sdn. Bhd.	36,443	35,049
Other individually immaterial subsidiaries	41,077	20,142
<b>Total</b>	<b>133,757</b>	<b>156,688</b>

The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests and are material to the Group is as follows:-

	<b>Don Sahong Power Company Ltd. RM'000</b>	<b>Other Power related companies RM'000</b>	<b>Idaman Harmoni Sdn. Bhd. RM'000</b>
<b>At 31 December 2017</b>			
Non-current assets	997,537	10,508	94,895
Current assets	22,723	43,381	33,063
Non-current liabilities	(601,799)	(966)	(3,518)
Current liabilities	(155,774)	(4,288)	(45,667)
<b>Net assets</b>	<b>262,687</b>	<b>48,635</b>	<b>78,773</b>
<b>Financial year ended 31 December 2017</b>			
Revenue	645,441	77,768	7,488
Profit after tax	111,046	2,659	2,131
Total comprehensive income	87,404	2,659	2,131
Total comprehensive income attributable to non-controlling interests	19,986	-	-
Dividends paid to non-controlling interests	-	920	-
Net cash flows (for)/from operating activities	(3,522)	8,383	3,859
Net cash flows (for)/from investing activities	(300,244)	(1,972)	(1,586)
Net cash flows from/(for) financing activities	312,604	(1,924)	(2,000)

## Notes to the Financial Statements [cont'd]

**14. SUBSIDIARIES (CONT'D)**

The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests and are material to the Group is as follows (Cont'd):-

	<b>Don Sahong Power Company Ltd. RM'000</b>	<b>Other Power related companies RM'000</b>	<b>Idaman Harmoni Sdn. Bhd. RM'000</b>
<b>At 31 December 2016</b>			
Non-current assets	522,187	127,775	96,780
Current assets	14,000	113,158	31,056
Non-current liabilities	(279,754)	(1,991)	(3,518)
Current liabilities	(81,149)	(27,016)	(47,675)
<b>Net assets</b>	<b>175,284</b>	<b>211,926</b>	<b>76,643</b>
<b>Financial year ended 31 December 2016</b>			
Revenue	362,444	389,227	7,256
Profit after tax	47,600	51,951	1,646
Total comprehensive income	54,066	45,382	1,646
Total comprehensive income attributable to non-controlling interests	9,844	19,077	576
Dividends paid to non-controlling interests	-	(34,063)	-
Net cash flows (for)/from operating activities	(4,049)	83,738	3,191
Net cash flows for investing activities	(136,258)	(4,292)	(1,946)
Net cash flows from/(for) financing activities	138,139	(87,801)	(1,750)

**15. INVESTMENT IN QUOTED SHARES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
At fair value	56,909	40,315	2,255	2,665

Investments in quoted shares of the Group and of the Company are designated as available-for-sale financial assets and are measured at fair value.

**16. INVESTMENT IN UNQUOTED SHARES**

	<b>GROUP</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Unquoted shares in Malaysia, at cost	5,866	5,866
Less : Accumulated impairment losses	(5,531)	(5,531)
	<b>335</b>	<b>335</b>

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.



## Notes to the Financial Statements [cont'd]

**17. LAND USE RIGHTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000 Restated</b>	<b>2017 RM'000</b>	<b>2016 RM'000 Restated</b>
Rights over land for:				
- plantation development	11,699	10,819	9,923	9,923
- mineral extraction, quarrying and mining	5,628	5,624	–	–
- power generation	–	192	–	–
	<b>17,327</b>	<b>16,635</b>	<b>9,923</b>	<b>9,923</b>

Plantation Land

On 31 July 2013, the Company obtained approval from the Royal Government of Cambodia for the concession of a plot of land measuring 9,477 hectares situated in the Namlear Wildlife Sanctuary Zone, Mondulhiri Province, Kingdom of Cambodia primarily for agricultural development and cultivation. On 28 July 2015, the Ministry of Environment announced in a press release that concession rights on plantation will be limited to 50 years.

As at the end of the financial year, the hand-over of the concession land has not yet been completed.

**18. INVESTMENT PROPERTIES**

	<b>GROUP</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Leasehold land and buildings, at fair value		
At beginning of financial year	149,356	140,740
Reclassified from inventories	11,990	–
Fair value gain recognised in profit on loss (Note 6)	6,316	8,616
At end of financial year	<b>167,662</b>	<b>149,356</b>

The details of the Group's investment properties that are carried at fair values are analysed as follows:-

<b>Group</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
Leasehold land and Buildings:				
- At 1 January 2017	–	149,356	–	149,356
- Reclassified from Inventories	–	11,990	–	11,990
- Fair value gains	–	2,816	3,500	6,316
- At 31 December 2017	–	164,162	3,500	167,662
<b>2016</b>				
Leasehold land and buildings:				
- At 1 January 2016	–	101,980	38,760	140,740
- Transfer	–	38,760	(38,760)	–
- Fair value gains	–	8,616	–	8,616
- At 31 December 2016	–	149,356	–	149,356

## Notes to the Financial Statements [cont'd]

**18. INVESTMENT PROPERTIES (CONT'D)**

The level 2 fair value of the leasehold land and buildings has been derived using the market comparison approach with reference to sales price of comparable properties in close proximity, adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

The level 3 fair value of the leasehold land and buildings has been determined based on the following significant unobservable inputs:-

<u>Unobservable Inputs</u>	<u>Relationship of Unobservable Inputs to Fair Value</u>
Rental yield of approximately 8% per annum, based on projected rental income and cost of the leasehold land.	The higher the rental yield, the higher the fair value.

Investment property of a subsidiary with carrying value of approximately RM121,109,000 (2016 : RM121,109,000) has been charged as security for revolving credit facilities granted to the Company and a subsidiary.

**19. LAND HELD FOR PROPERTY DEVELOPMENT**

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of financial year:		
- Freehold land	3,093	3,093
- Leasehold land	25,793	25,793
- Development expenditure	15,552	22,329
	44,438	51,215
Development expenditure:		
- Addition during the financial year	-	296
- Recognised to profit or loss	-	(365)
- Write-off during the financial year	-	(6,708)
- Write-back during the financial year	657	-
At end of financial year	45,095	44,438
Land held for property development at the end of the financial year is represented by:		
- Freehold land	3,093	3,093
- Leasehold land	25,793	25,793
- Development expenditure	16,209	15,552
	45,095	44,438

## Notes to the Financial Statements [cont'd]

**20. PROJECT DEVELOPMENT EXPENDITURE**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
At cost:-				
Don Sahong Hydropower Project	–	71,464	–	595
Other project	2,684	2,684	2,684	2,684
	2,684	74,148	2,684	3,279
Less : Accumulated impairment losses	(2,083)	(2,083)	(2,083)	(2,083)
	601	72,065	601	1,196

Don Sahong Hydropower Project

On 13 February 2008, the Group had signed the Project Development Agreement with the Government of Lao People's Democratic Republic ("Lao PDR") to develop, build, own and operate the Don Sahong Hydropower Project in the Khong District, Champassak Province, Lao PDR.

On 15 September 2015, the Group has entered into a Concession Agreement ("CA") with Lao PDR, whereby the Lao PDR has granted on a build, operate and transfer basis, the concession rights to the Group for the development of Don Sahong Hydropower Project. The Project, which is a 260MW run-of-river hydropower project capable of generating about 2,000 GWh of electricity per year, is expected to commence commercial operation in early 2020. The concession period shall end on the date occurring 25 years after the commercial operation date ("COD"). Electricity generated by the Project shall be sold to Electricité Du Laos ("EDL") under a Power Purchase Agreement ("PPA").

At the expiration of the concession period or upon the early termination of the CA by either Party, the Group shall transfer the Project Assets to the Lao PDR, in accordance with the terms and conditions of the CA including the Group's obligations with respect to Prudent Utility Practices and in compliance with the Lao PDR Law, together with all data and information required to be provided to the Lao PDR.

On 1 October 2015, the Group entered into a PPA with EDL for the sale by the Company and the purchase by EDL of all electricity generated by the Project on a take-or-pay basis. The PPA shall be for a period of 25 years from the commercial operation date of the Project. The Group shall construct a 230kV transmission line from the Project's switchyard to interconnect with the existing EDL Grid System. Construction works on the Don Sahong Hydropower Project had commenced towards end of 2015 and completion is anticipated by end of the 2019.

Project development expenditure comprised all costs accrued and incurred before and during the development and construction of the Group's hydroelectric power plant and borrowing costs. Costs of which construction revenue has not yet been recognised in profit or loss in the period in which the work is performed are reported as project development expenditure.

## Notes to the Financial Statements [cont'd]

**21. INTANGIBLE ASSET**

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	370,391	–
Additions during the financial year	645,441	362,444
Translation differences	(74,036)	7,947
At 31 December	941,796	370,391

During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

The intangible asset will be amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.

**22. GOODWILL ON CONSOLIDATION**

The carrying amount of goodwill allocated to each cash-generating unit (“CGU”) is as follows:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Resources segment	4,582	4,582
Property segment	2,455	2,455
Printing business	2,785	2,785
Others	990	990
	10,812	10,812

The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required.

The recoverable amounts of the cash-generating units are determined using:-

(a) Fair value less costs of disposal

The impairment assessment is based on fair value less costs of disposal estimated using the market approach. Property segment determines its fair value less costs of disposal by reference to market price less estimated transaction costs on disposal.

## Notes to the Financial Statements [cont'd]

**22. GOODWILL ON CONSOLIDATION (CONT'D)**(b) Value-in-use approach

This is derived from the present value of the future cash flows from the operating segments computed based on the financial projections approved by management covering a period of 1 year. The key assumptions used in the determination of the recoverable amounts of goodwill arising from the following operating segments are as follows:-

	Average Growth Rate		Discount Rate	
	2017	2016	2017	2016
Resources segment	21%	11%	12.6%	11.6%
Printing business	34%	26%	12.6%	11.6%

Growth rate is based on the expected projected growth rates of the resources segment and printing business.

Discount rate reflects specific risks relating to the relevant operating segment/business.

**23. INVENTORIES**

	GROUP	
	2017 RM'000	2016 RM'000
Finished goods and work-in-progress	4,017	4,524
Materials, spare parts and consumables	28,979	32,761
Completed properties for sale	11,182	23,229
	44,178	60,514
Less : Inventories written down	(1,898)	(640)
	42,280	59,874
<b>Recognised in profit or loss</b>		
Inventories recognised as cost of sales	372,184	347,831
Inventories written down/off	660	1,328
Writeback of inventories previously written down/off	(1)	(186)

## Notes to the Financial Statements [cont'd]

## 24. RECEIVABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Trade receivables	52,696	85,991	-	-
Accrued billings	-	12,937	-	-
	52,696	98,928	-	-
Less : Allowance for impairment losses				
- At 1 January	(5,062)	(2,161)	-	-
- Addition	(1,605)	(2,804)	-	-
- Write-off	106	-	-	-
- Deconsolidation of a subsidiary	4,486	-	-	-
- Translation differences	-	(97)	-	-
- At 31 December	(2,075)	(5,062)	-	-
	50,621	93,866	-	-
<b>Other receivables</b>				
Sundry receivables	32,992	29,659	4,282	4,455
Less : Allowance for impairment losses				
- At 1 January	(8,099)	(8,099)	(702)	(702)
- Addition	(444)	-	-	-
- Write-offs	7,329	-	-	-
- At 31 December	(1,214)	(8,099)	(702)	(702)
	31,778	21,560	3,580	3,753
Refundable deposits	3,233	3,070	380	178
Prepaid expenses	69,701	102,681	471	-
Tax recoverable	6,454	5,991	64	115
	79,388	111,742	915	293
<b>Amount owing by subsidiaries</b>				
At cost	-	-	228,258	197,762
Less : Allowance for impairment losses				
At 1 January	-	-	(47,844)	(47,844)
Addition	-	-	(58)	-
Notional time value loss	-	-	(6,926)	-
Write-back	-	-	282	-
At 31 December	-	-	(54,546)	(47,844)
	-	-	173,712	149,918
	161,787	227,168	178,207	153,964

## Notes to the Financial Statements [cont'd]

**24. RECEIVABLES (CONT'D)**

Trade receivables of the Group represent amounts receivable for the sale of goods and services rendered less discounts and returns, sale of electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 to 120 days.

The allowance for impairment losses is made for those receivables in significant financial difficulty and have defaulted in payments.

Included in prepayments is an advance payment of RM55,584,000 (2016 : RM100,122,000) made to a contractor in relation to the engineering, procurement and construction works for Don Sahong Hydropower Project. The advance payment shall be repaid by the contractor by way of deduction from future billings raised to the Group for each achieved milestone event.

**25. BANK BALANCES AND DEPOSITS**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	45,531	90,425	514	36,432
Deposits with licensed financial institutions	79,436	184,124	–	98,283
Housing Development Accounts	13,783	16,777	–	–
	138,750	291,326	514	134,715

Included in bank balances and deposits are the following deposits which are pledged as security for banking facilities granted to certain subsidiaries:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits pledged to licensed banks	1,188	28,184	–	26,552

The deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 2.17% to 4.2% (2016 : 0.05% to 10.70%) per annum. The deposits have maturity periods ranging from 30 to 730 days (2016 : 1 to 365 days).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act 1966. These accounts consist of monies received from purchasers to be utilised for property development projects after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

## Notes to the Financial Statements [cont'd]

**26. SHARE CAPITAL**

The movements in the authorised and issued and paid-up share capital of the Company are as follows:-

	Group/Company			
	Number of Shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Ordinary Shares				
Authorised	N/A	500,000	N/A	500,000
Issued and fully paid-up				
At 1 January	401,900	243,345	401,900	243,345
New shares issued pursuant to:				
- ESOS options	368	1,507	988	1,507
- Rights Issue with Warrants	-	157,048	-	157,048
- Warrants	8,518	-	21,260	-
Transfer from share premium account	-	-	99,857	-
At 31 December	410,786	401,900	524,005	401,900

*N/A Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (iv) below.*

- (i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) During the financial year, the Company:-
- (a) Issued 367,610 new ordinary shares for cash at the prices of RM1.34, RM2.00 and RM2.41 pursuant to the exercise of options under the Employees' Share Option Scheme.
- (b) Issued 8,517,726 new ordinary shares for cash at the price of RM2.22 arising from the conversion of Warrants issued in the previous financial year.

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

- (iii) Of the total 410,785,626 (2016 : 401,900,290) issued and fully paid-up ordinary shares as at 31 December 2017, 20,497,300 (2016 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 31 December 2017 was therefore 390,288,326 (2016 : 381,402,990).
- (iv) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM99,856,708 for the purposes as set out in Section 618(3) of the Act.



## Notes to the Financial Statements [cont'd]

**27. TREASURY SHARES**

	COMPANY			
	Number of Shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
At beginning of financial year	20,497	20,497	30,046	30,046
Purchase of shares	–	–*	–	–*
At end of financial year	20,497	20,497	30,046	30,046

\* 100 ordinary shares were purchased for a total consideration of RM271 during the previous financial year.

None of the treasury shares were resold or cancelled during the financial year.

**28. RESERVES**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
<b>Non-distributable reserves</b>				
Share premium	–	99,856	–	99,856
Translation reserve	(27,490)	90,571	–	–
Warrant reserve	16,221	18,571	16,221	18,571
Hedge reserve	(2,351)	–	–	–
Fair value reserve	22,255	5,681	(801)	(391)
ESOS reserve	17,746	4,120	17,746	4,120
Capital reserves	475	15,550	–	–
	26,856	234,349	33,166	122,156
<b>Distributable reserve</b>				
Retained profits	715,132	580,849	215,323	210,153
	741,988	815,198	248,489	332,309

**28.1 Translation reserve**

The translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency. This reserve is not distributable by way of dividends.

**28.2 Warrant reserve**

Warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of the Company by exercising the Warrants.

At the end of the financial year, there were 58,788,684 (2016 : 67,306,410) outstanding warrants of the Company.

## Notes to the Financial Statements [cont'd]

### 28. RESERVES (CONT'D)

#### 28.3 Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

#### 28.4 Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

#### 28.5 ESOS reserve

The ESOS reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The ESOS is governed by ESOS By-Laws as approved by shareholders on 1 August 2010 and subsequently modified upon approval by shareholders on 21 May 2014. The ESOS tenure is 10 years effective from 1 August 2010.

The main features of the ESOS are as follows:-

- (a) The employees eligible to participate in the ESOS must be employed for a continuous period of at least one (1) year by the Company and/or a subsidiary within the Group;
- (b) The non-executive directors eligible to participate in the ESOS must have been a member of the Board or its subsidiaries for at least one (1) year;
- (c) No eligible employee or director shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group;
- (d) The entitlement under the ESOS for the Directors of the Company and persons connected to them is subject to the approval of the shareholders of the Company in a general meeting;
- (e) The ESOS shall be in force for a period of ten (10) years from its commencement on 1 August 2010 unless otherwise terminated in accordance with the By-Laws;
- (f) No employee or director shall be granted options for less than 100 ordinary shares and not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group, and not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);
- (g) The new ordinary shares in the Company allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all respects with the then existing ordinary shares in the Company, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Company; and
- (h) The subscription price shall be at a discount of not more than 10% on the weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

## Notes to the Financial Statements [cont'd]

## 28. RESERVES (CONT'D)

## 28.5 ESOS reserve (Cont'd)

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:-

Grant date	Exercise price RM	Balance as at 1.1.2017 '000	Number of Options Over Ordinary Shares Movements ← during the financial year →			Balance as at 31.12.2017 '000
			Granted '000	Exercised '000	Lapsed '000	
24.8.2010	1.34 *^	311	-	(25)	-	286
5.5.2015	2.00 *#	13,516	-	(293)	(91)	13,132
21.2.2017	2.41	-	10,870	(50)	-	10,820
22.5.2017	3.45	-	300	-	-	300
23.6.2017	3.40	-	160	-	-	160
		13,827	11,330	(368)	(91)	24,698

Grant date	Exercise price RM	Balance as at 1.1.2016 '000	Number of Options Over Ordinary Shares Movements ← during the financial year →			Balance as at 31.12.2016 '000
			Granted '000	Exercised '000	Lapsed '000	
24.8.2010	1.34 *^	1,580	38 *	(1,307)	-	311
29.6.2012	1.52 ^	200	-	(200)	-	-
5.5.2015	2.00 *#	12,325	1,683 *	-	(492)	13,516
		14,105	1,721	(1,507)	(492)	13,827

\* Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

^ Options are exercisable on or after 21 May 2014. The ESOS will be expiring on 31 July 2020.

# Options are exercisable on or after 31 March 2017. The ESOS will be expiring on 31 July 2020.

## Notes to the Financial Statements [cont'd]

**28. RESERVES (CONT'D)****28.5 ESOS reserve (Cont'd)**

The fair values of the share options granted were estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

Grant date	24.8.2010	29.6.2012	5.5.2015	21.2.2017	22.5.2017	23.6.2017
<b>2017</b>						
Fair value of share options (RM)	1.70	–	2.46	0.76	1.12	0.95
Weighted average share price (RM)	1.67	–	2.45	2.72	4.00	3.74
Exercise price (RM)	1.34*	–	2.00*	2.41	3.45	3.40
Expected volatility (%)	24.54	–	28.88	29.69	26.79	26.86
Risk free rate (%)	3.87	–	3.84	4.16	4.08	3.88
Expected dividend yield (%)	4.41	–	3.25	1.84	1.25	1.34
<b>2016</b>						
Fair value of share options (RM)	1.70	2.29 <sup>^</sup>	2.46			
Weighted average share price (RM)	1.67	2.11 <sup>^</sup>	2.45			
Exercise price (RM)	1.34*	1.52	2.00*			
Expected volatility (%)	24.54	24.74 <sup>^</sup>	28.88			
Risk free rate (%)	3.87	4.08 <sup>^</sup>	3.84			
Expected dividend yield (%)	4.41	3.28 <sup>^</sup>	3.25			

\* Adjusted for the alteration in the capital structure of the Company during the option period.

<sup>^</sup> Modified upon approval of amendment to ESOS By-Laws by shareholders on 21 May 2014.

**29. PAYABLES - NON-CURRENT**

	Note	GROUP	
		2017 RM'000	2016 RM'000
Hire purchase payables (non-current)	#	6,022	923
Provisions		1,061	300
		7,083	1,223

## Notes to the Financial Statements [cont'd]

**29. PAYABLES - NON-CURRENT (CONT'D)**

The hire purchase payables of the Group are analysed as follows:-

	Note	GROUP	
		2017 RM'000	2016 RM'000
Current:			
- Not later than one year (Note 32)		2,328	546
Non-current:			
- Later than one year and not later than five years	#	6,022	923
		8,350	1,469
Minimum hire purchase payments:			
- Not later than one year		2,785	634
- Later than one year and not later than five years		6,600	1,001
		9,385	1,635
Less : Future finance charges		(1,035)	(166)
Present value of hire purchase payables		8,350	1,469

The hire purchase payables of the Group bear effective interest at rates ranging from 6.00% to 8.37% (2016 : 5.48% to 8.37%) per annum.

**30. LONG-TERM BORROWINGS**

	Note	GROUP	
		2017 RM'000	2016 RM'000
Long-term borrowings:			
- Term loans	@	112,741	22,642

The term loans of the Group are analysed as follows:-

	Note	GROUP	
		2017 RM'000	2016 RM'000
Current (Note 33)		13,832	11,407
Non-current:			
- Club deal facilities		94,234	-
- Other term loans		18,507	22,642
	@	112,741	22,642
		126,573	34,049

## Notes to the Financial Statements [cont'd]

### 30. LONG-TERM BORROWINGS (CONT'D)

#### Term Loans under Club Deal Facilities ("Facilities")

During the financial year, the Group has entered into a club deal facilities ("Facilities") totalling USD150 million with various financial institutions for the purpose of financing the construction of the Don Sahong Hydropower Project.

The Facilities bearing floating interest rates, which is the Lenders' cost of funds plus margin. The Lenders' cost of funds is made up of USD London Interbank Offered Rate ("LIBOR") and liquidity premium. The effective interest rate of the Facilities during current financial year was 4.63% per annum.

The Facilities are repayable from the fourth month of the Commercial Operation Date ("COD") or 30 June 2020, whichever is earlier. The Facilities are repayable in 12 quarterly instalments over 3 years.

The Facilities are secured by:-

- (a) Unconditional and irrevocable guarantee from the Company, certain subsidiaries of the Company and shareholder of a subsidiary;
- (b) Legal assignments of all Project Documents, rights titles and government permits and approvals, to the extent permitted by law;
- (c) Legal assignment of all performance bonds, liquidated damages, insurance policies and insurance proceeds in relation the Project;
- (d) Debentures over present and future fixed and floating assets of certain subsidiaries of the Company;
- (e) Charge and assignment over certain revenue and operation bank accounts of certain subsidiaries maintained with the banks;
- (f) Pledge of a subsidiary's shares owned by the Group; and
- (g) A Power of Attorney by a subsidiary wherein the subsidiary irrevocably and unconditionally appoints agent as its attorney to deal with all receivables and cash flows to be derived from the Project.

The Facilities of RM53,950,000 have been hedged by an interest rate swap as disclosed in Note 34 to the financial statements.

#### Other Term Loans

The term loans of the Group are floating rate in nature and bear interest at rates ranging from 4.75% to 6.74% (2016 : 4.00% to 7.75%) per annum, and are secured by:-

- (a) Legal charges over properties and machineries of certain subsidiaries, as disclosed in Note 13 to the financial statements;
- (b) A debenture covering fixed and floating charges over all present and future assets of certain subsidiaries;
- (c) A letter of undertaking from a subsidiary to channel all its revenue proceeds into designated bank accounts maintained with a bank;
- (d) A pledge of certain subsidiaries' fixed deposits accounts with banks, as disclosed in Note 25 to the financial statements;
- (e) Corporate guarantee given by certain subsidiaries of the Company; and
- (f) Joint and several guarantees given by certain directors of certain subsidiaries of the Company.

## Notes to the Financial Statements [cont'd]

**31. DEFERRED TAX LIABILITIES/(ASSETS)**

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	(170)	(2,690)
Deferred tax liabilities	56,176	33,054
	<hr/> 56,006	<hr/> 30,364

The movement of deferred tax liabilities/(assets) during the financial year is analysed as follows:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of financial year	30,364	16,228
Recognised in profit or loss:		
- Continuing operations (Note 8)	24,447	13,474
- Discontinued operations (Note 9)	1,772	324
Deconsolidation of a subsidiary (Note 44)	859	-
Effect of foreign exchange translation	(1,436)	338
	<hr/> 56,006	<hr/> 30,364

The deferred tax liabilities/(assets) represent the tax effects of:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Intangible asset	35,919	11,853
Accelerated capital allowances over depreciation on qualifying costs of property, plant and equipment	14,615	14,222
Fair value gain on investment properties	5,113	4,648
Others	359	(359)
	<hr/> 56,006	<hr/> 30,364

## Notes to the Financial Statements [cont'd]

**32. PAYABLES - CURRENT**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade payables</b>	155,327	102,864	–	–
<b>Other payables and accruals</b>				
Accrued expenses	16,518	11,644	1,623	1,334
Hire purchase payables due within 12 months (Note 29)	2,328	546	–	–
Sundry payables	8,300	11,663	98	99
Deferred income	5,986	5,986	5,986	5,986
Amount owing to subsidiaries	–	–	51,834	51,356
Amount owing to a related party	–	80	–	80
Provision	366	500	–	–
	33,498	30,419	59,541	58,855
	188,825	133,283	59,541	58,855

Trade payables consist of amounts outstanding for trade purchases and construction works. The credit period granted to the Group for trade purchases range from 30 to 120 days.

The deferred income is in respect of Feasibility Study Grant received from Malaysia External Trade Development Corporation for the Company's power project. This was approved with reimbursement of actual expenses and there is unfulfilled condition or contingency relating to this grant where such income can only be credited to profit or loss upon project completion date.

Included in the amount owing to subsidiaries is a principal sum of RM16,706,000 (2016 : RM11,658,000) which is non-trade in nature, unsecured, bears interest at rate of 4% (2016 : 4.00%) per annum and is repayable on demand. The amount owing is to be settled in cash.

**33. SHORT-TERM BORROWINGS**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revolving credits				
- Secured	71,000	48,000	25,000	–
- Unsecured	10,000	–	10,000	–
	81,000	48,000	35,000	–
Term loans (Note 30)				
- Secured	13,832	11,407	–	–
Bankers' Acceptances				
- Secured	7,402	6,582	–	–
Bank overdrafts:				
- Secured	241	–	–	–
- Unsecured	5,961	–	5,961	–
	6,202	–	5,961	–
	108,436	65,989	40,961	–



## Notes to the Financial Statements [cont'd]

**33. SHORT-TERM BORROWINGS (CONT'D)**

The effective interest rates of the short-term borrowings, other than term loans disclosed in Note 30 to the financial statements, are as follows:-

- (a) The bank overdrafts of the Group bear interest rates ranging from 6.65% to 8.1% (2016 : Nil) per annum.
- (b) The bankers' acceptances of the Group bear interest rates ranging from 3.52% to 5.62% (2016 : 4.15% to 5.85%) per annum.
- (c) The revolving credits of the Group and of the Company bear interest rates ranging from 4.36% to 4.62% (2016 : 4.35% to 4.94%) per annum.

The short-term borrowings were secured by legal charges over certain investment properties of a subsidiary and other collaterals relating to term loans (other than Facilities), as detailed in Note 30 to the financial statements.

**34. FINANCIAL DERIVATIVE LIABILITY**

	Contract/Notional Amount		The Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Derivative liability</b>				
Interest rate swap	53,950	–	2,351	–
			2,351	–

During the current financial year, the Group has entered into an interest rate swap ("IRS") contract for USD70 million in order to hedge against potential increases in the LIBOR arising from the Facilities, as disclosed in Note 30 to the financial statements.

The IRS is executed with credit-worthy financial institution which is governed by appropriate policies and procedures with a view to limit the Group's credit risk exposure. 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 USD13.3 million. The IRS has the same maturity terms as the Facilities and is settled every 3 monthly which is consistent to Facilities' interest repayment schedule.

The Group apply 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. club deal facilities as disclosed in Note 30 to the financial statements) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly match; 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, a loss of RM2,350,598 is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

## Notes to the Financial Statements [cont'd]

**35. NET ASSETS PER ORDINARY SHARE**

The net assets per ordinary share has been calculated based on the Group's shareholders' funds as of 31 December 2017 of RM1,235,947,000 (2016 : RM1,187,052,000) on 390,288,326 (2016 : 381,402,990) ordinary shares in issue (net of treasury shares).

**36. CAPITAL COMMITMENTS**

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Property, plant and equipment</b>				
Authorised but not provided for:				
- Contracted	6,548	17,975	-	-
- Not contracted	5,083	1,709	-	-
	11,631	19,684	-	-
<b>Project development expenditure</b>				
Authorised but not provided for:				
- Contracted	734,172	1,081,309	-	-
- Not contracted	67,590	240,643	-	-
	801,762	1,321,952	-	-
	813,393	1,341,636	-	-

On 15 October 2015, Don Sahong Power Company Ltd, a 80% owned subsidiary entered into an Engineering, Procurement, Construction and Commissioning Contract with Sinohydro Corporation Limited for the development, construction and commissioning of the Don Sahong Hydropower Project over a period of 50 months for the contract sum of approximately USD265 million, of which approximately USD79 million shall be payable in RMB at RMB6.205 to USD1.

Included in the table above are commitments of approximately USD198 million (2016 : USD295 million) relating to the Don Sahong Hydropower Project.

**37. OPERATING LEASE COMMITMENTS**LEASES AS LESSOR

Certain subsidiaries of the Group have leased out certain properties of the Group. The future minimum lease receivable by the Group under the non-cancellable operating leases are as follows:-

	GROUP	
	2017 RM'000	2016 RM'000
Not more than one year	6,214	6,475
Later than one year and not later than five years	4,177	6,157
	10,391	12,632

## Notes to the Financial Statements [cont'd]

**38. CONTINGENT LIABILITIES**

- (a) On 5 October 2016, Idaman Harmoni Sdn. Bhd. (“IHSB”), a 65% owned subsidiary of GLSB, was served with the following notices of assessment showing additional taxes and penalties totalling RM22,795,912:
- (i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment (“YA”) 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia (“IRBM”) (“Form JA”).
  - (ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM (“Form JR”).
  - (iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM (“Form J”).

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

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

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

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

- (b) 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 (inclusive of late payment penalty of RM3,533,366 under Section 103/103A of the Income Tax Act 1967) as an income tax debt due to the Government for YAs 2009 to 2010. The Notification further informed that the Summons and Statement of Claim will be served on IHSB in due course, and that IHSB will be liable, in addition for all costs incurred.

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 as an income tax debt due to the Government for YAs 2009 - 2010;
- (ii) Interest of 5% per annum on RM26,329,278 from the date of judgement until the date of realisation;
- (iii) Costs; and
- (iv) Such further or other reliefs as the Court deems fit and proper to grant.

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

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

On 7 November 2017, IHSB was served with GOM’s application for summary judgment. Subsequently, after attended several case management, the Court gave directions for both parties to file written submissions on 23 February 2018. The hearing of the application was heard on 5 March 2018. The Court has fixed 11 May 2018 for the Court to deliver its decision in respect of the application.

## Notes to the Financial Statements [cont'd]

**39. CASH FLOW INFORMATION**

- (a) During the current financial year, the Group and the Company made the following payment to purchase property, plant and equipment:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Cost of property, plant and equipment purchased	37,568	45,313	1,173	664
Amount financed through hire purchase [Note 39(b)]	(8,090)	(313)	–	–
Cash disbursed for purchase of property, plant and equipment	29,478	45,000	1,173	664

- (b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group 2017	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
At 1 January	34,049	1,469	54,582	90,100
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	105,063	–	35,820	140,883
Repayment of borrowings principal	(12,539)	–	(2,000)	(14,539)
Net drawdown of term loans, bankers' acceptance and trust receipts	92,524	–	33,820	126,344
Repayment of hire purchase principal	–	(1,209)	–	(1,209)
<u>Non-cash changes</u>				
New hire purchase [Note 39(a)]	–	8,090	–	8,090
At 31 December	126,573	8,350	88,402	223,325
<b>The Company 2017</b>				
At 1 January	–	–	–	–
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	–	–	35,000	35,000
At 31 December	–	–	35,000	35,000

## Notes to the Financial Statements [cont'd]

**39. CASH FLOW INFORMATION (CONT'D)**

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank balances and deposits (Note 25)	138,750	291,326	514	134,715
Bank overdrafts (Note 33)	(6,202)	–	(5,961)	–
Less : Deposits pledged or with original maturity period of more than 3 months	(3,200)	(28,184)	–	(26,552)
	129,348	263,142	(5,447)	108,163

**40. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**40.1 Financial Risk Management Policies**

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk***(i) Foreign Currency Risk*

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country, in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The Group's foreign operations of various functional currencies when translated into its parent's reporting currency based on closing rates (for assets and liabilities) and average transaction rates (for income and expenses) at consolidation, gives rise to foreign currency translation gain or loss that will be recognised in other comprehensive income. Intragroup transactions with foreign operations involving monetary financial instruments will also result in foreign currency translation gain or loss that cannot be eliminated on consolidation, but has to be recognised either in profit or loss or in other comprehensive income. However, non-monetary financial items translated at historical exchange rates will not give rise to foreign currency risk.

Resulting from its net investment in foreign operations, the Group's current and future profit stream in various foreign currencies will also be exposed to foreign currency risk.

In general, currency exposure from foreign investments and borrowings is managed centrally at the Group HQ level, whilst currency exposure arising from transactions or contractual obligations is managed at the respective entity or business unit's level.

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

## (a) Market Risk (Cont'd)

## (i) Foreign Currency Risk (Cont'd)

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency is as follows:-

GROUP 2017	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
<u>Financial assets</u>						
Investment in quoted shares	-	-	20,967	234	-	21,201
Receivables	14,449	13,493	2,573	-	3,758	34,273
Bank balances and deposits	20,792	4,191	153	-	2	25,138
	35,241	17,684	23,693	234	3,760	80,612
<u>Financial liability</u>						
Payables (current)	-	(389)	(36)	-	(398)	(823)
Net financial assets/(liabilities)	35,241	17,295	23,657	234	3,362	79,789
Less: Net financial liabilities denominated in the respective entity's functional currency	-	(17,295)	-	-	-	(17,295)
<b>Currency exposure</b>	35,241	-	23,657	234	3,362	62,494

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

## (a) Market Risk (Cont'd)

## (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

GROUP 2016	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
<u>Financial assets</u>						
Investment in quoted shares	-	-	18,372	197	-	18,569
Receivables	-	7,726	2,034	-	179	9,939
Bank balances and deposits	83,479	88,974	12,154	12,768	68	197,443
	83,479	96,700	32,560	12,965	247	225,951
<u>Financial liability</u>						
Payables (current)	-	(1,978)	(36)	(10)	(477)	(2,501)
Net financial assets/(liabilities)	83,479	94,722	32,524	12,955	(230)	223,450
Less: Net financial liabilities denominated in the respective entities' functional currencies	(14,419)	(94,722)	-	(10)	-	(109,151)
<b>Currency exposure</b>	69,060	-	32,524	12,945	(230)	114,299
<hr/>						
COMPANY 2017	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	TOTAL RM'000	
<u>Financial assets</u>						
Investment in unquoted preference shares	-	432,715	-	-	-	432,715
Amount owing by subsidiaries	-	50,512	-	-	-	50,512
Bank balances and deposits	6	88	-	-	-	94
<b>Currency exposure</b>	6	483,315	-	-	-	483,321
<hr/>						
<b>2016</b>						
<u>Financial assets</u>						
Investment in unquoted preference shares	-	242,934	-	-	-	242,934
Amount owing by subsidiaries	-	31,167	-	61	-	31,228
Bank balances and deposits	39,976	66,651	11,992	12,768	-	131,387
<b>Currency exposure</b>	39,976	340,752	11,992	12,829	-	405,549

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

## (a) Market Risk (Cont'd)

## (i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Effects on profit after taxation and equity</b>				
RMB/RM:				
- strengthened by 5%	1,339	2,624	*	1,519
- weakened by 5%	(1,339)	(2,624)	*	(1,519)
USD/RM:				
- strengthened by 5%	-	-	24,166	17,038
- weakened by 5%	-	-	(24,166)	(17,038)
SGD/RM:				
- strengthened by 5%	899	1,236	-	456
- weakened by 5%	(899)	(1,236)	-	(456)
HKD/RM:				
- strengthened by 5%	9	493	-	488
- weakened by 5%	(9)	(493)	-	(488)

\* - Negligible



## Notes to the Financial Statements [cont'd]

**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 Financial Risk Management Policies (Cont'd)****(a) Market Risk (Cont'd)***(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available by maintaining a balanced portfolio mix of fixed and floating rate borrowings. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

The Group's fixed rate borrowings and deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither the carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Effects on profit after taxation and equity</b>				
Increase of 25 basis points (bp)	(309)	(156)	(78)	–
Decrease of 25 bp	309	156	78	–

It is the Group's policy to enter into interest rate swap to achieve an appropriate mix of fixed and floating interest rate exposure. Information of the interest rate swap entered by the Group is disclosed in Note 34 to the financial statements.

## Notes to the Financial Statements [cont'd]

**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 Financial Risk Management Policies (Cont'd)****(a) Market Risk (Cont'd)***(iii) Equity Price Risk*

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Effects on equity</b>				
Increase of 5%	2,845	2,016	113	133
Decrease of 5%	(2,845)	(2,016)	(113)	(133)

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides corporate guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results and debts repayment of these subsidiaries in a regular manner.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 3 debtors which constituted approximately 36% of its total receivables at the end of the reporting period.

## Notes to the Financial Statements [cont'd]

**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 Financial Risk Management Policies (Cont'd)****(b) Credit Risk (Cont'd)**Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	28,313	35,170	-	-
China	-	45,438	-	-
Australia	10,825	4,178	-	-
Others	11,483	9,080	-	-
	<b>50,621</b>	<b>93,866</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements [cont'd]

**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 Financial Risk Management Policies (Cont'd)****(b) Credit Risk (Cont'd)**Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	<b>GROSS AMOUNT RM'000</b>	<b>INDIVIDUAL IMPAIRMENT RM'000</b>	<b>COLLECTIVE IMPAIRMENT RM'000</b>	<b>CARRYING VALUE RM'000</b>
<b>GROUP 2017</b>				
Not past due	19,937	-	-	19,937
Past due:				
- Less than 3 months	18,552	-	-	18,552
- 3 to 6 months	3,346	-	-	3,346
- Over 6 months	10,861	(2,075)	-	8,786
	52,696	(2,075)	-	50,621
<b>GROUP 2016</b>				
Not past due	58,902	-	-	58,902
Past due:				
- Less than 3 months	22,026	-	-	22,026
- 3 to 6 months	5,802	-	-	5,802
- Over 6 months	12,198	(5,062)	-	7,136
	98,928	(5,062)	-	93,866

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

## (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	EFFECTIVE RATE	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
<b>GROUP</b>						
<b>2017</b>						
Payables:						
- Non-current	-	1,061	1,061	-	1,061	-
- Current	-	180,511	180,511	180,511	-	-
Hire purchase payables	6.0 - 8.37	8,350	9,385	2,785	6,600	-
Term loans	4.63 - 6.74	126,573	131,346	108,954	17,104	5,288
Bankers' acceptances	3.52 - 5.62	7,402	7,402	7,402	-	-
Revolving credits	4.36 - 4.62	81,000	81,663	81,663	-	-
Bank overdrafts	6.65 - 8.1	6,202	6,202	6,202	-	-
Derivative financial liability	-	2,351	2,351	2,351	-	-
		413,450	419,921	389,868	24,765	5,288
<b>2016</b>						
Payables:						
- Non-current	-	300	300	-	300	-
- Current	-	126,751	126,751	126,751	-	-
Hire purchase payables	5.48%-8.37%	1,469	1,635	634	1,001	-
Term loans	4.00%-7.75%	34,049	40,860	13,495	21,199	6,166
Trust receipts	4.15%-5.85%	6,582	6,582	6,582	-	-
Revolving credits	4.35%-4.94%	48,000	48,215	48,215	-	-
		217,151	224,343	195,677	22,500	6,166

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 Financial Risk Management Policies (Cont'd)

## (c) Liquidity Risk (Cont'd)

	EFFECTIVE RATE	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
<b>COMPANY</b>						
<b>2017</b>						
Revolving credits	4.36 - 4.56	35,000	35,129	35,129	-	-
Bank overdraft	6.65	5,961	5,961	5,961	-	-
Payables:						
- Current	-	53,555	53,555	53,555	-	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary*	-	-	112,741	-	112,741	-
		94,516	207,386	94,645	112,741	-
<b>COMPANY</b>						
<b>2016</b>						
Payables:						
- Current	-	52,869	52,869	52,869	-	-

\* - *The contractual undiscounted cash flows represent the outstanding credit facility of a subsidiary at the end of the reporting period. The financial guarantee has not been recognised in since its fair value on initial recognition was not material.*

## 40.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Total equity includes equity attributable to the owners of the parent and non-controlling interest.

## Notes to the Financial Statements [cont'd]

**40. FINANCIAL INSTRUMENTS (CONT'D)****40.2 Capital Risk Management (Cont'd)**

The debt-to-equity ratio of the Group at the end of the reporting period was as follow:-

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans (Note 30)	126,573	34,049
Revolving credits (Note 33)	81,000	48,000
Hire purchase payables (Note 29)	8,350	1,469
Bankers' Acceptances (Note 33)	7,402	6,582
	223,325	90,100
Less: Cash and cash equivalents (Note 39)	(129,348)	(263,142)
<b>Net debt</b>	<b>93,977</b>	<b>(173,042)</b>
	1,369,704	1,343,740
<b>Debt-to-equity ratio (times)</b>	<b>0.07</b>	<b>N/A</b>

There was no change in the Group's approach to capital management during the financial year.

**40.3 Classification Of Financial Instruments**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
<u>Available-for-sale</u>				
<u>financial assets</u>				
Investment in quoted shares	56,909	40,315	2,255	2,665
Investment in unquoted shares	335	335	-	-
	57,244	40,650	2,255	2,665
<u>Loans and receivables</u>				
<u>financial assets</u>				
Investment in unquoted preference shares	-	-	432,715	242,934
Receivables	85,632	118,496	3,960	3,931
Bank balances and deposits	138,750	291,326	514	134,715
Amount owing by subsidiaries	-	-	173,712	149,918
	224,382	409,822	610,901	531,498

## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.3 Classification Of Financial Instruments (Cont'd)

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Financial liabilities</b>				
<u>At fair value through profit or loss liabilities</u>				
Financial derivative liability	2,351	-	-	-
<u>Other financial liabilities</u>				
Payables:				
- Non-current	1,061	300	-	-
- Current	180,511	126,751	1,721	1,513
Hire purchase payables	8,350	1,469	-	-
Term loans	126,573	34,049	-	-
Bank overdrafts	6,202	-	5,961	-
Trust receipts	7,402	6,582	-	-
Revolving credits	81,000	48,000	35,000	-
Amount owing to subsidiaries	-	-	51,834	51,356
	411,099	217,151	94,516	52,869

## 40.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are included in level 2 of the fair value hierarchy.

GROUP	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2017</b>								
<u>Financial Assets</u>								
Other investments:								
- Quoted shares	56,909	-	-	-	-	-	56,909	56,909
- Unquoted shares #	-	-	-	-	-	-	#	335
<u>Financial Liabilities</u>								
Term loans	-	-	-	-	126,573	-	126,573	126,573
Hire purchase payables	-	-	-	-	8,351	-	8,351	8,350
Derivative financial liability	-	2,351	-	-	-	-	2,351	2,351



## Notes to the Financial Statements [cont'd]

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.4 Fair Value Information (Cont'd)

GROUP	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<u>Financial Assets</u>								
Other investments:								
- Quoted shares	40,315	-	-	-	-	-	40,315	40,315
- Unquoted shares #	-	-	-	-	-	-	#	335
<u>Financial Liabilities</u>								
Term loans	-	-	-	-	34,049	-	34,049	34,049
Hire purchase payables	-	-	-	-	1,469	-	1,469	1,469
<b>COMPANY</b>								
<b>2017</b>								
<u>Financial Asset</u>								
Investment in preference shares	-	-	-	-	432,715	-	#	432,715
<b>2016</b>								
<u>Financial Asset</u>								
Investment in preference shares	-	-	-	-	242,934	-	#	242,934

# - The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

The fair values above are for disclosure purposes and have been determined using the following basis:-

- The fair values of the Group's term loans that carry floating interest rates approximated to their carrying amounts as they are repriced to market interest rate on near the reporting date.
- The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.
- The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period.
- The fair value of interest rate swap is estimated based on mark-to-market ("MTM") valuation of outstanding swap deal.

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

## Notes to the Financial Statements [cont'd]

### 41. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

Business segments	Description
Power	Build, own and operate power plants.
Resources	Quarrying of limestone, manufacturing and trading of lime products, calcium carbonate powder and bricks.
Property	Property development and property investment.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>BUSINESS SEGMENTS</b>						
<b>Revenue</b>						
External revenue						
- Continuing operations	723,210	119,944	9,150	58,558	-	910,862
- Discontinued operations	253,476	-	-	-	-	253,476
	976,686	119,944	9,150	58,558	-	1,164,338
Inter-segment revenue	-	-	-	129,743	(129,743)	-
Consolidated revenue	976,686	119,944	9,150	188,301	(129,743)	1,164,338
<b>Results</b>						
Profit from operations						
- Continuing operations	180,469	20,720	12,516	76,357	(90,361)	199,701
- Discontinued operations	20,008	-	-	-	-	20,008
	200,477	20,720	12,516	76,357	(90,361)	219,709
Finance costs						(7,145)
Income tax expense						(45,591)
Profit after tax						166,973

## Notes to the Financial Statements [cont'd]

**41. OPERATING SEGMENTS (CONT'D)**

Included in the profit after tax for the financial year are the following items:-

<b>GROUP 2017</b>	<b>Power RM'000</b>	<b>Resources RM'000</b>	<b>Property RM'000</b>	<b>Investment Holding &amp; Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Income</b>						
Fair value gain on investment properties	-	-	6,316	-	-	6,316
Gain/(Loss) on foreign exchange, net:	-	-	-	-	-	-
- Realised	(1,651)	(693)	-	9,581	-	7,237
- Unrealised	345	(2,782)	-	(39,794)	38,303	(3,928)
Interest income	2,999	229	643	580	(760)	3,691
<b>Expense</b>						
Allowance for impairment losses on:						
- Investment in quoted shares	-	-	253	904	-	1,157
- Receivables, net	1,585	16	-	448	-	2,049
Depreciation of property, plant and equipment	31,352	9,555	150	5,539	(2)	46,594
Interest expenses	388	1,424	5	36,338	(31,010)	7,145
Loss on deconsolidation of a subsidiary	3,209	-	-	-	-	3,209
ESOS options expenses	-	-	-	13,982	-	13,982
<b>Assets</b>						
Segment assets	1,118,777	296,183	250,224	173,867	-	1,839,051
Inter-segment assets	64,949	5,151	42,105	755,617	(867,822)	-
	1,183,726	301,334	292,329	929,484	(867,822)	1,839,051
Deferred tax assets						170
Tax recoverable						6,454
Consolidated total assets						1,845,675
<b>Liabilities</b>						
Segment liabilities	135,726	42,316	48,531	192,863	-	419,436
Inter-segment liabilities	575,117	23,692	54,372	215,489	(868,670)	-
	710,843	66,008	102,903	408,352	(868,670)	419,436
Deferred tax liabilities						56,176
Provision for taxation						359
Consolidated total liabilities						475,971
<b>Other segment items</b>						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	896	35,771	-	21,733	53	58,453
- Land use rights	-	4	-	1,028	-	1,032
- Project development costs	413,545	-	-	-	-	413,545

## Notes to the Financial Statements [cont'd]

## 41. OPERATING SEGMENTS (CONT'D)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>BUSINESS SEGMENTS</b>						
<b>Revenue</b>						
External revenue						
- Continuing operations	436,952	98,538	18,685	46,563	-	600,738
- Discontinued operations	314,719	-	-	-	-	314,719
	751,671	98,538	18,685	46,563	-	915,457
Inter-segment revenue	-	-	-	98,470	(98,470)	-
Consolidated revenue	751,671	98,538	18,685	145,033	(98,470)	915,457
<b>Results</b>						
Profit from operations						
- Continuing operations	122,592	16,436	12,384	89,114	(96,876)	143,650
- Discontinued operations	62,144	-	-	-	-	62,144
	184,736	16,436	12,384	89,114	(96,876)	205,794
Finance costs						(6,169)
Income tax expense						(42,387)
Profit after tax						157,238

Included in the profit after tax for the financial year are the following items:-

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Income</b>						
Fair value gain on						
investment properties	-	-	8,615	-	1	8,616
Gain on foreign exchange, net:						
- Realised	2,849	(106)	-	274	(2,306)	711
- Unrealised	(3,295)	2,061	-	28,121	(13,187)	13,700
Interest income	2,888	420	494	17,973	(16,999)	4,776
<b>Expense</b>						
Allowance for impairment losses on:						
- Investment in quoted shares	-	-	401	1,909	-	2,310
- Receivables, net	2,804	-	-	-	-	2,804
Depreciation of property, plant and equipment	40,513	8,182	215	3,309	-	52,219
Interest expenses	91	1,410	61	5,403	(796)	6,169
ESOS options expenses	-	-	-	2,783	-	2,783
Write-off of land held for property development	-	-	6,708	-	-	6,708

## Notes to the Financial Statements [cont'd]

## 41. OPERATING SEGMENTS (CONT'D)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Assets</b>						
Segment assets	734,533	258,478	247,100	360,130	–	1,600,241
Inter-segment assets	28,911	946	48,617	431,367	(509,841)	–
	763,444	259,424	295,717	791,497	(509,841)	1,600,241
Deferred tax assets						2,690
Tax recoverable						5,991
Consolidated total assets						1,608,922
<b>Liabilities</b>						
Segment liabilities	92,450	35,550	52,328	42,809	–	223,137
Inter-segment liabilities	274,099	25,085	65,330	175,829	(540,343)	–
	366,549	60,635	117,658	218,638	(540,343)	223,137
Deferred tax liabilities						33,054
Provision for taxation						8,991
Consolidated total liabilities						265,182
<b>Other segment items</b>						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	10,774	21,598	7	12,934	–	45,313
- Land use rights	–	–	–	253	–	253
- Land held for property development	–	–	296	–	–	296
- Project development expenditure	219,011	–	–	–	–	219,011

## Notes to the Financial Statements [cont'd]

**41. OPERATING SEGMENTS (CONT'D)****Geographical information**

Analysis by geographical information:-

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing operations</b>				
Malaysia	180,827	177,464	532,055	454,213
Laos	645,441	362,444	942,554	442,538
Other ASEAN countries	22,730	18,036	28,249	21,191
India	27,190	15,189	-	-
Australia	18,841	13,605	-	-
New Zealand	4,019	3,571	-	-
Bangladesh	9,578	3,949	-	-
Other countries	2,236	6,480	-	-
	910,862	600,738	1,502,858	917,942
<b>Discontinued operations</b>				
China	253,476	314,719	-	112,612
	1,164,338	915,457	1,502,858	1,030,554

**Major customers**

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	Revenue		Division
	2017 RM'000	2016 RM'000	
Customer A	83,833	113,313	Power
Customer B ^	645,441	362,444	Power
	729,274	475,757	

^ - relates to construction revenue from Don Sahong Hydropower Project.

## Notes to the Financial Statements [cont'd]

**42. SUBSIDIARIES**

The principal activities of the subsidiaries, their place of incorporation and the effective interest of the Group are shown below:-

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent	
			2017 %	2016 %
<i>Subsidiaries of the Company</i>				
Authentic Excellence Sdn. Bhd. ("AESB")	Investment holding	Malaysia	100	100
Bayangan Sutera Sdn. Bhd.	Dormant	Malaysia	100	100
Bloxwich International Sdn. Bhd. ("BISB")	Investment holding and provision of management services	Malaysia	100	100
Cheng Sun Industries Sdn. Bhd. ("CSI")	Investment holding	Malaysia	99.6	99.6
Don Sahong Holdings Limited @ ("DSH")	Investment holding	Malaysia <sup>^</sup>	100	100
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100
Goleman Limited @	Dormant	Malaysia <sup>^</sup>	100	100
Gombak Land Sdn. Bhd. ("GLSB")	Property development	Malaysia	100	100
Hexachase Corporation Sdn. Bhd. ("HXC")	Investment holding	Malaysia	52.4	52.4
Mamut Copper Mining Sdn. Bhd. ("MCM")	Dormant	Malaysia	100	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
Mega First Industries Sdn. Bhd. ("MFI")	Investment holding	Malaysia	100	100

## Notes to the Financial Statements [cont'd]

## 42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent	
			2017 %	2016 %
<i>Subsidiaries of the Company (Cont'd)</i>				
Mega First Investments (L) Limited &	General investment	Malaysia#	100	100
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Plantation (Cambodia) Ltd &	Plantation	Royal Kingdom of Cambodia	100	100
Mega First Power Industries Sdn. Bhd. ("MFPI")	Investment holding and provision of management services to its subsidiaries	Malaysia	100	100
Mega First Resources Sdn. Bhd. ("MFR")	Investment holding	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
<i>Subsidiary of AESB</i>				
Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI")	Investment holding and provision of management consultancy services	Malaysia	100	100
<i>Subsidiary of BISB</i>				
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive components	Malaysia	100	95
<i>Subsidiary of CSI</i>				
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6



## Notes to the Financial Statements [cont'd]

## 42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent	
			2017 %	2016 %
<i>Subsidiaries of DSH</i>				
Ground Roses Limited @ ("GRL")	Investment holding	Malaysia^	100	100
Silver Acreage Limited @	Investment holding	Malaysia^	100	100
<i>Subsidiary of GRL</i>				
Don Sahong Power Company Ltd *	Develop and operate hydroelectric power plant	Lao People's Democratic Republic	80	80
<i>Subsidiaries of GLSB</i>				
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	65	65
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	100	100
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
<i>Subsidiaries of HXC</i>				
Hexachase Flexipack Sdn. Bhd.	Manufacturing of flexible packaging products	Malaysia	55.2	46.2
Hexachase Labels Sdn. Bhd. ("HLSB")	Manufacturing of labels and printed products	Malaysia	47.1	47.1
Hexachase Packaging Sdn. Bhd.	Manufacturing of packaging products	Malaysia	41.9	41.9

## Notes to the Financial Statements [cont'd]

## 42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent	
			2017 %	2016 %
<i>Subsidiary of HLSB</i>				
Hexachase Marketing & Trading Sdn. Bhd.	Marketing and trading of labels and printed products	Malaysia	47.1	47.1
<i>Subsidiary of MCM</i>				
Geo-Mobile Asia (HK) Limited *	Dormant	Hong Kong	100	100
<i>Subsidiary of MFI</i>				
Greentown Parking Sdn. Bhd.	Car park operator	Malaysia	100	100
<i>Subsidiaries of MFPI</i>				
Mega First Power (HK) Limited * ("MFPL")	Investment holding	Hong Kong	100	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of a power plant	Malaysia	100	100
Serudong Power Sdn. Bhd.	Build, own and operate a power generation plant	Malaysia	51	51
<i>Subsidiary of MFPL</i>				
Shaoxing Mega Heat And Power Co. Limited *	Own and operate a power plant	The People's Republic of China	–	60
<i>Subsidiaries of MFR</i>				
Anting Sendirian Berhad	Quarry operator	Malaysia	100	100
Sri Anting Sdn. Bhd.	Operating quarries	Malaysia	100	100

## Notes to the Financial Statements [cont'd]

## 42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent	
			2017 %	2016 %
<i>Subsidiaries of RCI</i>				
Batamas Sdn. Berhad ("BSB")	Manufacturing and selling of bricks	Malaysia	100	100
Identiti Jitu Sdn. Bhd.	Sand mining	Malaysia	55	55
Melewar Jutamas Sdn. Bhd.	Property investment	Malaysia	51.2	51.2
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and limestone quarry operator	Malaysia	100	100
RCI Marketing Sdn. Bhd.	Trading in building materials and chemical products	Malaysia	100	100
RCI Minerals Sdn. Bhd. ("RCIM")	Investment holding	Malaysia	100	100
RCI Ventures Sdn. Bhd.	Investment in quoted securities	Malaysia	100	100
Runding Kualiti Sdn. Bhd. ("RKSB")	Pre-operating	Malaysia	60	60
Teratai Kembara Sdn. Bhd. ("TKSB")	Investment holding	Malaysia	77.8	77.8
Premier Capacity Sdn. Bhd. ("PCSB")	Mining	Malaysia	50.25	–
<i>Subsidiary of BSB</i>				
Usaha Takzim Sdn. Bhd.	Property investment	Malaysia	100	100
<i>Subsidiary of RCIM</i>				
Mesrasasi Sdn. Bhd.	Quarry operator	Malaysia	100	100
<i>Subsidiary of RKSB</i>				
Runding ANR Sdn. Bhd.	Pre-operating	Malaysia	60	60
<i>Subsidiary of TKS</i>				
Teratai ANR Sdn. Bhd.	Mining and exploration	Malaysia	70	70

## Notes to the Financial Statements [cont'd]

### 42. SUBSIDIARIES (CONT'D)

- \* Subsidiary companies audited by other firms of chartered accountants.
- & Subsidiary company audited by a member firm of Crowe Horwath International.
- @ Not required to be audited under the laws of the country of incorporation.
- ^ These subsidiary companies are incorporated in British Virgin Islands.
- # The subsidiary company is incorporated in Labuan, Malaysia.

### 43. ACQUISITION OF A SUBSIDIARY

On 30 June 2017, the Group has:

- a) subscribed for 1,000 new ordinary shares in Premier Capacity Sdn Bhd ("PCSB") at an issue price of RM1.00 per share; and
- b) increased its shareholding in PCSB through the purchase of 100,000 shares from two unrelated third parties for a total purchase consideration of RM10,000,000.

Consequently, the Group's shareholding (direct and indirect) in PCSB was increased from 1,000 shares to 101,000 shares representing approximately 50.25% equity interest in the enlarged issued and paid-up share capital of PCSB .

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:-

	<b>AT DATE OF ACQUISITION CARRYING AMOUNT RM'000</b>	<b>FAIR VALUE RECOGNISED RM'000</b>
Property, plant and equipment	938	20,885
Other receivable	1	1
Cash and bank balances	1	1
Other payables and accruals	(786)	(786)
<b>Net identifiable assets acquired</b>	<b>154</b>	<b>20,101</b>
Less : Non-controlling interest		(10,100)
Total purchase consideration		10,001
Less : Cash and cash equivalents of subsidiary acquired		(1)
<b>Net cash outflow from acquisition of subsidiary</b>		<b>10,000</b>

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

## Notes to the Financial Statements [cont'd]

**43. ACQUISITION OF A SUBSIDIARY (CONT'D)**

The acquired subsidiary has contributed the following results to the Group:-

	<b>2017</b> <b>RM'000</b>
Revenue	–
Loss after taxation	(128)

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and loss after tax from continuing operations would have been the same.

**44. DECONSOLIDATION OF A SUBSIDIARY**

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

The deconsolidation has the following effects on the financial position of the Group as at the end of the reporting period:-

	<b>GROUP</b> <b>2017</b> <b>RM'000</b>
Property, plant and equipment	82,545
Deferred tax asset	859
Inventories	9,619
Receivables	32,467
Cash and bank balances	32,738
Provision for taxation	(1,835)
Payables	(26,537)
Net assets of subsidiary deconsolidated	129,856
Non-controlling interest	(51,942)
Group's share of net assets deconsolidated	77,914
Realisation of translation reserves	(49,621)
Loss on deconsolidation of subsidiary	(3,209)
Proceed from deconsolidation of a subsidiary	25,084
Cash and cash equivalents of subsidiary deconsolidated	(32,738)
Outstanding sale consideration as at 31 December 2017	(14,448)
Net cash outflow from deconsolidation of a subsidiary	(22,102)

## Notes to the Financial Statements [cont'd]

**45. DIRECTORS' REMUNERATION**

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:-

	GROUP/COMPANY	
	2017 RM'000	2016 RM'000
Executive Directors		
- Salary, bonus and other remuneration	854	843
- Share options	6,035	1,302
Non-Executive Directors		
- Fees	447	286
- Other emoluments	38	30
- Share options	2,290	355
	<hr/>	<hr/>
	9,664	2,816

The details of Directors' remuneration received and receivable (excluding share options to Directors) for the financial year in bands of RM50,000 are as follows:-

	GROUP	
	2017 Number of Directors	2016 Number of Directors
Executive Directors		
Below RM50,000	1	1
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	–	–
RM350,001 – RM400,000	1	1
RM400,001 – RM450,000	–	–
RM450,001 – RM500,000	1	1
Non-Executive Directors		
Below RM50,000	1	3
RM50,001 – RM100,000	6	4

## Notes to the Financial Statements [cont'd]

**46. RELATED PARTY DISCLOSURES**

For the purpose of the financial statements, the Group and the Company have related party relationships with its subsidiaries as disclosed in Note 42 to the financial statements and key management personnel.

In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:-

(a) The details of the transactions with subsidiaries are as follows:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income received and receivable	-	-	92,513	79,913
Management fee received and receivable	-	-	1,598	1,852
Interest income received and receivable	-	-	63	22
Interest expense paid and payable	-	-	(760)	(774)
Rental received and receivable	-	-	310	310
Rental paid and payable	-	-	(480)	(480)

(b) The remuneration of key management personnel is as follows:-

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' fees	447	286	447	286
Salary, bonus and other remuneration, including benefits-in-kind (gross)	5,706	5,983	2,963	2,831
Share options	12,007	2,353	12,007	2,353

(c) The movement in share options of key management personnel is as follows:-

	GROUP/COMPANY	
	2017 '000	2016 '000
At 1 January	11,960	12,180
Granted	9,750	1,480
Exercised	(183)	(1,507)
Lapsed	-	(193)
At 31 December	21,527	11,960

## Notes to the Financial Statements [cont'd]

### 47. MATERIAL LITIGATION

On 15 November 2013, 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 Arbitral Tribunal declaring that SESB shall pay SPSB the sum of RM7.7 million in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015, without prejudice to SPSB’s claims in the Arbitration. The remaining claim remains in dispute in the arbitration.

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

### 48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon their implementation are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in respective notes to the financial statements.

- (b) On 9 October 2017, Mega First Investments (L) Limited, a wholly-owned subsidiary of the Company has entered into facility agreements with various financial institutions for club deal facilities totaling USD150.0 million comprising term loan facilities totaling USD85.0 million and an Islamic financing facility of up to USD65.0 million to part finance the construction of the Don Sahong Hydropower Project undertaken by Don Sahong Power Company Ltd., an indirect 80% owned subsidiary of the Company;
- (c) Non-extension of the JV Agreement in relation to the power plant in China and its impact on the financial statements are detailed in Notes 9 and 44 to the financial statements; and



## Notes to the Financial Statements [cont'd]

**48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)**

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

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

- (i) Approval from the Board of SESB; and
- (ii) Execution of the new PPA to be entered between SESB and SPSB.

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

**49. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Except as disclosed above and in Notes 38 and 47 to the financial statements, there was no other significant event occurring after the end of the reporting period.

**50. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES**

	As Previously Reported RM'000	Increase RM'000	As Restated RM'000	Note
<b><u>Statements of Profit or Loss and Other Comprehensive Income (Extract)</u></b>				
<b>Group</b>				
<u>For the financial year ended 31.12.2016</u>				
Other comprehensive income				
(i) Foreign currency translation	10,445	4,844	15,289	50.1(a)
(ii) Total	11,030	4,844	15,874	50.1(a)
Total comprehensive income	168,268	4,844	173,112	50.1(a)
<b>Company</b>				
<u>For the financial year ended 31.12.2016</u>				
Other income	12,855	15,529	28,384	50.1(b)
Profit from operations	87,100	15,529	102,629	50.1(b)
Profit before tax	83,185	15,529	98,714	50.1(b)
Profit after tax	82,946	15,529	98,475	50.1(b)

## Notes to the Financial Statements [cont'd]

## 50. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES (CONT'D)

	As Previously Reported RM'000	Increase/ (Decrease) RM'000	As Restated RM'000
<b>Statements of Financial Position (Extract)</b>			
<b>Group</b>			
<u>At 1.1.2016</u>			
Property, plant and equipment	333,500	4,709	338,209
Land use rights	6,667	9,923	16,590
Project development expenditures	221,726	(108,774)	112,952
Receivables	123,565	113,041	236,606
Reserves	600,818	16,223	617,041
Payables - Current	63,143	2,676	65,819
<hr/>			
<b>Group</b>			
<u>At 31.12.2016</u>			
Property, plant and equipment	315,511	8,006	323,517
Land use rights	6,712	9,923	16,635
Project development expenditure	169,049	(96,984)	72,065
Receivables	127,046	100,122	227,168
Reserves	794,131	21,067	815,198
<hr/>			
<b>Company</b>			
<u>At 1.1.2016</u>			
Subsidiaries	229,758	92,117	321,875
Property, plant and equipment	197	3,959	4,156
Land use rights	-	9,923	9,923
Project development expenditure	107,228	(105,999)	1,229
<hr/>			
<u>At 31.12.2016</u>			
Subsidiaries	348,222	107,646	455,868
Property, plant and equipment	101	4,586	4,687
Land use rights	-	9,923	9,923
Project development expenditure	107,822	(106,626)	1,196
Reserves	316,780	15,529	332,309
<hr/>			

50.1 Prior Year Adjustments

During the financial year, prior year adjustments were made in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Accordingly, certain comparatives have been restated as set out above. The prior year adjustments relates to:-

- a) Translation differences arising from project development expenditures undertaken up by the Group previously; and
- b) Unrealised foreign exchange difference not taken up by the Company previously in respect of its investment in unquoted preference shares of a wholly owned subsidiary.

50.2 Restatement of Comparative Figures

In addition to the information disclosed in Note 50.1 above, certain figures have been reclassified to conform with the presentation of current year's financial statements.

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **GOH NAN YANG** and **KHOO TENG KEAT**, being two of the Directors of **MEGA FIRST CORPORATION BERHAD** state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors,

**GOH NAN YANG**  
Kingdom of Cambodia

**KHOO TENG KEAT**  
Petaling Jaya

27 March 2018

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **NEO HONG CHEE**, the officer primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements, are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed **NEO HONG CHEE**  
at Petaling Jaya  
on 27 March 2018

Before me,

**SELVARAJAH A/L SIVALINGAM**  
COMMISSIONER FOR OATHS

## LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2017

No.	Description	Location	Approximate		Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
			Age (years)	Total Area (sq. metre)				
1	Quarry and limestone hill	HS (D) KA 46712 PT 3997 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expire in 2025)	1996	1996	1,488
2	Building, office, guardhouse and warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	15	22,600	Freehold	1997	1997	3,016
3	Warehouse	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7	2,970	Freehold	2011	n/a	1,060
4	Warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	9	864	Freehold	2009	n/a	439
5	Integrated lime kiln and hydration plant	Lot 45155 Geran 58731 Mukim of Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	22,384	Freehold	2009	n/a	584
6	Integrated lime kiln and hydration plant	Lot 45157 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	163
7	Stockyard	Lot 9479 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	5	64,547	Freehold	2013	2012	1,408
8	Stockyard	Lot 21487 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
9	Stockyard	Lot 312555, 312556, 312557 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	4	62,290	Freehold	2014	2014	2,376
10	Stockyard	Lot 45137, 45138, 45139 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	5	87,817	Freehold	2013	2013	4,245
11	Stockyard	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	386
12	Stockyard	Lot 45160 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	25,040	Freehold	2012	2012	1,279

## List of Properties [cont'd]

Held as At 31 December 2017

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
13	Road access	Lot 6252, 6671, 6251, 6738, 13693 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	64,041	Freehold	2012	2012	3,564
14	Road access	Lot 23358 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	3	5,893	Freehold	2015	2015	186
15	Quarry and limestone hill	Lot 45152 Mukim Kampar Daerah Kampar Perak Darul Ridzuan	11	16,010	Freehold	2007	n/a	491
16	Quarry and limestone hill	PT 1491 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	58,474	Leasehold (Expire in 2037)	2007	n/a	545
17	Quarry and limestone hill	PT 3962 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	n/a	28,328	Leasehold (Expire in 2022)	2007	n/a	8
18	Agricultural land	PT 9796 Mukim Teja Daerah Kampar Perak Darul Ridzuan	3	343,980	Leasehold (Expire in 2073)	2015	n/a	12,210
19	Vacant land	PN 397963 Lot 321568 Mukim Teja, Daerah Kampar Perak Darul Ridzuan	2	469,400	Leasehold (Expire in 2044)	2017	2017	20,412
20	Office and warehouse	Lot 28 Jalan Pengacara U1/48 Temasya Industrial Park Selangor Darul Ehsan	18	892	Freehold	2000	2000	663
21	Vacant land	Lot 4510 Mukim Bastari Jaya Kuala Selangor Selangor Darul Ehsan	n/a	77,080	Freehold	1997	n/a	1,595
22	Factory building	Lot 15588 Mukim Sungai Raia 31300 Simpang Pulai Kinta District, Perak Darul Ridzuan	4	n/a	Leasehold	2013	n/a	410
23	Factory land and buildings	Lot 138321, Jalan Changkat Larang P.O. Box 15 31007 Batu Gajah Perak Darul Ridzuan	35	42,576	Leasehold (Expire in 2045)	1982	1985	1,342
24	Double storey terrace house	HS (D) 353154 PT 355802 Mukim Hulu Kinta, Daerah Kinta Perak Darul Ridzuan	9	121	Leasehold (Expire in 2103)	2009	n/a	110

## List of Properties [cont'd]

Held as At 31 December 2017

No.	Description	Location	Approximate		Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
			Age (years)	Total Area (sq. metre)				
25	Industrial land	HS (D) 198575 PT 37292 Mukim Sungai Terap Kinta District, Perak Darul Ridzuan	n/a	7,174	Leasehold 60 years (Expire in 2071)	2012	n/a	659
26	Agricultural land	HS (D) 198576 PT 37293	n/a	14,636	Leasehold 60 years	2012	n/a	1,379
27	Factory land and buildings	Lot PT 839 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	30	28,850	Leasehold 60 years (Expire in 2047)	1987	n/a	3,160
28	Quarrying limestone hill	Lot PT23156 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	n/a	36,422	Leasehold 30 years (Expire in 2042)	1981	n/a	533
29	Vacant land	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	n/a	8,099	Leasehold 30 years (Expire in 2022)	1992	n/a	1
30	Agricultural land	Lot 22974 GRN 46180 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	33,336	Freehold	2012	2011	2,160
31	Quarry land	HS (D) 3238 PT 1008 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	40,467	Leasehold (Expire in 2020)	2012	2011	4,730
32	Quarry land	PN 283888 Lot 303752 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	60,710	Leasehold (Expire in 2033)	2012	2011	8,344
33	Agricultural land and buildings	Lot 15588 GRN 11527 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	68,796	Freehold	2012	2011	3,413
34	Agricultural land	Lot 22993 GRN 49450 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	7,664	Freehold	2012	2011	355
35	Industrial land	PN 70403 Lot 158432 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	7,522	Leasehold 60 years (Expire in 2050)	2012	2011	634
36	Industrial land	PN 71751 Lot 187404 Mukim of Sg. Raya Kinta District, Perak Darul Ridzuan	n/a	16,180	Leasehold 60 years (Expire in 2051)	2012	2011	1,027

## List of Properties [cont'd]

Held as At 31 December 2017

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
37	Industrial land	PN 71752 Lot 197220 Mukim of Sg. Raya	n/a	12,132	Leasehold 60 years (Expire in 2052)	2012	2011	1,367
38	Corporate office tower and office suite	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	9	19,104	Leasehold 99 years (Expire in 2106)	2006	2016	121,109
39	Car park	PT 147622 Greentown, Ipoh	7	11,621	Leasehold 99 years (Expire in 2094)	2010	2016	12,500
40	Car park	Block A, B, C & D Greentown Business Centre Greentown, Ipoh	12 - 19	4,499	Leasehold 99 years (Expire in 2094)	1999 - 2006	2017	3,500
41	6-storey shop office	Wisma MFCB A-1-16, A1-12, A-1-10, A2-10 A-2-01B, A-2-02 Greentown, Ipoh Perak Darul Ridzuan	1	7,785	Leasehold 99 years (Expire in 2094)	2017	2017	1,608
42	4-storey shop office	Lot 8A, 8B, 16, 16A - 16C, 24C, 29B 39B, 40, 40A, 40B Greentown Avenue, Ipoh Perak Darul Ridzuan	1	20,093	Leasehold 99 years (Expire in 2094)	2017	2017	6,237
43	2-storey shop office	PT 1323, 1339, 1340 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	1	459	Freehold	2017	2017	968
44	Low cost flat	PN 38656 Mukim Batu Berendam, Daerah Melaka Tengah, Melaka	1	4,030	Leasehold 99 years (Expire in 2100)	2017	2017	2,170
45	3-storey shop office	PT 1126, 1129, 1130, 1175, 1183 Mukim Dengkil, Daerah Sepang Selangor Darul Ehsan	1	1,053	Leasehold 99 years (Expire in 2096)	2017	2017	2,968
46	Vacant land held for development	PT 2388, 2397, 2401 Mukim Setapak Wilayah Persekutuan Kuala Lumpur	n/a	2,787	Leasehold 99 years (Expire in 2086)	1987	n/a	337
47	Vacant land held for development	PT 134914 Greentown, Ipoh Perak Darul Ridzuan	n/a	2,982	Leasehold 99 years (Expire in 2103)	1995	n/a	1,051
48	Vacant land held for development	Lot 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	n/a	201,616	Freehold	1993	n/a	9,699

## List of Properties [cont'd]

Held as At 31 December 2017

No.	Description	Location	Approximate		Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
			Age (years)	Total Area (sq. metre)				
49	Vacant land	PN 147624, 295228 Greentown, Ipoh Perak Darul Ridzuan	n/a	16,188	Leasehold 99 years (Expire in 2094)	2005	n/a	18,202
50	Vacant land held for development	Lot 3887-4068, 4070 PT 1135-1166, 1184-1199 Mukim Dengkil, Daerah Sepang	n/a	214,645	Leasehold 99 years (Expire in 2097)	1996	n/a	32,408
51	Factory land and building	PT 2620 & PT 2621 Lot 31 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota, Perak Darul Ridzuan	21	12,565	Leasehold 99 years (Expire in 2095)	1996	n/a	2,387
52	Factory	Lot 77 Jalan IKS MJ 6 Kawasan Perindustrian Malim Jaya 75250 Melaka	21	711	Leasehold 99 years (Expire in 2096)	2000	2012	367
53	Factory and office	6 & 8, Jalan Berkat 12 Taman Malim Jaya 75250 Melaka	13	596	Leasehold 99 years (Expire in 2077)	2000	2012	389
54	Factory and office	PN 20204 Lot 4915 20, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	2	4,940	Leasehold 99 years (Expire in 2096)	2016	2016	3,852
55	Factory and office	PN 20205 Lot 4916 18, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	5	4,961	Leasehold 99 years (Expire in 2096)	2013	2014	4,406
56	Factory	Lot 2233-2234, Jalan Berkat 12 Taman Malim Jaya 75250 Melaka	8	603	Leasehold 99 years (Expire in 2077)	2007	2008	392
57	Factory and office	Lot 4788-4789, Jalan TTC 29 Taman Perindustrian Cheng Taman Teknologi Cheng 75250 Melaka	8	3,916	Leasehold 99 years (Expire in 2096)	2009	2016	2,554

n/a Not applicable



## STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total Number of Issued Shares	:	410,903,091 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share on a poll One vote per shareholder on a show of hands

### Analysis of Holdings

Size of Holding	No. of Holders	No. of Shares Held	% of Shareholdings <sup>^</sup>
Less than 100	589	29,547	0.01
100 to 1,000	2,988	2,676,717	0.65
1,001 to 10,000	4,978	19,205,802	4.67
10,001 to 100,000	1,053	32,316,749	7.86
100,001 to less than 5% of issued shares	262	202,477,145	49.28
5% and above of issued shares	3	154,197,131	37.53
<b>Total</b>	<b>9,873</b>	<b>410,903,091</b>	<b>100.00</b>

(<sup>^</sup>) - Excludes 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.

### Top 30 Securities Account Holders

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
1)	Rubber Thread Industries (M) Sdn Berhad	89,938,500	21.89
2)	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)	32,700,045	7.96
3)	Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for Keen Capital Investments Limited	31,558,586	7.68
4)	Mega First Corporation Berhad - Share Buy-Back Account	20,497,300	4.99
5)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	3.60
6)	Kah Hin Loong Sdn Bhd	11,176,800	2.72
7)	PRT Capital Pte Ltd	9,864,760	2.40
8)	Shoptra Jaya (M) Sdn Bhd	6,137,000	1.49
9)	Golden Terrace Sdn Bhd	5,234,020	1.27
10)	Zulkifli bin Hussain	4,913,000	1.20
11)	Cartaban Nominees (Asing) Sdn Bhd - BBH (Lux) SCA for Fidelity Funds Asean	4,592,900	1.12

## Statistics of Shareholdings [cont'd]

As at 30 March 2018

### Top 30 Securities Account Holders

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
12)	Andrew Lim Cheong Seng	4,200,000	1.02
13)	Cartaban Nominees (Tempatan) Sdn Bhd <i>- RHB Trustees Berhad for Manulife Investment Shahriah Progress Fund)</i>	3,648,150	0.89
14)	Citibank Group Nominees (Tempatan) Sdn Bhd <i>- Employees Provident Fund Board (Nomura)</i>	3,545,900	0.86
15)	Lanai Etika Sdn Bhd	3,276,240	0.80
16)	Lim Gaik Bway @ Lim Chiew Ah	2,415,600	0.59
17)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>- Affin Hwang Asset Management Berhad for Affin Hwang Absolutereturn Fund II</i>	2,245,000	0.55
18)	Maybank Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Ong Kok Yon</i>	2,227,700	0.54
19)	Wan Poh Mining Company Sdn Bhd	2,123,300	0.52
20)	Chow Chee Kong	2,101,700	0.51
21)	Maybank Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Ong Kok Ching</i>	2,085,000	0.51
22)	Goh Nan Kioh	2,063,120	0.50
23)	AmSec Nominees (Tempatan) Sdn Bhd <i>- Nomura Asset Management Malaysia Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund</i>	1,893,070	0.46
24)	Hoe Seng Company Pte Limited	1,860,000	0.45
25)	Maybank Nominees (Tempatan) Sdn Bhd <i>- Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)</i>	1,825,300	0.44
26)	Goh Nan Yang	1,717,000	0.42
27)	Citigroup Nominees (Asing) Sdn Bhd <i>- CBNY for Dimensional Emerging Markets Value Fund</i>	1,685,100	0.41
28)	Lee Sei Fah	1,628,800	0.40
29)	RHB Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Wong Yee Hui</i>	1,605,800	0.39
30)	Cartaban Nominees (Asing) Sdn Bhd <i>- BBH (Lux) SCA for Fidelity Funds Malaysia</i>	1,559,600	0.38
Total		275,106,771	66.95

## Statistics of Shareholdings [cont'd]

As at 30 March 2018

## Substantial Shareholders according to the Register of Substantial Shareholders

No.	Name of Substantial Shareholder	← Direct Interest →		← Deemed Interest →	
		Shares	% ^	Shares	% ^
1)	Goh Nan Kioh	2,063,120	0.53	134,638,086 <sup>(a)</sup>	34.49
2)	Rubber Thread Industries (M) Sdn Berhad	89,938,500	23.04	3,276,240 <sup>(b)</sup>	0.84
3)	Keen Capital Investments Limited	31,558,586	8.08	–	–
4)	Cambrew Asia Limited	–	–	93,214,740 <sup>(c)</sup>	23.88
5)	Laju Riang Sdn Bhd	–	–	93,214,740 <sup>(c)</sup>	23.88
6)	Kema Development Sdn Bhd	–	–	93,214,740 <sup>(c)</sup>	23.88
7)	Cambrew (Malaysia) Sdn Bhd	–	–	93,214,740 <sup>(c)</sup>	23.88
8)	Dr. Lim Thian Soo	10,000	*	93,214,740 <sup>(c)</sup>	23.88
9)	Lim Thiam Cheok	10,000	*	93,214,740 <sup>(c)</sup>	23.88
10)	Lim Yam Poh	–	–	93,214,740 <sup>(c)</sup>	23.88
11)	FMR LLC	–	–	35,508,445 <sup>(d)</sup>	9.10

## Directors' direct and deemed interests in shares in the Company

Director	← Direct Interest →		← Deemed Interest →		← ESOS Exercise Price →			
	Shares	% ^	Shares	% ^	RM1.34	RM2.00	RM2.41	RM3.45
1) Goh Nan Kioh	2,063,120	0.53	134,638,086 <sup>(a)</sup>	34.49	–	3,188,328	1,800,000	–
2) Goh Nan Yang	1,717,000	0.44	–	–	–	2,277,377	2,000,000	–
3) Khoo Teng Keat	340,000	0.09	–	–	–	1,138,688	800,000	–
4) Yeow See Yuen	1,427,000	0.37	44,200 <sup>(e)</sup>	0.01	–	1,366,426	1,400,000	–
5) Dato' Tan Ang Meng	438,000	0.11	–	–	–	113,869	100,000	–
6) Dato' Koh Hong Sun	485,869	0.12	–	–	–	18,000	100,000	–
7) Tay Kheng Chiong	70,900	0.02	–	–	285,862	113,869	100,000	–
8) Pengiran Saifuddin bin Pengiran Tahir	–	–	–	–	–	–	–	300,000
9) Jesper Bjorn Madsen	–	–	–	–	–	–	–	–
10) Professor Dato' Dr. Tan Hui Meng	–	–	320,800 <sup>(f)</sup>	0.08	–	–	–	–
Total	6,541,889	1.68	135,003,086	34.58	285,862	8,216,557	6,300,000	300,000

## Notes:

\* Less than 0.01%.

^ Based on the 410,903,091 issued shares minus 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.

(a) Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited and PRT Capital Pte Ltd pursuant to Section 8 of the Companies Act, 2016 ("the Act").

(b) Deemed interest by virtue of its interest in Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.

(c) Deemed interest by virtue of his/her/its interest in Rubber Thread Industries (M) Sdn Berhad and Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.

(d) In respect of Fidelity Low-Priced Stock Fund and Fidelity Northstar Fund.

(e) Deemed interest by virtue of his mother's shareholdings in the Company.

(f) Deemed interest by virtue of his spouse's and children's shareholdings in the Company.

## STATISTICS OF WARRANT HOLDINGS

AS AT 30 MARCH 2018

Number of Outstanding Warrants	:	58,788,342
Exercise Price of Warrants	:	RM2.22 for each Warrant
Exercise Period of Warrants	:	8 April 2016 to 8 April 2020
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one new ordinary share
Voting Rights at Meeting of Warrant Holders	:	One vote per Warrant on a poll One vote per Warrant holder on a show of hands

### Analysis of Warrant Holdings

Size of Holding	No. of Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100	145	6,807	0.01
100 to 1,000	936	490,046	0.83
1,001 to 10,000	689	2,398,934	4.08
10,001 to 100,000	245	8,791,161	14.95
100,001 to less than 5% of issued Warrants	73	30,873,139	52.52
5% and above of issued Warrants	3	16,228,255	27.60
<b>Total</b>	<b>2,091</b>	<b>58,788,342</b>	<b>100.00</b>

### Directors' Warrant Holdings

Director	Number of Warrants Held			
	Direct	%	Deemed	%
1) Goh Nan Kioh	364,080	0.62	14,747,255 (*)	25.08
2) Goh Nan Yang	303,000	0.52	–	–
3) Khoo Teng Keat	60,000	0.10	–	–
4) Yeow See Yuen	236,571	0.40	7,800 (**)	0.01
5) Dato' Tan Ang Meng	–	–	–	–
6) Dato' Koh Hong Sun	–	–	–	–
7) Tay Kheng Chiong	8,100	0.01	–	–
8) Pengiran Saifuddin bin Pengiran Tahir	–	–	–	–
9) Jesper Bjorn Madsen	–	–	–	–
10) Professor Dato' Dr. Tan Hui Meng	–	–	431,900 (***)	0.73
<b>Total</b>	<b>971,751</b>	<b>1.65</b>	<b>15,186,955</b>	<b>25.82</b>

(\*) - Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited and PRT Capital Pte Ltd pursuant to Section 8 of the Act.

(\*\*) - Deemed interest by virtue of his mother's warrant holdings in the Company.

(\*\*\*) - Deemed interest by virtue of his spouse's warrants holdings in the Company.

## Statistics of Warrant Holdings [cont'd]

As at 30 March 2018

## Top 30 Warrant Holders

No.	Name of Securities Account Holder	No. of Warrants held	% of Total Warrants
1)	Citigroup Nominees (Asing) Sdn Bhd <i>- UBS AG Singapore for Keen Capital Investments Limited</i>	6,556,755	11.15
2)	Rubber Thread Industries (M) Sdn Berhad	5,871,500	9.99
3)	Cartaban Nominees (Asing) Sdn Bhd <i>- BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)</i>	3,800,000	6.46
4)	RHB Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Wong Yee Hui</i>	2,027,900	3.45
5)	Kah Hin Loong Sdn Bhd	1,938,777	3.30
6)	Public Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Wong Yee Hui (KLC/KEN)</i>	1,802,000	3.07
7)	CIMSEC Group Nominees (Asing) Sdn Bhd <i>- CIMB Bank for Chai Lee Lee (MY2254)</i>	1,800,000	3.06
8)	PRT Capital Pte Ltd	1,740,840	2.96
9)	CIMB Group Nominees (Asing) Sdn Bhd <i>- Exempt AN for DBS Bank Ltd (SFS)</i>	1,483,400	2.52
10)	Teh Chak Seong	1,200,000	2.04
11)	Shoptra Jaya (M) Sdn Bhd	1,083,000	1.84
12)	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Christina Loh Yoke Lin (8111756)</i>	1,050,000	1.79
13)	Zulkifli bin Hussain	867,000	1.47
14)	RHB Capital Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Oh Kim Sun</i>	667,200	1.13
15)	CIMSEC Nominees (Tempatan) Sdn Bhd <i>- CIMB Bank for Ng Kok Weng (MY2166)</i>	598,000	1.02
16)	Beh Eng Par	584,000	0.99
17)	Lanai Etika Sdn Bhd	578,160	0.98
18)	Lim Gaik Bway @ Lim Chiew Ah	561,800	0.96
19)	Tan Soon Huat	545,000	0.93
20)	CIMSEC Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Lee Peck Chuan (B Tinggi – CL)</i>	495,500	0.84

## Statistics of Warrant Holdings [cont'd]

As at 30 March 2018

### Top 30 Warrant Holders

No.	Name of Securities Account Holder	No. of Warrants held	% of Total Warrants
21)	Maybank Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Lee Jih Yong</i>	477,100	0.81
22)	Ang Yen Peng	431,900	0.73
23)	TA Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Lee Swan Choo</i>	420,000	0.71
24)	Balaskanda a/l Tamotharam	400,000	0.68
25)	Goh Nan Kioh	364,080	0.62
26)	Lee Sei Fah	329,800	0.56
27)	AllianceGroup Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Goh Leng Pheow (MU006)</i>	328,000	0.56
28)	Kenanga Nominees (Tempatan) Sdn Bhd <i>- Pledged Securities Account for Choong Foong Ming (021)</i>	308,000	0.52
29)	Goh Nan Yang	303,000	0.52
30)	HLIB Nominees (Tempatan) Sdn Bhd <i>- Hong Leong Bank Berhad for Tneoh Khye Lock</i>	302,000	0.51
	Total	38,914,712	66.19

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 52nd Annual General Meeting (“AGM”) of Mega First Corporation Berhad (“MFCB” or “the Company”) will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 28 May 2018 at 10:00 a.m. for the following purposes:-

### AGENDA

1. To receive and consider the Directors’ Report and Audited Financial Statements for the year ended 31 December 2017. *(Please refer to Note B below)*
2. To declare a tax-exempt final dividend of 2.0 sen per share in respect of the year ended 31 December 2017. *(Resolution 1)*
3. To approve the payment of Directors’ remuneration (including Directors’ fees) to the Non-Executive Directors in respect of the financial ending 31 December 2018, up to an aggregate amount of RM650,000, from 28 May 2018 until the next AGM of the Company. *(Resolution 2)*
4. To re-elect the following Directors who retire by rotation pursuant to Article 99 of the Company’s Constitution and who being eligible, offer themselves for re-election:-
  - a) Mr Goh Nan Kioh *(Resolution 3)*
  - b) Dato’ Koh Hong Sun *(Resolution 4)*
  - c) Mr Khoo Teng Keat *(Resolution 5)*
5. To re-appoint Messrs Crowe Horwath as auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Resolution 6)*

### **Special Business**

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **Ordinary Resolution** *(Resolution 7)*  
**Retention of Mr Yeow See Yuen as Independent Director**  
 “THAT Mr Yeow See Yuen who has served for a cumulative term of more than 12 years be and is hereby retained as Independent Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance.”
7. **Ordinary Resolution** *(Resolution 8)*  
**Authority to issue shares pursuant to Section 75 of the Companies Act, 2016**  
 “THAT, subject always to the Companies Act, 2016 (“the Act”) and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 75 of the Act, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate nominal value of shares to be issued during the preceding 12 months does not exceed ten percent of the total number of shares in issue (excluding treasury shares) at the point of issuance of shares and that such authority shall continue in force until the conclusion of the next annual general meeting.”

## Notice of Annual General Meeting [cont'd]

### 8. **Ordinary Resolution** **Renewal of Share Buy-Back Authority**

(Resolution 9)

“THAT, subject always to the Companies Act, 2016 (“the Act”), rules, regulations and orders made pursuant to the Act, and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“BMSB”) and any applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to :-

- i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this resolution does not exceed ten percent of the total number of shares as quoted on BMSB at the point of purchase and the total funds allocated shall not exceed the total retained earnings of the Company which would otherwise be available for dividends;
- ii) retain the shares so purchased as treasury shares or cancel them or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or to distribute the shares as dividend, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR of BMSB and any other relevant authority for the time being in force; and
- iii) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares,

AND THAT the authority conferred by this resolution shall commence immediately and continue to be in force until the conclusion of the next annual general meeting of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next annual general meeting is required by law to be held, whichever occurs first.”

9. To transact any other business that may be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act, 2016 and the Company’s Constitution.

## **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders for the payment of the tax-exempt final dividend of 2.0 sen per share in respect of the financial year ended 31 December 2017 under Resolution 1 at the 52nd AGM, the dividend will be paid to the shareholders on 6 July 2018. The entitlement for the dividend shall be 22 June 2018.

Shareholders of the Company will only be entitled to the dividend in respect of :-

- a) Securities transferred into their securities account before 4:00 p.m. on 22 June 2018; and
- b) Securities bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board  
Foo Wen Yunn  
Secretary

Petaling Jaya  
27 April 2018



## Notice of Annual General Meeting [cont'd]

### NOTES:

#### A) Entitlement of Attendance and Appointment of Proxy

- (i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 21 May 2018 shall be entitled to attend the 52nd AGM or to appoint proxies to attend on their behalf.
- (ii) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.
- (iii) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
- (iv) Where a member appoints more than one proxy, the appointments shall not be valid unless he specifies the proportions of his shareholding to be represented by each proxy.
- (v) The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.

#### B) Audited Financial Statements

The agenda is meant for discussion as the provisions of the Companies Act, 2016 do not require a formal approval of the shareholders on the audited financial statements. Hence, the matter will not be put for voting.

### EXPLANATORY NOTES TO SPECIAL BUSINESS

#### 1) Resolution 2 - Directors' Remuneration

The Shareholders' approval is being sought under Resolution 2 for the payment of the Remuneration to Non-Executive Directors in respect of the financial year ending 31 December 2018, from 28 May 2018 up till the next AGM of the Company.

#### 2) Resolution 7 - Retention of Mr Yeow See Yuen as Independent Director

Mr Yeow See Yuen has served the Company as Independent Director for more than 12 years. The Board of Directors, vide the Nominating Committee has assessed the independence of Mr Yeow See Yuen.

The Nominating Committee and the Board are satisfied that Mr Yeow See Yuen remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Mr Yeow See Yuen would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Mr Yeow See Yuen should be retained as Independent Director. The Board therefore recommends for shareholders' approval to retain Mr Yeow See Yuen as Independent Director.

In line with the Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the approval of the shareholders will be sought through two-tier voting process as described in the Guidance to Practice 4.2 of the MCCG.

## Notice of Annual General Meeting [cont'd]

### 3) **Resolution 8 - Authority to issue shares pursuant to Section 75 of the Companies Act, 2016**

Resolution 8, if passed, will empower the Directors to issue new shares up to 10% of the issued share capital (excluding treasury shares) of the Company at the time of issuance, for purposes of funding future investment projects, working capital, acquisitions and so forth. The approval is a renewed general mandate and is sought to provide flexibility and avoid any delay and cost in convening a general meeting for such issuance of shares for fund raising activities, including placement of shares. The authorisation, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The Company has not issued any new shares under the general authority given at the last AGM.

### 4) **Resolution 9 - Renewal of Share Buy-Back Authority**

Resolution 9, if passed, will give the Company the authority to purchase its own ordinary shares of up to 10% of the total number of shares as quoted on Bursa Malaysia Securities Berhad at the point of purchase ("Share Buy-Back"). This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

For further information, please refer to the Share Buy-back Statement dated 27 April 2018 which is circulated together with the Company's Annual Report 2017.

## **Statement Accompanying Notice of Annual General Meeting Pursuant To Paragraph 8.27(2) Of The Main Market Listing Requirements Of Bursa Malaysia Securities Berhad**

The profiles of the Directors who are standing for re-election under Agenda 4 of the Notice of 52nd AGM are found on the Profile of Directors section of this Annual Report 2017.

## GROUP OF COMPANIES DIRECTORY

No.	Company Name & Email Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Mega First Power Industries Sdn. Bhd. mfcb@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
2.	Don Sahong Power Company Ltd. contact@dshpp.com	Lao-Thai Friendship Avenue, 374/15 Vat Nak Village Vientiane, Lao PDR	+856-21353532	+856-21353532	Mr. Khoo Teng Keat
3.	Serudong Power Sdn. Bhd. Mega First Power Services Sdn. Bhd. serudongpower@yahoo.com	KM6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568 089-711569	089-711576	Mr. Jeff Fernandez
4.	Rock Chemical Industries (Malaysia) Sdn. Berhad info@rci.com.my	Lot 45157 & 45158, Gunung Panjang, 31600 Gopeng, Perak Darul Ridzuan.	05-3593188	05-3593228	Mr. John Chu
5.	Syarikat Cheng Sun Quarry Sdn. Bhd. csquarry@yahoo.com.my	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai, Perak Darul Ridzuan.	05-3571502 05-3571503 05-3571505	05-3571504	Mr. John Chu
6.	Batamas Sdn. Berhad batamasmy@yahoo.com	Lot 138321, Jalan Changkat Larang, P.O. Box 15, 31007 Batu Gajah, Perak Darul Ridzuan.	05-3661654 05-3663500	05-3663555	Mr. John Chu
7.	Anting Sendirian Berhad antingsb@hotmail.com	Lot 15588, Mukim Sungai Raya, 31300 Simpang Pulai, Ipoh, Perak Darul Ridzuan.	05-3574105	05-3576472	Mr. John Chu
8.	Gombak Land Sdn. Bhd. Mega First Housing Development Sdn. Bhd. Paya Emas Sdn. Bhd. Idaman Harmoni Sdn. Bhd. mfcb.property@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
9.	Greentown Parking Sdn. Bhd. mfcb.property@mega-first.com	GA-D-15 Ground Floor, No. 15 Persiaran Greentown 4A, Greentown Avenue, 30450 Ipoh, Perak Darul Ridzuan.	05-2433033	05-2433033	Mr. Khoo Teng Keat
10.	Bloxwich (Malaysia) Sdn. Bhd. admin@bloxwich.com.my	Lot 31, Seri Iskandar Technology Park, Mukim Bota, Daerah Perak Tengah, 32600 Bota, Perak Darul Ridzuan.	05-3711516 05-3712859	05-3711520	Mr. Ong Hock Kheng
11.	Hexachase Labels Sdn. Bhd. info@hexachase.com	No. 6 & 8, Jalan Berkat 12, Taman Malim Jaya, 75250 Melaka.	06-3357461 06-3357472	06-3357429	Mr. Danny Yeo
12.	Hexachase Flexipack Sdn. Bhd. cs.hfp@hexachase.com	No. 18, Jalan TTC 26, Taman Teknologi Cheng, 75250 Melaka.	06-3358299	06-3350009	Mr. Danny Yeo
13.	Hexachase Packaging Sdn. Bhd. pkgcs@hexachase.com	Lot 4788 & 4789, Jalan TTC 29, Kawasan Perindustrian Cheng, Taman Teknologi Cheng, 75250 Melaka.	06-3371201 06-3371202	06-3371200	Mr. Deric Sim

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# MFCB

**MEGA FIRST CORPORATION BERHAD**  
(Company No. 6682-V)  
(Incorporated in Malaysia)

No. of MFCB shares held:	
CDS Account Number:	

## FORM OF PROXY

(To be completed in block letters)

I/We .....  
(Full Name as per NRIC/Certificate of Incorporation in block letters)

Company No. / NRIC No. ....

of .....  
(Full address)

being a member of MEGA FIRST CORPORATION BERHAD ("the Company") hereby appoint:-

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of MFCB Shares	%
Address:			

AND / OR

Full Name (in Block Letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of MFCB Shares	%
Address:			

as my/our proxy/proxies to attend and, on a poll, to vote for me/us on my/our behalf at the 52nd Annual General Meeting of the Company, to be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on 28 May 2018 at 10:00 a.m. and at any adjournment thereof, in the manner indicated below.

RESOLUTIONS		For	Against	Abstain
1.	Tax-exempt final dividend of 2.0 sen per share.			
2.	Payment of Directors' remuneration.			
3.	Re-elect Mr Goh Nan Kioh as Director.			
4.	Re-elect Dato' Koh Hong Sun as Director.			
5.	Re-elect Mr Khoo Teng Keat as Director.			
6.	Re-appoint Crowe Horwath as auditors and authorise the Board of Directors to fix their remuneration.			
7.	Retention of Mr Yeow See Yuen as Independent Director			
8.	Authority to issue shares pursuant to Section 75 of the Companies Act, 2016.			
9.	Renewal of Share Buy-Back Authority.			

(Please indicate with an ( X ) in the space provided as to how you wish your vote to be cast. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit).

Date:	
Contact Number	

.....  
Signature/Common Seal of Shareholder

### NOTES:

- (i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 21 May 2018 shall be entitled to attend the 52nd Annual General Meeting or to appoint proxies to attend on their behalf.
- (ii) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.
- (iii) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
- (iv) Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
- (v) The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.

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70 sen  
Postage  
Stamp

*The Company Secretary*  
**MEGA FIRST CORPORATION BERHAD**  
A-12-01, Level 12  
Block A, PJ8  
23 Jalan Barat  
Seksyen 8  
46050 Petaling Jaya, Selangor  
MALAYSIA

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