MFCB

MEGA FIRST CORPORATION BERHAD

(Company No.: 6682-V)

ANNUAL REPORT 2018

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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
Datuk 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 : mfcb@mega-first.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya Selangor, MALAYSIA
Helpdesk : +603-7849 0777
Fax No. : +603-7841 8151 / 8152 / 8100
E-mail address : BSR.Helpdesk@boardroomlimited.com

AUDITORS

Crowe Malaysia PLT
(LLP0018817-LCA & AF 1018)

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad
Stock Code : 3069
Stock Name : MFCB
Sector : Utilities

WEBSITE ADDRESS

www.mega-first.com

PROFILE OF **DIRECTORS**

GOH NAN KIOH

Malaysian, Male, Aged 65
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 55
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 48
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 66
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 51
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 55
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 Stratchclyde, 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 63
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 (under members' voluntary liquidation) as well as QBE Insurance (Malaysia) Berhad.

PROFILE OF DIRECTORS
[CONT'D]

DATUK HAJI PENGIRAN SAIFUDDIN BIN PENGIRAN TAHIR, JP
Malaysian, Male, Aged 60
Independent Director

Datuk Haji Pengiran Saifuddin bin Pengiran Tahir 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. Datuk 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. Datuk 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 65
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 159 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 54
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 66
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.

PROFILE OF KEY SENIOR MANAGEMENT [CONT'D]

SIM SEE SHENG

Malaysian, Male, Aged 61
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 37 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, clay core and concrete face rockfill dams, RCC dam, tunnels, power intake structures, low level outlets, 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 46
Financial Controller, Mega First Corporation Berhad

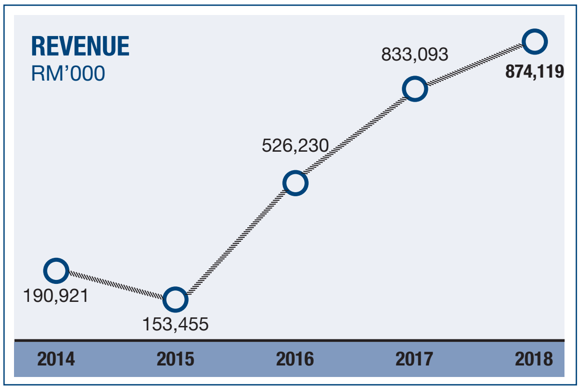
Mr Neo Hong Chee is the Financial Controller of the Company. He joined the Company in October 2007 and is responsible for the finance and treasury function within the Group.

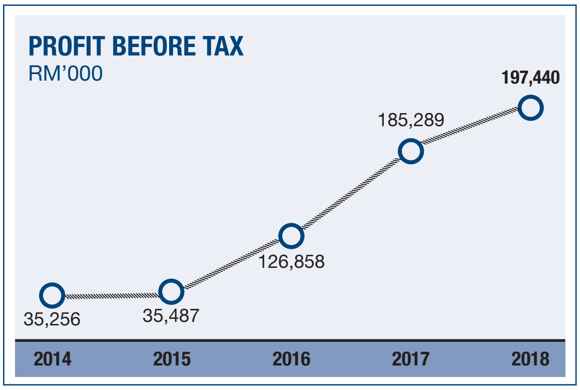
Mr Neo began his career in Crowe in the audit and assurance department, before moving on to a multinational corporation, where he held various roles including finance manager and international business development manager. He also has experience in cross-border joint venture, project management and HR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

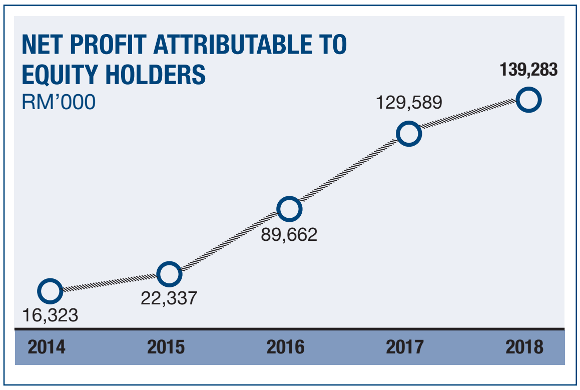
Note:

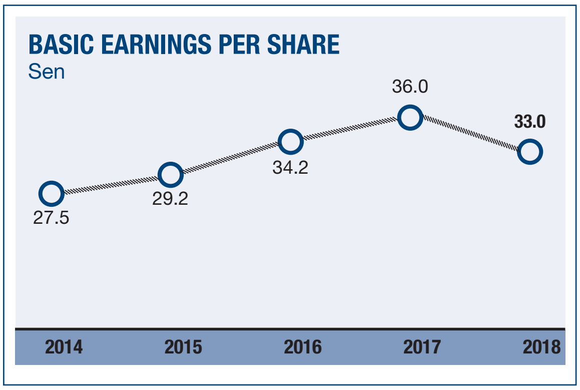
Save as disclosed above, the key senior management staff have no family relationship with any Director and/or major shareholder of the Company, have no directorship in public companies and listed issuers, have no conflict of interest with the Company and have not been convicted for any offence within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

FINANCIAL HIGHLIGHTS



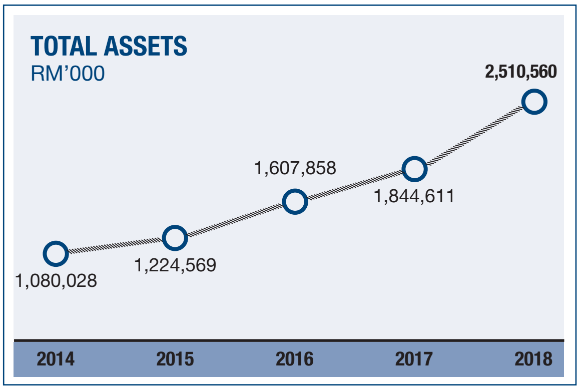


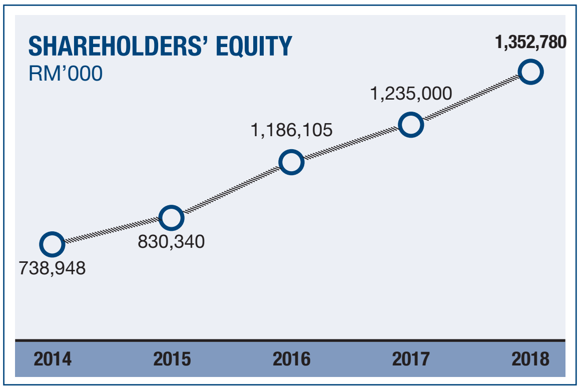


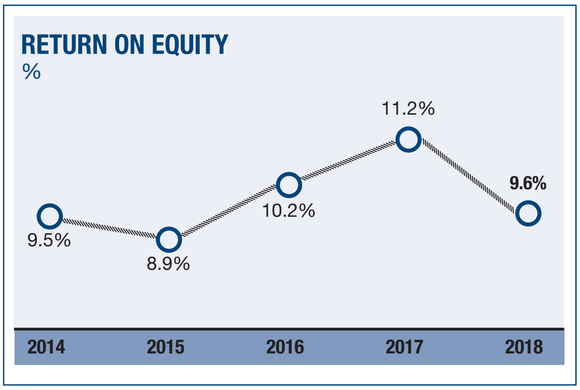


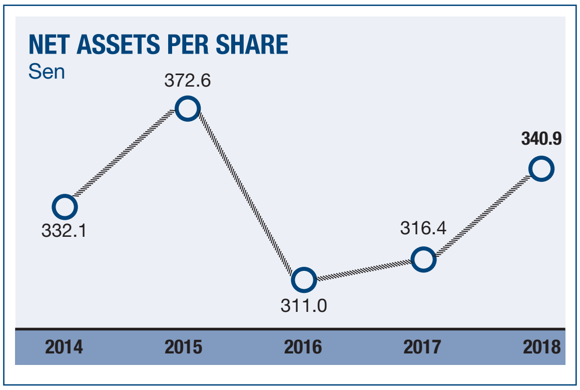
Financial Year Ended 31 December CONTINUING OPERATIONS	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Consolidated Statements of Profit or Loss and Other Comprehensive Income					
Revenue	190,921	153,455	526,230	833,093	**874,119**
Earnings before interest, taxes, depreciation and amortisation	47,529	51,028	144,663	207,338	**221,510**
Profit before tax	35,256	35,487	126,858	185,289	**197,440**
Profit after tax	19,342	22,261	107,003	151,934	**159,532**
Net profit attributable to equity holders	16,323	22,337	89,662	129,589	**139,283**
Additional Information					
Interest expenses	3,821	5,391	6,083	6,759	**7,743**
Depreciation	8,452	10,150	11,722	15,290	**16,327**

FINANCIAL HIGHLIGHTS [CONT'D]







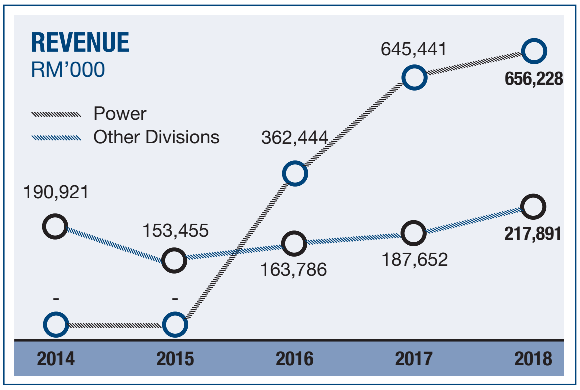


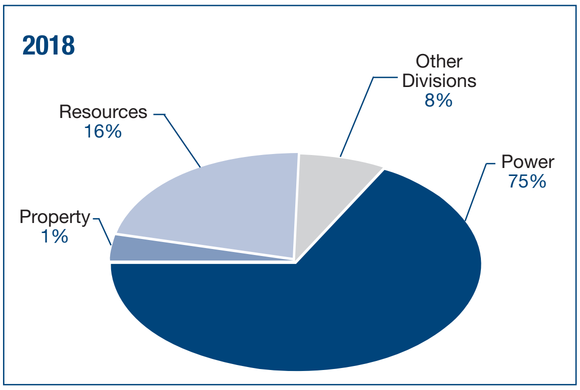
Financial Year Ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	**2018 RM'000**
Consolidated Statements of Financial Position					
Total assets	1,080,028	1,224,569	1,607,858^	1,844,611^	**2,510,560**
Total borrowings	92,774	139,976	88,631	221,177	**598,695**
Shareholders' equity	738,948	830,340	1,186,105^	1,235,000^	**1,352,780**
Bank balances and deposits	235,473	198,045	291,326	138,750	**130,508**
Financial Indicators					
Return on equity %	9.5%	8.9%	10.2%	11.2%	**9.6%**
Return on total assets %	6.5%	6.1%	7.5%	7.5%	**5.1%**
Gearing ratio %	12.6%	16.9%	7.5%	17.9%	**44.3%**
Net assets per share (sen)	332.1	372.6	311.0^	316.4^	**340.9**
Dividend per share (sen)	8.0	8.0	5.0	4.0	**4.0**
Gross dividend yield %	3.3%	3.2%	2.3%	1.1%	**1.3%**
Interest cover (times)	39.4	28.2	33.4	30.8	**25.5**
Basic earnings per share (sen) *	27.5	29.2	34.2	36.0	**33.0**
Price earning ratio (times)	8.7	8.5	6.3	10.2	**9.4**
Share price as at the financial year end	2.40	2.49	2.15	3.67	**3.10**

* Basic earnings per share is calculated by dividing the Group's net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.

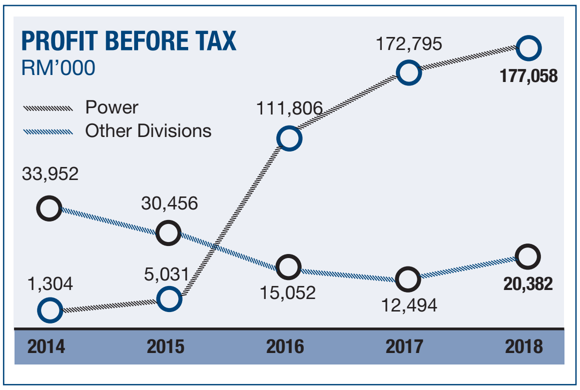
^ These are restated to reflect the adjustment arising from transition to the framework of Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards during the financial year ended 31 December 2018.

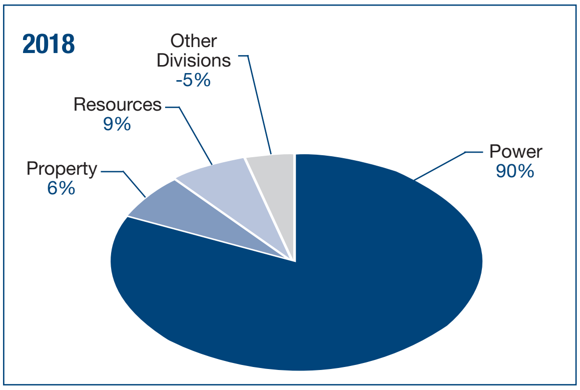
FINANCIAL HIGHLIGHTS
[CONT'D]





Financial Year Ended 31 December CONTINUING OPERATIONS	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue					
Power	-	-	362,444	645,441	**656,228**
Resources	107,864	94,692	98,538	119,945	**142,249**
Property	50,672	26,356	18,685	9,150	**9,455**
Investment Holding and Others	32,385	32,407	46,563	58,557	**66,187**
	190,921	153,455	526,230	833,093	**874,119**





Financial Year Ended 31 December CONTINUING OPERATIONS	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Profit Before Tax					
Power	1,304	5,031	111,806	172,795	**177,058**
Resources	21,365	11,337	15,026	19,295	**18,606**
Property	28,378	7,428	12,323	12,512	**12,315**
Investment Holding and Others	(15,791)	11,691	(12,297)	(19,313)	**(10,539)**
	35,256	35,487	126,858	185,289	**197,440**

CORPORATE STRUCTURE

MFCB GROUP

INVESTMENT HOLDING AND OTHERS

100%	Authentic Excellence Sdn Bhd
100%	Bloxwich International Sdn Bhd
100%	Bloxwich (Malaysia) Sdn Bhd
100%	Geo-Mobile Asia Sdn Bhd
52.4%	Hexachase Corporation Sdn Bhd
55.2%	Hexachase Flexipack Sdn Bhd
47.1%	Hexachase Labels Sdn Bhd
41.9%	Hexachase Packaging Sdn Bhd
100%	Mega First Plantation (Cambodia) Limited
	Other Subsidiaries

RESOURCES DIVISION

100%	Rock Chemical Industries (Malaysia) Sdn Berhad
100%	RCI Lime Sdn Bhd
100%	Batamas Sdn Berhad
100%	Mega First Resources Sdn Bhd
100%	Anting Sendirian Berhad
99.6%	Cheng Sun Industries Sdn Bhd
99.6%	Syarikat Cheng Sun Quarry Sdn Bhd
	Other Subsidiaries

PROPERTY DIVISION

100%	Mega First Housing Development Sdn Bhd
100%	Gombak Land Sdn Bhd
65%	Idaman Harmoni Sdn Bhd
60%	Paya Emas Sdn Bhd
100%	Greentown Parking Sdn Bhd
	Other Subsidiaries

POWER DIVISION

100%	Mega First Investments (L) Limited
100%	Don Sahong Holdings Limited
80%	Don Sahong Power Company Ltd
	Other Subsidiaries

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 2018.

Overview of the Group's Financial Performance

For the financial year ended 2018, the Group recorded a 6.6% increase in profit before tax from continuing operations to RM197.4 million (2017: RM185.3 million) on a 4.9% increase in revenue to RM874.1 million (2017: RM833.1 million). The increase in pre-tax profit was mainly attributable to an increase in construction profit from the Don Sahong Hydropower Project to RM178.1 million (2017: RM172.6 million) and lower ESOS expenses, partially offset by marginally lower year-on-year PBT contribution from the Resources and Property Divisions.

Net profit however registered a 12.7% decline to RM145.8 million (2017: RM167.0 million). This was primarily due to the expiry of the Sino-foreign Joint Venture in China on 22 October 2017 and Power Purchase Agreement in Sabah on 2 December 2017 which were not extended for commercial reasons. The two discontinued power plant operations registered a RM13.7 million loss in 2018 (mainly due to one-off impairment charges), compared to a profit of RM15.0 million in 2017.

I am pleased to say that despite the loss of income generation from the two discontinued power plants and a challenging operating and economic environment, the Group managed to deliver satisfactory financial performance resulting mainly from a diversified earnings base, prudent financial management and management's focus on operational excellence and efficiencies.

PROSPECTS AND FUTURE PLANS

Power Division

We are looking forward to the completion of the Don Sahong Hydropower Project ("Don Sahong") in Laos PDR by the end of 2019 which is expected to bring the Group's profits and cash flows to new heights from 2020 and onwards. Don Sahong is the Group's first foray into the renewable energy sector and will become the main income generator for the Group in the coming years. We believe that renewable energy is the way forward and are actively exploring new strategic investment opportunities domestically as well as regionally.

Construction of Don Sahong is progressing according to schedule and has reached approximately 85% physical completion at the time of writing. Installation of the first turbine has been completed, while installation of the remaining three turbines will be completed in the coming few months. Dry test on the turbines is expected to commence shortly while wet test is expected to commence sometime in the third quarter of 2019. Construction of the switchyard, the transmission line and Ban Hat substation is now about 75% complete.

With 21% physical completion left to recognise (physical completion was 32.5% in 2018), construction revenue and profit from Don Sahong is expected to decline year-on-year in 2019 when compared to 2018. The decline in construction revenue and profit is however expected to be largely offset by test energy sales in the second half of 2019 as the four turbines are progressively being tested and commissioned.

Resources Division

The RM110 million expansion programme of the Resources Division which started in 2015 is now complete with Kiln 8 ready for commissioning in December 2018. Compared to 2015, we have in total increased kiln capacity by 1,200 tonne per day to 1,960 tonne per day at present. With the expansion, the Group now operates one of the largest lime manufacturing operations in Malaysia.

A softening of the regional economies, a slowdown in construction activities and cancellation/deferral of mega infrastructure projects in Malaysia are expected to dampen demand for lime in the domestic and export markets in 2019. Against the backdrop of a subdued market condition, management will continue to work towards expanding its customer base to compensate for potentially lower demand from existing customers.

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

CHAIRMAN'S STATEMENT

[CONT'D]

Property Division

Given the continuing weak property market condition in Malaysia, the Group does not intend to restart its development segment, which has been suspended since 2015. At the end of 2018, the Group has RM11 million worth of unsold property inventory. Efforts will continue to sell the remaining completed property units in 2019. Rental income from PJ8 and Greentown carparks is expected to remain stable.

Shareholder Value Creation

The Board of Directors and the management of the Group are committed to creating value for shareholders and as testament to this, the Group received an award for the Highest Returns to Shareholders Over Three Years and Highest Growth in Profit After Tax Over Three Years in the Edge Billion Ringgit Club awards in 2018 for the Utilities sector.

For the financial year 2018, basic earnings per share from continuing operations increased 5.5% to 35.59 sen (2017: 33.75 sen), shareholder's equity increased 9.5% to RM1.35 billion (2017: RM1.24 billion) and bank balances and deposits stood at RM130.5 million (2017: RM138.8 million).

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, the total dividend for the financial year 2018 is the same as 2017 at 4 sen per ordinary share.

Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank the Group's management team and employees for their hard work and dedication to the Group. Without them, the Group would not have been able to grow to what it is today and I hope that we can continue to grow the future of MFCB together.

I would also like to express my appreciation to all our bankers, customers, suppliers and business associates for their unwavering support and confidence to the Group.

To all my fellow Directors, I have enjoyed working with you in the past year and hope that we can continue to guide the Group's strategy and management together in this coming year.

Finally, I would like to thank all our shareholders who continue to provide us with unwavering support. Your confidence motivates us to work towards growing the Group to bring it to the next level.

Goh Nan Kioh

Executive Chairman

SUSTAINABILITY REPORT

1. INTRODUCTION

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

MFCB Group Sustainability Report 2018 reiterate our commitment towards developing global business investments in a sustainable and responsible manner. In a nutshell, this Report provides an overview as to how we operate sustainably, our strategy and how we manage our day-to-day business to address our sustainability commitments and evaluate our performance.

This Report should be read in conjunction with MFCB Group's 2018 Annual Report to provide a clear and comprehensive representation of our annual progress in creating economic, environmental and social value by addressing the interests of our stakeholders.

The core businesses of MFCB Group comprise power, resources and property investment. The Group also engaged in other businesses such as manufacturing of label and packaging products, agricultural cultivation and development activities inter-alia.

The importance of business sustainability has not only aroused wide attention within the corporate world, but also society as a whole considering increasing demand on the Earth's available (scarce) resources. Hence, it has never been more important for us to adopt smart, sustainable solutions to ensure that we can continue meeting the needs of the present while enhancing the ability of future generations to meet their own.

In view of that, we acknowledge our responsibility to address the requirements of most (if not all) stakeholders who are demanding for more information and our drive to benefit the community, 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. 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 as and when we move forward in our aspirations, we will ensure that we do not lose sight of matters that are of concern to our stakeholders and our business which allows us to manage our Group in a way that our stakeholders will be rewarded with sustainable value in the long run.

2. SCOPE

MFCB is a Malaysian-based conglomerate with overseas operations in Laos and Cambodia.

Due to the diverse nature of our Group conglomerate businesses, we are mindful of the topics that matter most to our stakeholders. Hence, the Group's sustainability themes would vary across its diverse operations.

The Group's first Sustainability Report would cover activities carried out by the two most significant operating units, namely Resources Division and Don Sahong Hydropower Project where there is readily available data in place.

Our focus this year has been to streamline our key sustainability risks and opportunities through a groupwide materiality assessment exercise to collate baseline data for relevant material issues that will chart our sustainability journey and use it to expand our scope into other divisions in future sustainability reporting.

In line with 2018 Annual Report, the information presented in this Report is in respect of the period beginning 1 January 2018 until 31 December 2018 (unless otherwise stated) and where applicable, comparative data from the preceding year(s) has been included.

3. GOVERNANCE PRINCIPLE & STRUCTURE

3.1 Governance Principle

Our Group's governance principles and broadly described in the following phases:

(a) Strategy planning;

(b) Oversee the conduct of the Group's business operations against the economic, environmental and social performance;

(c) Identify principal risks affecting the Group's businesses and maintain a sound system of internal controls;

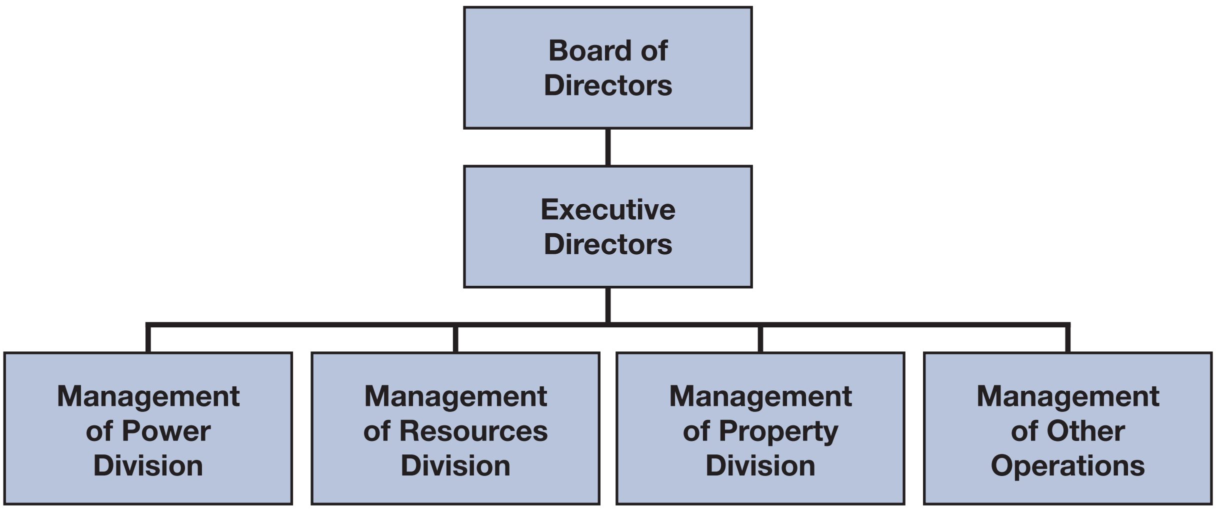
(d) Stakeholders engagement; and

(e) Review the adequacy and integrity of systems, policies and procedures in place.

3.2 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 which promoting healthy corporate culture and conducting our various business activities ethically and sustainably.

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 the participation from management of respective divisions/business units, as illustrated below:



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 on key operations was carried out to gain feedback from heads of divisions/business units on how sustainability within the organisation can be better managed.

A list of sustainability matters was first generated with inputs from directors and key managerial personnel of Resources Division and Don Sahong Hydropower Project, with considerations of stakeholders' expectations and regulatory framework. To identify matters that are most significant to our stakeholders and business operations, we conducted a materiality assessment during annual period ended 31 December 2018 using the following methodology:

(a) Step 1 Identification

A list of materiality matters was identified in accordance with Bursa Malaysia's Guide. The following factors were also taken into consideration:

- Changing global and local trends
- The direction of the energy market
- Regulatory changes
- Our strategies and internal policies

(b) Step 2 Prioritisation

Material matters were prioritised by taking into account internal and external stakeholder opinions and their importance to our Group. Meetings and discussions with representatives from operational and corporate functional departments of each business division were conducted.

(c) Step 3 Validation

The list of prioritised material matters, was verified through discussions with management and/or relevant stakeholders on the subject matters.

Determining materiality helps us to identify and prioritise which issues to focus our efforts on. We define material issues as those that would be more likely to have a significant impact to the Group and are relevant to our key stakeholders.

Accordingly, list of sustainability matters which are relevant to our Group's business operations have been systematically assessed based on their importance and material sustainability matters were identified as disclosed in Section 6 to this report.

We will continue conduct materiality assessment and engage with our key external stakeholders where the results/analysis will be updated in our next report.

5. STAKEHOLDER ENGAGEMENT

The management understand the complex groups of stakeholders exist within and outside the Group and the influence and importance each stakeholder has on our Group's daily business operations as well as their needs and expectations of the Group as a whole. Hence, there is a need to strike a balance between that and addressing the issues that are not only material to MFCB but also to other stakeholders.

At MFCB, our key stakeholders, notably regulatory bodies, employees, customers, suppliers, investors, financial institutions and communities are the essential elements of our success. None of our business units can thrive without the equitable treatment of these important stakeholders, be it in commercial ventures or in sustainability efforts that require broader support and expertise.

5. STAKEHOLDER ENGAGEMENT (CONT'D)

As a conglomerate, we have a wide spectrum of stakeholders from different geographical locations, with broadly varying appetites and preferences. Staying committed to our philosophy of producing quality products and services at competitive prices means to serve our customers exceptionally and to treat our stakeholders with respect.

Engaging with our diverse stakeholder groups allows us to have meaningful conversation and build strong relationship with them over the years. In addition, it also enables us gather unbiased material feedbacks and better respond to their concerns, which in turn facilitate us in prioritising our material topics. Communication channels with stakeholders are listed below:

Stakeholder	Engagement Methods	Frequency	Areas of Stakeholder Concern
Government and Regulators	Official meetings and briefings Compliance report Site visits Direct contacts Industry events and seminars	Annually Quarterly Monthly Ongoing	Compliance with rules and regulations Opportunities for business investment Community investment
Financial Institutions	Meetings and visits Annual Report Corporate website Analyst briefing Announcement to Bursa Malaysia Media Release	Annually Quarterly Ongoing	Organisation growth Economic performance Business strategy and direction
Investor	Shareholders' Annual General Meeting Corporate website Analyst briefing Announcement to Bursa Malaysia Media Release	Annually Quarterly Ongoing	Business strategy and direction Economic performance Organisational growth
Employees	Interview Outreach programmes Surveys	Annually Ongoing	Workplace health and safety Reward and recognition Training and career development Welfare and benefits Respect of human rights and ethics
Local Community	Direct Contact CSR programmes	Annually Monthly Ongoing	Social welfare Charitable contributions Investment and development Business activities carried out in an environmental and responsible manner
Suppliers	Meetings and site visits Evaluation form	Annually Ongoing	Compliance with rules and regulations Fair treatment of suppliers/business partners Opportunities for business collaboration
Customers	Website and social media Direct contact Emails, phone calls	Annually Ongoing	Products and services quality Competitive pricing Prompt delivery
Non-Governmental Organisations	Environmental report Outreach programmes	Ongoing	Environmental protection

6. MATERIAL SUSTAINABILITY MATTERS

We have included throughout this Report of material sustainability matters which are of stakeholders' concerns and with significant business impact. Material matters include:

(a) Economic
- Community Investment - Section 7.1
- Procurement Practice - Section 7.2

(b) Environmental
- Biodiversity - Section 8.1
- Emissions - Section 8.2
- Water - Section 8.3
- Materials - Section 8.4
- Waste and Effluents - Section 8.5
- Compliance - Section 8.6

(c) Social
- Occupational Safety and Health ("OSH") - Section 9.1
- Labour practice - Section 9.2

7. ECONOMIC

7.1 Community Investment

Community development is a practice that is important to us. 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 provide job opportunities to the local people.

As at 31 December 2018, the Group has spent cumulative sum of US$11.74 million on improving the infrastructure and livelihood of the local communities for Don Sahong Hydropower Project ("Project"):

	2015 and before US$	2016 US$	2017 US$	2018 US$	Total US$
Total spent on resettlement, livelihood restoration and community development	8,473,573	2,753,135	140,661	372,997	11,740,365

Initiatives, programmes and activities carried out by the Group for the abovementioned expenses are detailed in Sections 7.1.1 and 7.1.2 to this Report.

7. ECONOMIC (CONT'D)

7.1 Community Investment (Cont'd)

7.1.1 Infrastructure Development

Over the years, MFCB Group has supported various programmes that have benefited surrounding communities within the vicinity of Don Sahong Hydropower Project. It is our way of giving back, and represents one of our brand values for being a profitable and socially responsible organisation.

With the exception of a short section of access road (with length of about 750 meters) and the access bridge, the Project footprint is entirely within Sahong and Sadam islands.

Approximately 300 households within 6 villages are directly or indirectly affected by the Project. Of these households, only 14 households required to be resettled. The resettlement site for these households is 1km from their existing hamlet, and remains on the banks of the Xangpheuak channel.

For people affected by the Project, the first priority for lost assets will be like-for-like compensation. Along with compensation for lost assets and the Alternate Livelihood Program, various local infrastructure improvements undertaken or will be undertaken include:

- Resettlement houses
- Building of a bridge (linking Sahong and Sadam islands to the mainland) and upgrading of access roads to various villages. This 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.
- New community health care centre
- New secondary school buildings and upgrading of existing schools
- New local market
- Irrigation scheme to improve rice paddy security & agricultural produce
- Construction of irrigation system on the 2 islands and on Khong Island
- Donations to flood victims in Attapeu Province
- Construction of forest temple

7.1.2 Livelihood Restoration Programme

The alternate livelihood program provides training, support, and opportunity to broaden and strengthen the range of activities that will contribute to more secure livelihoods for the local population within the vicinity of the Project.

While fishing activities provide main source of income and food for the locals, the increasing population has resulted in reduced household catches and highly intensified fishing efforts, especially during critical migration periods.

By providing a range of alternate means to provide food and generate income, it will be possible to reduce the current dependence on fishing activities and support the sustainability of the fisheries resource. In summary,

- A range of alternate livelihood options and vocational trainings are made available, based on suggestions and abilities of the affected people

- Overall aim to improve the livelihoods of affected people, while reducing exploitation of the fisheries resource to help improve fisheries sustainability

SUSTAINABILITY REPORT
[CONT'D]

7. ECONOMIC (CONT'D)

7.1 Community Investment (Cont'd)

7.1.2 Livelihood Restoration Programme (Cont'd)

Accordingly, the design of alternative income and career restoration plans focuses on the following main aspects with the aim to provide people affected by the Project to earn income from stable jobs:

- Appropriate irrigation projects suitable for the local condition was designed by the experts and irrigation system was constructed in Don Sahong and Don Sadam which covered the areas of rice planting, enable water supply and grass planting for feeding animals, organic vegetables and other cultivation activities;
- Sustainable income project where it is focusing on agricultural activities, non-agricultural activities or services such as minimarts, restaurants, food processing, handicraft, Lao alcohol production and other tourism services;
- Set up of village development fund for villages that want to have the micro-financing facility to be able to get a loan to improve their daily live; and
- Supporting markets and the market mechanism on the aspects of how to market the products and services in a sustainable term in order to ensure that all products can supply to the market by having a market contract, skills and capacity building for the unemployed group to get higher possibilities to work in manufacturing sectors and so on.

Collaboration with Governments

We work closely with various with various line agencies of Governments, local residents and local communities for many of our initiatives. Specifically, we have seen an improvement in the quality of life of the communities around the project site in Laos as a result of our contributions. As at end of 2018, our Group has made cumulative contributions of US$5.88 million to GOL, as detailed below:

	2015 and before US$	2016 US$	2017 US$	2018 US$	Total US$
Fees and Contribution to Government of Laos	556,407	2,006,855	1,575,176	1,746,145	5,884,583

The Group's commitments and efforts to Laos are aimed at changing the lives of communities in a sustainable and responsible manner.

7. ECONOMIC (CONT'D)

7.2 Procurement Practice

Fuel (i.e. Petroleum coke) is the major cost component used in the process of manufacturing Resources Division's lime products and majority of it is sourced from the only single local supplier. The Division is currently exploring alternative source of fuel in order to reduce use of petroleum coke in the production process of lime products while continue sourcing for alternative suppliers to reduce risk dependency on major source of supply, as indicated below:

	No of suppliers		% of Annual Purchase	
Year	**Local**	**Overseas**	**Local**	**Overseas**
2016	1	1	87%	13%
2017	1	2	44%	56%
2018	1	1	60%	40%

Besides, to ensure quality assurance of our product, a central laboratory was built at the main plant to ensure consistent quality of our quick lime products. The laboratory is operated by a team of professional and competent chemist and lab personnel.

8. ENVIRONMENTAL

Global economic activities are all linked directly or indirectly with resources provided by the natural environment. With evidence of pressing environmental issues like climate change and the rapid extinction of species, natural capital across our planet is being depleted at an alarming rate.

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 always ensure that our operations are in full compliance with the environmental laws and regulations governing the industries in the countries in which we operate.

Based on our recent sustainability materiality assessment, all material environmental indicators remain a top concern to our stakeholders, and we continue to do our best and 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.

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. Environmental monitoring to identify risks to the environment is ongoing and will continue even after commercial operations with remedial action taken as soon as risks are identified.

8.1 Biodiversity - Protection and Restoration of Marine Habitats

Protecting biodiversity is important to us. We make conscious efforts to meet all regulatory requirements, minimise our environmental impact and take initiatives to safeguard biodiversity.

Don Sahong Hydropower Project is a run-of-river scheme situated in the middle reach of the Mekong River in Khong District, Champasak Province of Lao PDR. We are cautious of the potential impacts to the surrounding areas and have initiatives in place to conserve existing biodiversity along Mekong River.

Fisheries studies for the project were initiated at the beginning of 2009 and will continue even after commercial operations is achieved. An extensive amount of data has been collected to define the baseline fisheries status.

8. ENVIRONMENTAL (CONT'D)

8.1 Biodiversity - Protection and Restoration of Marine Habitats (Cont'd)

Over the years, we have carried out numerous initiative and activities in order to conserve existing biodiversity which include but not limited to the followings:

(a) A detailed Fisheries Monitoring and Action Plan (FishMAP) has been developed to ensure fish still can migrate through the Khone falls after Don Sahong dam is closed. FishMAP outlines the mitigation works, monitoring programs, obligations and targets to maintain fisheries sustainability.

(b) The monitoring activities included in the FishMAP are already well established, and will continue to evolve and be adapted as time goes by.

This includes Fish Monitoring Programme CPUE (Catch Per Unit Effort) sampling and Household Catch to monitor the quantity of fish. The daily catch weight and composition of 60 households from 6 villages at over 140 fishing locations in the project area have been recorded. In addition, location specific fish trapping, tag and recapture, and larval drift surveys have been undertaken. The combination of this data has given a strong understanding of the species and size composition, migration periods, accumulation zones, natural and artificial barriers to migration, and distribution in the various channels surrounding the site.

(c) Market survey to monitor fish selling in local markets to ensure better understanding on fish species caught from time to time and also market trend.

Fish passage improvements had been done at many locations in the adjacent channels to the Sahong river. For instances, no artificial fish ladders or fish ways have been proposed to mitigate the blockage of the Sahong channel. Instead, the existing natural channels adjacent to the Sahong channel had been modified (prior to the closure of Hou Sahong for construction in January 2016) to ensure year-round upstream migration pathways for fish, using the existing conditions of Sahong channel as a model. Monitoring results of the trial pathways have provided prove of concept and strongly support the feasibility of larger scale fish pathway improvements.

As a result, cumulative amount of US$2.4 million was incurred by the Group as at 31 December 2018 to fund the above initiatives and activities:

	2015 and before US$	2016 US$	2017 US$	2018 US$	Total US$
Fishery Monitoring & Fish Passage Costs	1,342,392	692,845	123,721	247,246	2,406,204

8. ENVIRONMENTAL (CONT'D)

8.1 Biodiversity - Protection and Restoration of Marine Habitats (Cont'd)

Moving forward, our Group is committed to undertake the following activities, in fulfilling its corporate social responsibility to further improve fisheries activities surrounding Don Sahong Hydropower Project:

- Development, monitoring and construction of alternate upstream migration pathways will be one of our top priorities;
- Low speed bulb turbines will be used, which are recognised as the most fish friendly type of turbine;
- Develop alternate livelihoods and implementing fisheries management programs based on existing Lao fishing regulations to reduce fishing pressure in the area;
- Adaptive management and monitoring of the fisheries mitigation measures for a minimum period of 10 years into project operation; and
- Improvement of more natural fish pathways in the future to ensure the effectiveness of these fish migration pathways.

8.2 Emissions - Dust/Atmospheric

The quality of air emissions at sites and plants are of paramount importance to our business operations, not just for compliance purposes, but also for the benefit of our employees, the communities nearby and the natural environment.

Resources Division has 8 kilns as at end of 2018. Other than Kiln 8 where relevant stack emission data is unavailable as it merely commissioned in the month of December 2018, all the 7 kilns are complied with current environmental quality regulations that Resources Division falls into.

Resource Division has complied with the air emission limits set by local authority during the year under review. Similarly, all the Division's plants continue to monitor their air emission quality closely through improvements in manufacturing facilities and operational procedures to ensure that the national air quality standards are consistently met. Specifically, air pollution control system (or commonly known as bag filter/house) in the production line are installed, regularly checked and maintained as a usual practice to ensure dust emission compliance.

Accordingly, the following improvements were noted since 2016 (base year) for efforts made by the management in monitoring the results of Total Suspended Particles ("TSP") emitted to the air:

Year	**% of Improvement from TSP (in mg/m³) Emitted to Atmosphere**						
	Kiln 1	**Kiln 2**	**Kiln 3**	**Kiln 4**	**Kiln 5**	**Kiln 6**	**Kiln 7**
2016	Base Year					na	na
2017	40%	51%	52%	40%	34%	na	na
2018	78%	72%	68%	30%	26%	91%#	92%#

based on average emission of Kilns 1 to 5 recorded in 2016

8. ENVIRONMENTAL (CONT'D)

8.2 Emissions - Dust/Atmospheric (Cont'd)

Apart from the above, our Group also continues monitor emissions of other greenhouse gases (such as Sulphur Oxides or "SOx", Nitrogen Oxides or "NOx"), Sulphuric Acid Mist and particulates through installed chimneys and other monitoring systems. Quality of stack emissions has achieved 100% compliance to the local standards, as summarised below:

Year	Results of Average Emission of SOx, NOx, Sulphric Acid Mist in mg/m³						
	Kiln 1	Kiln 2	Kiln 3	Kiln 4	Kiln 5	Kiln 6	Kiln 7
2016	Passed	Passed	Passed	Passed	Passed	na	na
2017	Passed	Passed	Passed	Passed	Passed	na	na
2018	Passed	Passed	Passed	Passed	Passed	Passed	Passed

Moving forward, Resources division will continue improve on the above monitoring process to ensure that it complies with the new environmental regulations (which shall enforce from 4 June 2019 onward).

On Don Sahong Hydropower Project, the following environmental results were observed:

Year	Environmental Monitoring Results For		
	Noise	Blast vibration	Dust
2017	No major issue	No major issue	No major issue
2018	No major issue	No major issue	No major issue

In order to comply with all relevant environmental regulations (including environmental water monitoring as described in Section 8.3.2 to this Report, the Group has incurred cumulative compliance costs of US$1.73 million:

	2015 and before US$	2016 US$	2017 US$	2018 US$	Total US$
Environmental Compliance Costs	1,360,884	120,551	110,156	141,839	1,733,430

8. ENVIRONMENTAL (CONT'D)

8.3 Water

Water availability brings stable economic growth and human security. However, with increasingly extreme weather events induced by climate change, water scarcity has become more severe accompanied by the rapid rise in the global population.

8.3.1 Water Flow

As Don Sahong Hydropower Project is a run of river scheme, no water is consumed, added, or diverted to or from the Mekong River. A localised redistribution of flow between Sahong and Phapheng channels will occur, but there will be no change in the total Mekong River flow downstream.

A hydrological data collection program was run since 2008 whereby extensive bathymetric survey were extended upstream and downstream of the project site which was then used to understand the complex hydraulic characteristics within the project area.

The survey has covered and measured flows at 16 different locations in the project area over the full range of Mekong River flow conditions so that modelling could confirm the extent of backwater and downstream effects. This data was analysed and used to develop the hydraulic model which covers wide-ranging flow conditions that are experienced in Mekong River.

8.3.2 Water Quality - Monitoring and Control

Besides, water quality monitoring has been carried out at various locations and flow conditions to provide comprehensive baseline data for the water quality monitoring program.

Part of the responsibility of the dedicated environmental monitoring team will be the monitoring of construction activities with regard to possible risks to water quality. The objective is to proactively identify and address risks prior to any negative impacts. Accordingly, the environmental monitoring results recorded by Don Sahong Hydropower Project are summarised below:

	Environmental Monitoring Results For		
	Waste water	**Portable water**	**Surface water**
2017	No major issue	No major issue	No major issue
2018	No major issue	No major issue	No major issue

The water quality monitoring program will continue during the operation phase to ensure any risks to water quality are identified and remedied throughout the life of the project.

8. ENVIRONMENTAL (CONT'D)

8.3 Water (Cont'd)

8.3.2 Water Quality - Monitoring and Control (Cont'd)

At Resources Division, water quality in the vicinity of our plants is assessed and monitored periodically. For their plants and quarry sites, groundwater, river water and/or general water quality analysis is conducted every three months by an accredited external consultant approved by Department of Environment Malaysia ("DOE"). Accordingly, the following results were achieved by the Division for its water discharge conditions:

Year	Results of Environmental Monitoring for Water as Discharge Effluent					
	TSS		BOD		COD	
	Discharge from Sedimentation Pond	Outfall Discharge to Stream	Discharge from Sedimentation Pond	Outfall Discharge to Stream	Discharge from Sedimentation Pond	Outfall Discharge to Stream
2016	Passed	Passed	Passed	Passed	Passed	Passed
2017	Passed	Passed	Passed	Passed	Passed	Passed
2018	Passed	Passed	Passed	Passed	Passed	Passed

TSS - Total Suspended solids test: to measure the amount of silt, clay and sand in the water
BOD - measure consumed oxygen by microorganisms to decompose organic pollutant
COD - determine amount of oxygen required to degenerated all pollutant.

Our Group is committed to manage water resources effectively across our businesses.

8.4 Material

Limestone is the key raw material for Resources Division's lime products. The Division owns and operates multiple limestone quarries (within vicinity of our manufacturing plants) ensuring a sustainable supply of raw kiln feed supported by 8 modern world-renowned kilns. Through our own limestone reserves we guarantee our customers consistent supply and quality.

The Division is constantly sourcing and acquiring limestone reserves to secure continuous supply of good quality limestone feedstock in the long-term. As at end of 2018, the Group has sufficient limestone reserve for the long term.

Another point to note, our lime products are environmentally friendly and contribute in reduces emissions of CO2 to the atmosphere owing to the nature of limestones.

8. ENVIRONMENTAL (CONT'D)

8.5 Waste and Effluents

8.5.1 Sediment

Extensive sediment sampling has been conducted by Don Sahong Hydropower Project to establish the baseline conditions. To gain the best understanding of sediment distribution in the waterways both point integrated suspended sediment, and bed-load samples have been collected in 6 locations over the full range of flow conditions. The results of the sediment sampling have been used to develop sophisticated 3D sediment model that has been used to simulate sediment transport during operation of the Project.

The results of the simulation, backed up by additional sediment sampling results, indicate that between 2-4% of the total annual Mekong River sediment load will settle within the Project head-pond during the first two to three years of operation. Once this initial period of deposition has occurred a new equilibrium condition is achieved in the head-pond after which no net additional deposition will occur.

From that time on, all sediment entering the head-pond is routed through the turbines under normal turbine operation. As the sediment equilibrium can be re-established without negatively impacting the plant operation, no periodic sediment flushing is required. After the first few years of operation no further net deposition of sediment will occur and there will be no significant change in seasonal sediment concentrations.

8.5.2 General Solid Waste and Hazardous Waste

Waste management is an indispensable element of effective resource stewardship.

Waste oil categorised as hazardous is widely used in Don Sahong Hydropower Project and it is recycled by authorised vendors for proper disposal or subsequent usage. Non-hazardous wastes are reused where possible.

In 2018, lower general solid waste and hazardous waste of 39,424kg (2017: 41,852kg) and 5,000 (2017: 7,600kg) litres were generated by Don Sahong Hydropower Project as compared to 2017. Details please refer to table below:-

	Waste Management	
	2017	**2018**
General solid waste produced (kg)	41,852	39,424
Hazardous waste produced (litre)	7,600	5,000
Hazardous waste reycled (litre)	7,200	4,000

8.6 Compliance

We comply with all regulatory requirements to ensure business continuity. Failure to do so may result in the revocation of licences that are required to carry out our core business activities. This would undermine our ability to operate as a going concern, thereby lowering investors' confidence in our organisation.

Ensuring environmental regulatory compliance is a responsibility that we do not compromise on. In achieving it, our internal systems and processes help to track and monitor all applicable regulatory requirements. In addition, engagement with regulators helps us to better understand these requirements. We did not incur any significant fines and non-monetary sanctions for non-compliance with laws and regulations in 2018.

SUSTAINABILITY REPORT

[CONT'D]

9. SOCIAL

We recognised that our employees are our greatest assets and our ultimate success and achievements are a result of their high-performance and commitment. Hence, managing talent and staff retention is our key priority.

In achieving the above, our Group promote and foster conducive work culture that supports diverse talent to contribute positively to the growth and productivity in line with our Group's vision and mission. At the most basic level, we treat our employees fairly and help them develop their talents. We believe to ensure a good work-life balance for our employees as well as to create a healthy and safe workplace for all.

9.1 Occupational, Safety and Health ("OSH")

Health and safety will always be on top of our agenda. Our Group advocates a workplace culture that emphasises the importance of OSH in the daily operations. This is achieved through a combination of risk assessment, identification of occupational hazards, safety trainings, development and communication of OSH policies, as well as effective implementation of OSH standard operating procedures ("SOP").

Periodic health and safety awareness campaigns and training sessions are carried out to provide review and update on health and safety matters. These updates aim to educate and form part of the induction process for new employees as well as to act as refreshers for existing employees on potential occupational hazards to instil a sense of responsibility for their own safety and that of others.

In the past 2 years, zero fatalities were reported by Resources Division and the management will continue to increase our efforts to better manage safety and eliminate potential risks while at work. In 2018, Resources division has recorded an accident rate of 14%, improved from 20% recorded in 2017, as presented below:

	Safety Indicators	
	2017	**2018**
Death Rate	0%	0%
Frequency or Accident Rate #	20%	14%

\# - *Based on formula set by the Department of Occupational Safety and Health Malaysia which is calculated as "Number of accidents x 1,000,000 / total man hours worked"*

Resources Division also required employees who work in high dust exposure area to go for health screening annually for noise, spirometry tests (lung function) and dust exposure. Test result in both 2018 and 2017 reveals that none of the employees expose to any medical condition.

Employees from Resources Division are also required to carry out audiometric testing based on listed criteria. For those who met the criteria and went for the medical test, the test results are reproduced below:

	Audiometric Test Results		
	2016	**2017**	**2018**
Diagnosed with hearing impairment:			
(a) None	42%	75%	70%
(b) Mild ^	46%	14%	20%
(c) ModerateModerate ^^	12%	11%	8%
(d) Severe #	0%	0%	2%
	100%	100%	100%

^ - *not subject to repeat audit metric testing as hearing conditions are acceptable*

^^ - *Hearing conditions improved after repeated audit metric test within 3 months*

\# - *Cause of hearing loss conditions not due to work related condition as per audiologist assessment*

9. SOCIAL (CONT'D)

9.2 Labour Practice

9.2.1 Embracing a Diverse and Vibrant Workforce

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.

As the millennial generation grows in the workforce, we understand the need to develop new engagement models to bridge the generational differences. This young, technology savvy and socially interactive workforce is driving our ground operations in multiple sectors. Being new to the working environment, this segment of the workforce provides new ideas and perspectives to the Group's businesses and assist middle-aged generation employees who helps our Group to stay grounded with responsible decision making and strategies.

To grow sustainably means that we must continue to evolve our current workforce to keep driving a strong work ethic, be nurtured and mentored to uphold and further drive growth of our Group.

9.2.2 Succession Planning and Career Advancement

We recognise that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly engage our employees to set higher performance standards and assume bigger roles and responsibilities.

We encourage employees and their superiors to have regular conversations about their work performance. Our performance review takes place on a yearly cycle for all employees. This enables our employees to identify their performance gaps and development needs. Managers are not only responsible for coaching their people to succeed in their current positions, but also to help them grow towards their future aspirations.

We also continuously review our succession planning strategy to identify and develop high potentials to ensure sufficient talent pool for future succession and leadership needs.

9.2.3 Education and Training

Employees form an integral part of our Group and we remain committed to human resource development. Thus, instilling learning as part of our culture is fundamental to growing our Group's businesses to the next level. Every year, employees receive regular performance and career development reviews. Through reviews like this, the Group will customise training programmes that suit the needs of individual employees whilst ensuring they are aligned with the Group's direction.

SUSTAINABILITY REPORT
[CONT'D]

9. SOCIAL (CONT'D)

9.2 Labour Practice (Cont'd)

9.2.3 Education and Training (Cont'd)

Our Group encourages continuous learning for our employees to broaden their knowledge, skills and competencies for their current and future roles and committed to providing in-house training and giving opportunities to our employees to attend other external training programmes. The relevant statistic pertaining to Resources Division is presented below:

Year	2016	2017	2018
No of employees attended training	98	80	121

10. MOVING FORWARD

This is our first Sustainability Report. Although we have made some progress towards formalising sustainability within our businesses, we acknowledge that there are always rooms for improvement in terms of initiatives undertaken and our current reporting structure. The 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. It is the Group's intention to grow its Power Division via investment in clean renewable sources of energy and Don Sahong Hydropower Project is our first project in this initiative. Besides, we are exploring the option of generating our own green electricity by installing wind turbines or solar panels on our plantation project site in Cambodia as well as venturing into other renewable energy projects when opportunities arise.

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 environmentally responsible organisation that people are proud to be connected to, partnering with and working for.

This Sustainability Report has been approved by the Board on 26 March 2019.

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

Mega First Corporation Berhad is a diversified group of companies with three main businesses - Power, Resources and Property.

The Power Division was the largest earnings generator, contributing 90% of Group pre-tax profit of continuing operations in 2018. This was followed by the Resources Division at 9% and the Property Division at 6%. The investment holding companies and the Group's other smaller businesses incurred a combined loss of RM10.5 million in 2018 (2017: loss of RM19.3 million).

The Group's smaller businesses which are not individually disclosed comprised the manufacturing of packaging products, printed labels and automotive components. Additionally, the Group has 50-year land use right on 6,419.93 hectares of land in Cambodia for coconut and other agricultural development. The agricultural project is still under development and is not expected to contribute to Group earnings in the short to medium term.

FINANCIAL RESULTS

The following table sets forth a summary of the results of the Group's continuing operations for the financial years ended 31 December 2018 and 2017:

	2018 RM'000	2017 RM'000	Changes RM'000	%
Revenue	874,119	833,093	41,026	4.9%
Other income, net	9,572	10,820	(1,248)	-11.5%
Profit before interest and tax	205,183	192,048	13,135	6.8%
Profit before tax	197,440	185,289	12,151	6.6%
Profit after tax	159,532	151,934	7,598	5.0%
Profit after tax attributable to owners of the Company	139,283	129,589	9,694	7.5%

	2018		2017		Changes	
	RM'000	%	RM'000	%	RM'000	%
Revenue						
Power	656,228	75%	645,441	78%	10,787	1.7%
Resources	142,249	16%	119,945	14%	22,304	18.6%
Property	9,455	1%	9,150	1%	305	3.3%
Sub-total	807,932	92%	774,536	93%	33,396	4.3%
Investment holding & others	66,187	8%	58,557	7%	7,630	13.0%
Total revenue	874,119	100%	833,093	100%	41,026	4.9%
Profit before tax						
Power	177,058	90%	172,807	93%	4,251	2.5%
Resources	18,606	9%	19,295	10%	(689)	-3.6%
Property	12,315	6%	12,512	7%	(197)	-1.6%
Sub-total	207,979	105%	204,614	110%	3,365	1.6%
Investment holding & others	(10,539)	-5%	(19,325)	-10%	8,786	45.5%
Total profit before tax	197,440	100%	185,289	100%	12,151	6.6%

MANAGEMENT'S DISCUSSION & ANALYSIS
[CONT'D]

FINANCIAL RESULTS (CONT'D)

	2018		2017		Changes	
	RM'000	%	RM'000	%	RM'000	%
Significant income/ (expense) items:						
Construction revenue	656,228		645,441		10,787	1.7%
Construction profit	178,129		172,556		5,573	3.2%
ESOS expense	(388)		(13,979)		13,591	97.2%
Fair value gain on investment properties	6,375		6,316		59	0.9%
Gain from quoted investments	1,041		208		833	400.5%
Gain on foreign exchange	1,907		3,328		(1,421)	-42.7%

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

The Group registered a pre-tax profit of RM197.4 million in 2018, a 6.6% increase from the previous year. The improvement in pre-tax profit was underpinned by a 3.2% increase in construction profit of Don Sahong Hydropower Project to RM178.1 million and lower losses by investment holding and other businesses, partially offset by a 3.6% decrease in the Resources Division and a marginal decline in contribution from the Property Division.

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

Power Division

Don Sahong Hydropower Project (the "Project")

Don Sahong Power Company Ltd, an 80%-owned subsidiary of the Group, is currently developing a 260 MW run-of-river hydropower project situated on one of 17 major channels on the Mekong River in southern Lao PDR. A 25-year BOT Concession Agreement was signed with the Government of Lao PDR in September 2015, followed by a Power Purchase Agreement with Electricite Du Laos (EDL) in October 2015.

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

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

Pre-tax construction profit however rose at a slightly faster rate of 3.2% to RM178.1 million (2017: RM172.6 million), bolstered by a RM3.2 million positive adjustment in 2018 following a USD1 million downward revision in the Group's project cost estimate.

FINANCIAL RESULTS (CONT'D)

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 pulverized quicklime. Its products are used in a wide range of industries, and are sold locally as well as exported to various countries around the region.

Revenue of the Resources Division rose 18.6% or RM22.3 million to RM142.2 million (2017: RM119.9 million), fueled by a 22.7% growth in sales of lime products to RM129.6 million (2017: RM105.6 million). Revenue contribution from the other products came in at RM12.6 million, representing a decrease of RM1.8 million from RM14.4 million achieved a year ago mainly due to lower sales of calcium carbonate powder.

Sales volume of lime products rose 24.9% year-on-year. Both the domestic and export markets registered healthy growth. The average selling price of lime products however declined 1.7%, mainly as a result of a 6.1% weakening of the US Dollar against the Malaysia Ringgit.

Despite higher sales revenue, the Resources Division posted a 3.6% decline in pre-tax profit to RM18.6 million as margins were adversely impacted by a stronger Malaysia Ringgit against the US Dollar, higher input costs (mainly due to a sharp increase in petcoke fuel costs) and an increase in logistic and packaging costs resulting from higher crude oil prices.

Property Division

The Group has suspended all new property development projects since 2015 due to the weak domestic property market while it focuses on selling off the remaining completed property inventory located in Melaka, Salak Tinggi and Ipoh. At the end of 2018, total unsold inventory stood at about RM11 million. 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 to generate recurrent rental income.

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

Discontinued Operations

The Power Purchase Agreement ("PPA") between Serudong Power Sdn Bhd ("SPSB") and Sabah Electricity Sdn Bhd ("SESB") had expired on 2 December 2017. Efforts by SPSB in 2018 to extend the PPA was not successful as SESB disagreed with the proposed new commercial terms approved by the Energy Commission and the Ministry of Energy, Green Technology and Water.

The sino-foreign co-operative joint venture agreement in relation to our China power plant (operated by Shaoxing Mega Heat & Power Co., Ltd ("SMHP")) expired on 22 October 2017 and was not extended by the Group due to the increasingly stringent environmental policies which would render the extension commercially not viable.

Therefore, the results of both SMHP and SPSB were presented in the financial statements as discontinued operations. No revenue was recognised from the two discontinued power plants in 2018 (2017: RM331.2 million). Loss before tax of RM7.8 million comprised mainly RM13.9 million impairment charges on SPSB fixed assets and spare parts inventory, RM16.7 million additional provision for decommissioning and site restoration of the Tawau power plant, RM9.8 million impairment charge on receivable from Qixian Heat and Power Co. ("QHP") in relation to the China power plant, partially offset by RM31.6 million income from SESB arising from the final arbitration award and settlement.

MANAGEMENT'S DISCUSSION & ANALYSIS
[CONT'D]

FINANCIAL POSITION

Assets and Liabilities

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

Asset/Liability Items	As At 31.12.2018 RM'000	As At 31.12.2017 RM'000	Changes RM'000	Explanation
Property, plant and equipment ("PPE")	287,392	260,008	27,384	PPE increased by RM27.4 million primarily due to capital expenditures of RM56.6 million for the following purposes: - RM37.1 million incurred by Resources Division mainly for kiln expansion; - RM10.2 million spent on expanding flexible packaging production capacity; and - RM8.1 million incurred for plantation development activities in Cambodia. Partially offset by: - Depreciation and amorisation charges of RM16.4 million for the period; - Impairment loss of RM10.5 million on Tawau power plant; and - Asset disposal/write off amounting to RM2.9 million.
Intangible asset	1,635,027	941,796	693,231	Intangible asset represented the cumulative construction revenue recognised for the Don Sahong Hydropower Project.
Investment properties	177,212	170,117	7,095	Investment properties increased primarily due to fair value gain and reclassification of certain development units from inventories to investment properties.
Inventories (non-current)	43,443	45,095	(1,652)	Decrease due to reclassification to investment properties.
Investment in quoted shares	43,247	56,909	(13,662)	The decrease was due to a decline in market values of quoted securities.
Inventories (current)	64,230	42,280	21,950	Increase was mainly attributable to an increase in petcoke fuel stock by the Resources Division.
Receivables	93,101	159,491	(66,390)	Receivables decreased mainly attributed to the followings: - Realisation of RM42.7 million advance payment (recorded as prepayment) paid to EPC contractor, Sinohydro in the form of deduction from progressive billing issued by Sinohydro during the financial year ended 31 December 2018; and - Decrease in RM22.9 million owing by QHP (China power plant) and a customer in Australia. The above is partially offset by an increase in prepaid term loan interest of RM3.8 million.

FINANCIAL POSITION (CONT'D)

Assets and Liabilities (Cont'd)

Asset/Liability Items	As At 31.12.2018 RM'000	As At 31.12.2017 RM'000	Changes RM'000	Explanation
Deferred tax liabilities	88,342	56,176	32,166	Additional deferred tax provision was primarily made for construction profit recognised in 2018 and cumulative fair value gain on investment properties following the 2019 Budget announcement. Under the 2019 Budget, capital gains tax on investment properties sold after 5 years was increased from 5% to 10%.
Payables (current)	286,995	188,708	98,287	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project and provisional costs for decommissioning and site restoration of the Tawau power plant.

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 at our main operating units to support our expansion, investment and operational needs.

Group Borrowings and Debt Securities

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

	Long-term		Short-term		Total
	USD RM'000	RM RM'000	USD RM'000	RM RM'000	Borrowings RM'000
Secured					
Bankers' acceptance	–	–	–	9,009	9,009
Term loans	459,723	26,585	–	12,593	498,901
Bank overdrafts	–	–	–	5,645	5,645
Revolving credits	–	–	–	69,000	69,000
	459,723	26,585	–	96,247	582,555
Unsecured					
Bank overdrafts	–	–	–	1,140	1,140
Revolving credits	–	–	–	15,000	15,000
	–	–	–	16,140	16,140
Total bank borrowings	459,723	26,585	–	112,387	598,695

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

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

The interest rate on foreign currency term loan has been partially hedged by an interest rate swap.

The Group has no debt securities as at 31 December 2018.

MANAGEMENT'S DISCUSSION & ANALYSIS

[CONT'D]

Cash Flow Analysis

The Group generated RM38.6 million cash from its operating activities during the financial year ended 31 December 2018.

In the same period, the Group spent RM412.6 million on investing activities comprising mainly RM370.2 million on Don Sahong Hydropower Project and RM49.8 million capex on plant expansion. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM376.9 million to RM591.9 million (31.12.2017: RM215.0 million) while cash and cash equivalents decreased RM7.2 million to RM122.1 million (31.12.2017: RM129.3 million).

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. The cumulative investment incurred up to 31 December 2018 was about USD256.9 million.

The remaining sources of funds will be mainly in US Dollar, including unutilised balance from the US Dollar club-deal loan facilities of USD38.9 million and deferred payment credit of USD53 million from the EPC contractor.

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 of lime products which are denominated in US Dollar and Australian Dollar accounted for about 53% of revenue in 2018. The revenue exposure to foreign currency fluctuation is partly hedged by US Dollar denominated input cost (mainly petcoke) and freight charges which accounted for 40% of lime products' cost of sales.

DIVIDEND POLICY

The Company does not maintain a fixed long-term dividend policy. In deciding the dividend payout for each year, the Board considers the strength of the Group's 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 maintain its dividend payout at 4 sen per ordinary share to conserve cash for the Don Sahong Hydropower Project.

FORWARD-LOOKING STATEMENT

The Group's prospects and future plans 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 2018.

The details on how the Company has applied each Practice set out in the MCCG during the financial year ended 31 December 2018 are disclosed in the Corporate Governance Report 2018 ("CG Report"), which is available on the Company's website, 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 MCCG. 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.

The Board has adopted the Board Charter since 2014 which was last reviewed in 2017. The Company also adopts the Employee Code of Conduct and Disciplines which 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.

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.

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.

I. BOARD RESPONSIBILITIES (CONT'D)

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 2018, 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.

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	• Update on Malaysian Corporate Governance 2017
Goh Nan Yang	• Update on Malaysian Corporate Governance 2017
Khoo Teng Keat	• Corporate Governance Briefing Session – MSSG Reporting &CG Guide
Dato' Koh Hong Sun	• BNM-Fide Forum Dialogue – Managing Cyber risks in Financial Institutions • Director and Officer Liability Policy Presentation • Mastering Digital Transformation • Governance for the Audit Committee Members • Corporate Malaysia Summit • Breakfast Series : Companies of the Future – The Role of the Boards • Corporate Reporting : Key Disclosure Obligations of Listed Companies
Tay Kheng Chiong	• Update on Malaysian Corporate Governance 2017
Yeow See Yuen	• Update on Malaysian Corporate Governance 2017
Dato' Tan Ang Meng	• Breakfast Talk on MD&A Statement • Financial Institution Director's Education Programme • Board Selection – Engagement with Potential Directors • Corporate Governance Briefing Session – MSSG Reporting &CG Guide
Datuk Hj. Pengiran Saifuddin bin Pengiran Tahir	• Round Table Conference Perbadanan Kemajuan Negeri • SEDCO's Competencies Workshop • Risk Management & Assessment • Course for Directors of Statutory Bodies and State Government Agencies
Jesper Bjorn Madsen	• Update on Malaysian Corporate Governance 2017
Professor Dato' Dr. Tan Hui Meng	• Conference Urofair 2018 • 1st Malaysian Men's Health Conference 2018 • Conference 13th Japan – Asian conference on Men's Health

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.

III. REMUNERATION

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. The Terms of Reference of Remuneration Committee is available at the Company's website, www.mega-first.com.

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

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

The AC plays an active role in helping the Board discharge its governance responsibilities. The AC works within the purview of the terms of reference. The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal controls and governance.

The AC member has full access to the auditors, both internal and external, who in turn have access at all times to the Chairman of the AC. The Report of the AC, including its composition, duties and activities, is presented in the Audit Committee Report section of this Annual Report.

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 AC 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.

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.

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 were present to answer questions raised at the 52nd AGM held on 28 May 2018. 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 26 March 2019.

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 2018, 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.

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, functions and countries. Risk identification involves examining all sources of potential risk and the perception of all stakeholders, both internal and external, which may impact the achievement of the business objectives. All identified risks are documented in Key Risk Records 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	Managed by routine procedures and low level delegations, unlikely to consider specific application of resources.
Moderate	Managed by specific monitoring or response procedures within line management delegations.
High	Executive management accountability with senior management responsibility specified.
Extreme	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.

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 divisions/business units 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 headings, 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 the 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 Group 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, procedures and practices outlined in operating procedures manuals.

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) 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 Head of Division/Business Unit.

(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.

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, have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 31 December 2018.

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 AND MEETINGS

The Committee comprises three (3) members, all of whom satisfy the independence requirements of the Listing Requirements. The composition and details of attendance of each member at the Audit Committee meetings during the financial year ended 31 December 2018 ("the financial year") were as follows:-

Name of Members	No. of Meetings Attended	Percent
Yeow See Yuen Chairman *(Independent Director)*	5 out of 5	100
Dato' Tan Ang Meng *(Independent Director)*	5 out of 5	100
Jesper Bjorn Madsen *(Independent Director)*	4 out of 5	80

The Committee met 5 times during the financial year. The Head of the Internal Audit Department and the Company Secretary were in attendance at all the meetings. The Financial Controllers 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 Malaysia PLT without the presence of management, to discuss any matters which the External Auditors may wish to discuss.

B. 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. The terms of reference was last reviewed in March 2018 to address the new requirements of Malaysian Code on Corporate Governance 2017.

C. 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 of Directors for consideration and approval and 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 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, 1965. 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.

AUDIT COMMITTEE REPORT
[CONT'D]

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

1. Financial Statement and Reporting Review (Cont'd)

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 2018 Audit Planning Memorandum before commencement of the annual audit. The External Auditors had briefed the Audit Committee on their 2018 Audit Planning Memorandum covering inter alia, audit approach, significant events, areas of audit emphasis and timeline.

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 both meetings.

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. The Committee had in March 2019 conducted an annual assessment of the quality of services provided, quality of interaction, objectivity and professionalism of external auditor in the form of a assessment questionnaires. The Committee also obtained feedbacks from the management who had contact with the audit engagement team. The assessments encompassed the following areas:-

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 Malaysia PLT'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 since 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 2018 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. *Communications and Quality of Services*

The Committee deliberated on the effectiveness of external auditors having regards to areas encompassing technical competency, availability of resources and quality of services. The lead audit engagement partner and engagement teams have also demonstrated openness, objectivity and professionalism in communication with Audit Committee through discussions at private meetings.

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

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 2019 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.

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.

D. 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 2018 was RM348,597.

The primary roles of the Internal Audit Department are 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. Internal Audit Department provides independent and reasonable assurance to the Board and Management that the internal controls are operating satisfactorily and effective.

AUDIT COMMITTEE REPORT
[CONT'D]

D. INTERNAL AUDIT FUNCTION AND ACTIVITIES (CONT'D)

The Internal Audit Department performed routine audit and reviews on all business segments of the Group in accordance with the approved Audit Planning Memorandum. 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, 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 Report of the Audit Committee 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

No proceeds were raised by the Company from any corporate exercise during the financial year.

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 2018 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 MFCB and MFCB Group amounted to approximately RM60,000 and RM480,000 respectively.

The amount of group non-audit fees payable to MFCB's external auditors and their affiliated firm for the financial year ended 31 December 2018 amounted to approximately RM20,000.

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 and outstanding under the ESOS, are set out in the table below:-

Description	Number of Options (Since commencement of ESOS to 31 December 2018)	
	Grand Total	Directors
(a) Granted	30,150,846	19,450,288
(b) Exercised	3,655,667	2,785,869
(c) Lapsed	1,946,023	980,000
(d) Outstanding	24,549,156	15,684,419

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

Directors and Senior Management	During the financial year 2018	Since commencement up to 31 December 2018
(a) Aggregate maximum allocation	50%	50%
(b) Actual granted	1.0%	41.2%

DIRECTORS' RESPONSIBILITY **STATEMENT**

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and Company as at 31 December 2018 and of the results and cash flows of the Group and Company for the financial year ended on that date.

The Directors are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2018, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made adjustments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and Company keep accounting records which disclose the financial position of the Group and Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company, and to detect and prevent fraud and other irregularities.

FINANCIAL **STATEMENTS**

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 2018.

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 Note 9 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:-

	GROUP RM'000	COMPANY RM'000
Continuing operations		
Profit before tax	197,440	48,837
Income tax expense	(37,908)	(75)
Profit after tax from continuing operations	159,532	48,762
Discontinued operations		
Loss after tax from discontinued operations	(13,746)	–
Profit after tax for the financial year	145,786	48,762
Attributable to:-		
Owners of the Company	129,266	48,762
Non-controlling interests	16,520	–
	145,786	48,762

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 other than as disclosed in Note 9 to the financial statements.

DIVIDENDS

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

(a) a final tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017 on 6 July 2018; and

(b) an interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018 on 12 October 2018.

The Board proposed a final tax-exempt dividend of 2 sen per ordinary share for the financial year ended 31 December 2018. 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.

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 RM524,004,652 to RM540,666,669 by way of:-

(i) an issuance of 5,936,842 new ordinary shares for cash at the price of RM2.22 from warrants conversion; and

(ii) an issuance of 641,057 new ordinary shares for cash at the prices of 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 26(iii) and 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:-

	2018 '000	**2017 '000**
As at 1 January	58,788	67,306
Converted during the financial year	(5,937)	(8,518)
As at 31 December	52,851	58,788

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.

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 liability is 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

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
- Datuk Hj. Pengiran Saifuddin Bin Pengiran Tahir
- Tay Kheng Chiong
- Jesper Bjorn Madsen
- Professor Dato' Dr. Tan Hui Meng

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	Balance as at 1.1.2018	**Converted/ Exercised/ Acquired**	**Disposed**	**Balance as at 31.12.2018**
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	2,063,120	–	–	2,063,120
- Deemed	134,638,086	5,871,500	–	140,509,586
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	113,869	–	503,869
Yeow See Yuen				
- Direct	1,357,000	70,000	–	1,427,000
- Deemed	44,200	–	–	44,200
Dato' Tan Ang Meng				
- Direct	438,000	–	–	438,000
Tay Kheng Chiong				
- Direct	70,900	–	–	70,900
Professor Dato' Dr. Tan Hui Meng				
- Deemed	209,300	156,900	–	366,200

DIRECTORS' REPORT

[CONT'D]

DIRECTORS' INTERESTS (CONT'D)

	Number of warrants 2016/2020			
	Balance as at 1.1.2018	**Acquired**	**Converted/ Disposed**	**Balance as at 31.12.2018**
WARRANTS IN THE COMPANY				
Goh Nan Kioh				
- Direct	364,080	–	–	364,080
- Deemed	14,747,255	–	(5,871,500)	8,875,755
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	233,000	–	557,800

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:-

		Options over ordinary shares				
	Exercise Price	Balance as at 1.1.2018	Granted	Exercised	Lapsed	Balance as at 31.12.2018
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
Datuk Hj. Pengiran Saifuddin Bin Pengiran Tahir	RM3.45	300,000	–	–	–	300,000
Tay Kheng Chiong	RM1.34*	285,862	–	–	–	285,862
	RM2.00*	113,869	–	–	–	113,869
	RM2.41	100,000	–	–	–	100,000
Jesper Bjorn Madsen	RM2.89	–	300,000	–	–	300,000
Professor Dato' Dr. Tan Hui Meng	RM2.89	–	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’ REPORT

[CONT’D]

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 45 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’ REMUNERATION

The details of the Directors’ remuneration are disclosed in Note 44 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 18 and 42 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 46 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have indicated their willingness to continue in office.

The auditors' remuneration are disclosed in Notes 6 and 9 to the financial statements.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

GOH NAN YANG

KHOO TENG KEAT

26 March 2019

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 2018 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 pages 68 to 191.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International 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.

<table>
<tr><td colspan="2">Don Sahong Hydropower Project - Revenue Recognition and Intangible Asset
Refer to Note 4, Note 5 and Note 14 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group has undertaken the Don Sahong Hydropower Project ("DSPC") in Lao PDR. The accounting treatment adopted is in accordance with IC Interpretation 12 whereby the concession agreement in DSPC is considered to be a service concession arrangement, and an intangible asset of RM1.635 billion has been recognised as at 31 December 2018. Revenue of RM656.2 million on the construction of the hydropower asset have been recognised for the financial year ended 31 December 2018 in accordance with MFRS 15.

The intangible asset and revenue recognition for the DSPC are considered key audit matters due to the magnitude of the balances and risk of material misstatement due to significant judgement being applied in their determination.</td><td>The audit of DSPC was undertaken by a component auditor ("CA"). Our procedures included:-

(a) Assessed the objectivity, independence and expertise of the CA;
(b) Assessed the related concession agreement for the fulfillment of the criteria of service concession arrangement for recognition of intangible asset;
(c) Tested the internal controls of DSPC on approval of budgets, authorising and recording of costs incurred;
(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; and
(e) Performed enquiry and obtained explanations from management to corroborate the audit evidence obtained by the CA.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD [CONT'D]

Idaman Harmoni Sdn. Bhd. ("IHSB") - dispute over additional taxes and penalties imposed by Inland Revenue Board of Malaysia ("IRBM") Refer to Note 38 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
One of the Group's subsidiaries, IHSB, has been imposed with additional taxes and penalties amounting to RM26.3 million by IRBM. IHSB has disputed the additional taxes and penalties and no provision has been made as at 31 December 2018. This is a key audit matter due to the risk of material misstatement arising from the dispute.	Our audit procedures included :- (a) Assessed the appropriateness of management's basis in disputing the additional taxes and penalties imposed; (b) Obtained the views from tax and legal advisors appointed by IHSB; (c) Discussed the merits of the dispute with the legal advisor; (d) Assessed the status of the dispute including legal proceedings to appeal against the additional taxes and penalties; and (e) Assessed adequacy of disclosures with regard to the contingent liabilities arising from the dispute.

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 Malaysian Financial Reporting Standards, International 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.

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

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD [CONT'D]

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

1. As stated in Note 3.1 to the financial statements, Mega First Corporation Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and the financial performance and cash flows for the financial year then ended.

2. 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 Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 02760/06/2020 J
Chartered Accountant

Kuala Lumpur

26 March 2019

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	GROUP 2018 RM'000	GROUP 2017 RM'000	COMPANY 2018 RM'000	COMPANY 2017 RM'000
Continuing Operations					
Revenue	5	874,119	833,093	75,627	94,573
Cost Of Sales		(653,471)	(612,458)	–	–
Gross Profit		220,648	220,635	75,627	94,573
Other Income		19,467	24,472	61,749	362
Administrative Expenses		(22,306)	(33,627)	(6,343)	(19,646)
Distribution Costs		(2,730)	(5,780)	–	–
Other Expenses		(9,895)	(13,652)	(76,362)	(39,850)
Profit From Operations	6	205,184	192,048	54,671	35,439
Finance Costs	7	(7,743)	(6,759)	(5,834)	(10,890)
Share Of Loss Of Equity Accounted Joint Venture/ Associate		(1)	–	–	–
Profit Before Tax		197,440	185,289	48,837	24,549
Income Tax Expense	8	(37,908)	(33,355)	(75)	(233)
Profit After Tax From Continuing Operations		159,532	151,934	48,762	24,316
Discontinued Operations					
(Loss)/Profit After Tax From Discontinued Operations	9	(13,746)	15,039	–	–
Profit After Tax For The Financial Year		145,786	166,973	48,762	24,316

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

		GROUP		COMPANY	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit After Tax For The Financial Year		145,786	166,973	48,762	24,316
Other Comprehensive Income/(Expenses)	10				
Items that will be reclassified subsequently to profit or loss					
Fair value changes of available-for-sale financial assets		–	16,574	–	(410)
Foreign currency translation		22,047	(121,279)	–	–
Cash flow hedge		2,998	(2,351)	–	–
		25,045	(107,056)	–	(410)
Items that will not be reclassified subsequently to profit or loss					
Fair value changes of equity investments		(13,662)	–	(820)	–
Total Other Comprehensive Income/(Expenses)		11,383	(107,056)	(820)	(410)
Total Comprehensive Income For The Financial Year		157,169	59,917	47,942	23,906

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

		GROUP		COMPANY	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit After Tax Attributable To:					
- Owners Of The Company		129,266	138,336	48,762	24,316
- Non-controlling Interests		16,520	28,637	–	–
		145,786	166,973	48,762	24,316
Total Comprehensive Income Attributable To:					
- Owners Of The Company		139,281	34,498	47,942	23,906
- Non-controlling Interests		17,888	25,419	–	–
		157,169	59,917	47,942	23,906
Basic Earnings/(Loss) Per Share (sen):	11				
- Continuing Operations		35.59	33.75		
- Discontinued Operations		(2.56)	2.28		
		33.03	36.03		
Diluted Earnings/(Loss) Per Share (sen):	11				
- Continuing Operations		33.23	31.32		
- Discontinued Operations		(2.39)	2.11		
		30.84	33.43		

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		GROUP			COMPANY		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
ASSETS							
Non-Current Assets							
Property, Plant And Equipment	13	287,392	260,008	321,374	7,636	5,801	4,687
Intangible Asset	14	1,635,027	941,796	370,391	–	–	–
Investment Properties	15	177,212	170,117	151,811	–	–	–
Inventories	16	43,443	45,095	44,438	–	–	–
Land Use Rights	17	21,223	20,711	19,414	13,654	13,307	12,702
Subsidiaries	18	–	–	–	848,425	645,649	455,868
Joint Venture and Associate	19	4,000	*	–	–	–	–
Investment In Quoted Shares	20	43,247	56,909	40,315	1,435	2,255	2,665
Investment In Unquoted Shares	21	335	335	335	–	–	–
Goodwill On Consolidation	22	8,357	8,357	8,357	–	–	–
Deferred Tax Assets	31	–	170	2,690	–	–	–
		2,220,236	1,503,498	959,125	871,150	667,012	475,922
Current Assets							
Inventories	16	64,230	42,280	59,874	–	–	–
Contract Assets	23	1,838	592	72,056	–	–	–
Receivables	24	93,101	159,491	225,477	41,980	175,424	152,381
Derivative Asset	34	647	–	–	–	–	–
Bank Balances And Deposits	25	130,508	138,750	291,326	1,025	514	134,715
		290,324	341,113	648,733	43,005	175,938	287,096
TOTAL ASSETS		2,510,560	1,844,611	1,607,858	914,155	842,950	763,018

* – *Negligible*

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 [CONT'D]

	Note	GROUP 31.12.2018 RM'000	GROUP 31.12.2017 RM'000	GROUP 1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	COMPANY 31.12.2017 RM'000	COMPANY 1.1.2017 RM'000
EQUITY AND LIABILITIES							
Share Capital	26	540,667	524,005	401,900	540,667	524,005	401,900
Treasury Shares	27	(30,046)	(30,046)	(30,046)	(30,046)	(30,046)	(30,046)
Reserves	28	842,159	741,041	814,251	278,450	248,489	332,309
Equity Attributable To Owners Of The Company		1,352,780	1,235,000	1,186,105	789,071	742,448	704,163
Non-controlling Interests	18	172,756	133,757	156,688	–	–	–
Total Equity		1,525,536	1,368,757	1,342,793	789,071	742,448	704,163
Non-Current Liabilities							
Payables	29	8,855	7,083	1,223	387	–	–
Long-Term Borrowings	30	486,308	112,741	22,642	–	–	–
Deferred Tax Liabilities	31	88,342	56,176	33,054	–	–	–
		583,505	176,000	56,919	387	–	–
Current Liabilities							
Payables	32	286,995	188,708	133,166	83,557	59,541	58,855
Short-Term Borrowings	33	112,387	108,436	65,989	41,140	40,961	–
Derivative Liability	34	–	2,351	–	–	–	–
Current Tax Liabilities		2,137	359	8,991	–	–	–
		401,519	299,854	208,146	124,697	100,502	58,855
Total Liabilities		985,024	475,854	265,065	125,084	100,502	58,855
TOTAL EQUITY AND LIABILITIES		2,510,560	1,844,611	1,607,858	914,155	842,950	763,018
Net Assets Per Ordinary Share (sen)	35	341	316	311			

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

			← Non-Distributable						→	Distributable			
GROUP	**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**	**Total Equity RM'000**
Balance at 1 January 2017, as previously reported	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
Effects of MFRS adoption	–	–	–	–	–	–	(475)	–	–	(472)	(947)	–	(947)
Balance at 1 January 2017, restated	401,900	(30,046)	99,856	4,120	90,571	5,681	15,075	18,571	–	580,377	1,186,105	156,688	1,342,793
Profit after taxation for the financial year	–	–	–	–	–	–	–	–	–	138,336	138,336	28,637	166,973
Other comprehensive (expenses)/income for the financial year:													
- Fair value changes of available-of-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 (expenses)/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	15,075	16,221	(2,351)	699,567	1,234,982	163,542	1,398,524

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

			← Non-Distributable						→	Distributable			
GROUP	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	Total Equity RM'000
Balance brought forward	524,005	(30,046)	–	17,746	(27,490)	22,255	15,075	16,221	(2,351)	699,567	1,234,982	163,542	1,398,524
Net dilution of interests in subsidiaries	–	–	–	–	–	–	–	–	–	72	72	216	288
Deconsolidation of a subsidiary (Note 43)	–	–	–	–	–	–	–	–	–	–	–	(51,942)	(51,942)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	10,100	10,100
Fair value of acquired assets attributable to non–controlling interests	–	–	–	–	–	–	–	–	–	–	–	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	–	16,221	(2,351)	714,660	1,235,000	133,757	1,368,757
Balance at 1 January 2018, as previously reported	524,005	(30,046)	–	17,746	(27,490)	22,255	475	16,221	(2,351)	715,132	1,235,947	133,757	1,369,704
Effects of MFRS adoption	–	–	–	–	–	(24,266)	(475)	–	–	15,486	(9,255)	–	(9,255)
Balance at 1 January 2018, restated	524,005	(30,046)	–	17,746	(27,490)	(2,011)	–	16,221	(2,351)	730,618	1,226,692	133,757	1,360,449
Profit after taxation for the financial year	–	–	–	–	–	–	–	–	–	129,266	129,266	16,520	145,786
Other comprehensive income/(expenses) for the financial year:													
- Fair value changes of equity investments	–	–	–	–	–	(13,662)	–	–	–	–	(13,662)	–	(13,662)
- Foreign currency translation difference	–	–	–	–	20,679	–	–	–	–	–	20,679	1,368	22,047
- Cash flow hedge	–	–	–	–	–	–	–	–	2,998	–	2,998	–	2,998
Total comprehensive income/(expenses) for the financial year	–	–	–	–	20,679	(13,662)	–	–	2,998	129,266	139,281	17,888	157,169
Balance carried forward	524,005	(30,046)	–	17,746	(6,811)	(15,673)	–	16,221	647	859,884	1,365,973	151,645	1,517,618

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

			Non-Distributable							Distributable			
GROUP	**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**	**Total Equity RM'000**
Balance brought forward	524,005	(30,046)	–	17,746	(6,811)	(15,673)	–	16,221	647	859,884	1,365,973	151,645	1,517,618
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company (Note 12)	–	–	–	–	–	–	–	–	–	(15,621)	(15,621)	–	(15,621)
- subsidiaries' non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,929)	(3,929)
ESOS options granted	–	–	–	388	–	–	–	–	–	–	388	–	388
ESOS options lapsed	–	–	–	(73)	–	–	–	–	–	73	–	–	-
Issuance of ordinary shares pursuant to:													
- Warrants	14,818	–	–	–	–	–	–	(1,638)	–	–	13,180	–	13,180
- ESOS options	1,844	–	–	(464)	–	–	–	–	–	–	1,380	–	1,380
Total transactions with owners of the Company	16,662	–	–	(149)	–	–	–	(1,638)	–	(15,548)	(673)	(3,929)	(4,602)
Effect of increase in shares issued in a subsidiary	–	–	–	–	–	–	–	–	–	(12,520)	(12,520)	25,040	12,520
Balance at 31 December 2018	540,667	(30,046)	–	17,597	(6,811)	(15,673)	–	14,583	647	831,816	1,352,780	172,756	1,525,536

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

			← Non Distributable			→	Distributable	
COMPANY	**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**	**Total Equity 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 (expenses)/ 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:								
- Rights Issue with Warrants	21,260	–	–	–	–	(2,350)	–	18,910
- ESOS options	988	–	1	(250)	–	–	–	739
Expenses in relation to Rights Issue with Warrants	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 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

	← Non Distributable					→	Distributable	
COMPANY	**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**	**Total Equity RM'000**
Balance at 1 January 2018, as previously reported	524,005	(30,046)	–	17,746	(801)	16,221	215,323	742,448
Effects of MFRS adoption	–	–	–	–	(4,115)	–	3,469	(646)
Balance at 1 January 2018, restated	524,005	(30,046)	–	17,746	(4,916)	16,221	218,792	741,802
Profit after taxation for the financial year	–	–	–	–	–	–	48,762	48,762
Other comprehensive expenses for the financial year:								
- Fair value changes of equity investments	–	–	–	–	(820)	–	–	(820)
Total comprehensive (expenses)/ income for the financial year	–	–	–	–	(820)	–	48,762	47,942
Contributions by and distributions to owners of the Company:-								
Dividends (Note 12)	–	–	–	–	–	–	(15,621)	(15,621)
ESOS options granted	–	–	–	388	–	–	–	388
ESOS options lapsed	–	–	–	(73)	–	–	73	–
Issuance of ordinary shares pursuant to:								
- Warrants	14,818	–	–	–	–	(1,638)	–	13,180
- ESOS options	1,844	–	–	(464)	–	–	–	1,380
Total transactions with owners of the Company	16,662	–	–	(149)	–	(1,638)	(15,548)	(673)
Balance at 31 December 2018	540,667	(30,046)	–	17,597	(5,736)	14,583	252,006	789,071

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:		
- Continuing operations	197,440	185,289
- Discontinued operations	(7,818)	27,275
Adjustments for:		
Allowance for impairment losses on:		
- Investment in quoted shares	–	1,157
- Receivables, net	13,143	2,049
Amortisation of land use rights	–	190
Depreciation of property, plant and equipment	16,362	46,594
ESOS options expenses	388	13,982
Impairment loss on property, plant and equipment	10,471	–
Interest expense	7,744	7,145
Loss on deconsolidation of a subsidiary	56	3,209
Property, plant and equipment written off	284	209
Provision for retirement benefits	824	484
Provision for site restoration costs	16,650	–
Share of loss of equity accounted joint venture and associate	1	–
Unrealised loss on foreign exchange difference, net	943	3,928
Writedown in value of inventories	3,729	660
Construction profit	(178,129)	(172,556)
Dividend income	(1,041)	(1,252)
Fair value gain on investment properties	(6,375)	(6,316)
Gain on disposal of:		
- Property, plant and equipment	(2,222)	(305)
- Quoted shares	–	(114)
Interest income	(2,599)	(3,691)
Write-back of:		
- Inventories written down previously	–	(1)
- Land held for property development	–	(657)
Operating Profit Before Working Capital Changes	69,851	107,279
(Increase)/Decrease in:		
Inventories	(24,747)	(4,674)
Receivables	(4,350)	1,239
Contract assets	(1,246)	–
Payables	9,494	41,034
Cash From Operations	49,002	144,878
Income tax paid	(8,888)	(29,729)
Retirement benefits paid	(1,489)	–
Net Cash From Operating Activities	38,625	115,149

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

	Note	2018 RM'000	2017 RM'000
Net Cash From Operating Activities		38,625	115,149
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest received		2,599	3,691
Dividends received		1,041	1,252
Cash outflow for Don Sahong Hydropower Project		(370,193)	(312,634)
Acquisition of additional interest of a subsidiary		–	(431)
Net cash outflow from acquisition of a subsidiary		–	(10,000)
Net cash outflow from deconsolidation of a subsidiary	43	–	(22,102)
Receipt of outstanding sale consideration from subsidiary deconsolidated in the previous financial year		3,439	–
Proceeds from disposal of:			
- Property, plant and equipment		4,792	429
- Quoted shares		–	569
Payments for purchase of:			
- Property, plant and equipment	39(a)	(49,765)	(29,478)
- Land use rights		(469)	(1,032)
- Quoted shares		–	(1,633)
Investment in joint venture and associate		(4,001)	*
Net Cash For Investing Activities		(412,557)	(371,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(7,744)	(7,145)
Dividends paid to:			
- Shareholders of the Company		(15,621)	(19,252)
- Subsidiaries' non-controlling interests		(3,929)	(18,565)
Net drawdown/(repayment) of:			
- Bankers' acceptances and revolving credits	39(b)	4,607	33,820
- Hire purchase payables	39(b)	(2,975)	(1,209)
- Term loans	39(b)	361,923	92,524
Proceeds from issuance of shares arising from:			
- Conversion of Warrants		13,180	18,910
- Exercise of ESOS options		1,380	739
Proceeds from issuance of shares by a subsidiary to non-controlling interests		12,520	750
Withdrawal of deposits pledged to licensed bank or with original maturity period of more than 3 months		1,595	24,984
Net Cash From Financing Activities		364,936	125,556
EFFECT OF FOREIGN EXCHANGE TRANSLATION		1,766	(3,130)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,230)	(133,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		129,348	263,142
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	25	122,118	129,348

* - *Negligible*

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

COMPANY	2018 RM'000	2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before tax	48,837	24,549
Adjustments for:		
Allowance for impairment losses on receivables	–	58
Depreciation of equipment	82	59
ESOS options expenses	388	13,982
Impairment loss on investment in subsidiaries	75,980	–
Interest expense	5,834	3,964
Notional time value loss on dividend receivable	–	6,926
Dividend income	(73,874)	(92,513)
Interest income:		
- Advances to subsidiaries	(141)	(63)
- Deposits with financial institutions	(4)	(399)
- Imputed interest on dividend receivable	(6,926)	–
Unrealised (gain)/loss on foreign exchange difference	(7,357)	38,406
Write-back of allowance for impairment losses on receivables	(47,326)	(282)
Operating Loss Before Working Capital Changes	(4,507)	(5,313)
Increase in receivables	(382)	(500)
Increase in payables	36	288
Cash For Operations	(4,853)	(5,525)
Income tax paid	(216)	(182)
Net Cash For Operating Activities	(5,069)	(5,707)

The accompanying Notes on pages 82 to 191 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 [CONT'D]

	Note	2018 RM'000	2017 RM'000
Net Cash For Operating Activities		(5,069)	(5,707)
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest received		145	462
Dividends received		73,874	92,513
Cash inflow from Don Sahong Hydropower Project		–	595
Subscription of shares in subsidiaries:			
- Redeemable preference shares		(116,283)	(228,084)
- Equity shares		(155,173)	–
Repayment from/(Advances to) subsidiaries		187,573	(30,496)
Payments for purchase of:			
- Equipment	39(a)	(1,234)	(1,173)
- Land use rights		(347)	–
Net Cash For Investing Activities		(11,445)	(166,183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,834)	(3,964)
Dividends paid		(15,621)	(19,252)
Net drawdown/(repayment) of:			
- Revolving credits	39(b)	5,000	35,000
- Hire purchase payables	39(b)	(68)	–
Advances from subsidiaries		23,752	478
Repayment to a related party		–	(80)
Proceeds from issuance of shares arising from:			
- Conversion of Warrants		13,180	18,910
- Exercise of ESOS options		1,380	739
Withdrawal of deposits pledged to licensed banks		–	26,552
Net Cash From Financing Activities		21,789	58,383
EFFECT OF FOREIGN EXCHANGE TRANSLATION		57	(103)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,332	(113,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(5,447)	108,163
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	25	(115)	(5,447)

The accompanying Notes on pages 82 to 191 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 26 March 2019.

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 Note 9 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 This is the first year the Group has prepared its financial statements in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", with 1 January 2017 as the date of transition. An opening statements of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 4 to the financial statements. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. The financial impacts on the transition from FRSs to MFRSs are disclosed in Note 47 to the financial statements.

3. BASIS OF PREPARATION (CONT'D)

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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to MFRS 128: Long-term Interests in Associate and Joint Venture

The amendments to MFRS 128 clarify that MFRS 9 shall apply to long-term interests in associates and joint ventures before applying the loss allocation and impairment requirements of MFRS 128. Furthermore, in applying MFRS 9 to long-term interests, an entity should not take into account of any adjustments to the carrying amount of the long-term interests that result from the application of MFRS 128.

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. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

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.

(b) Non-controlling Interests

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.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of Consolidation (Cont'd)

(d) Loss of Control

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 MFRS 9 (2017 - FRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition. Such business combinations and the related goodwill and fair value adjustments have been carried forward from the previous FRS framework as at the date of transition.

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments

Financial assets and financial 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 MFRS 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 (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). 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.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

<u>Debt Instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the asset. There are 3 measurement categories into which the Group classifies its debt instruments:-

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss (FVPL)

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(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. The changes in fair value of these financial liabilities are recognised in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognised directly in other comprehensive income and is not subsequently reclassified to profit or loss upon the derecogntion of the financial liability.

(ii) Other Financial Liabilities

Other financial liabilities are 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 (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 liability or a shorter period (where appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(c) Equity Instruments

Equity instruments classified as equity are measured initially 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.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

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 the 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.

Any derivative embedded in a financial asset is not accounted for separated. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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.

(f) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(g) 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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(g) Hedge Activities (Cont'd)

(i) Hedge Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as a fair value hedge or cash flow hedge, whichever applicable.

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 and accumulated in equity under the cash flow hedge reserve, limited to the lower of cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability directly. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Functional and Foreign Currencies (Cont'd)

(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.

(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:-

	2018 RM	2017 RM
1 Chinese Renminbi	0.601	0.638
1 United States Dollar	4.136	4.047
1 Singapore Dollar	3.035	3.029
1 Hong Kong Dollar	0.528	0.518

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Impairment

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for looking-forward information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 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.

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 2018. 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 MFRS 9 (2017 - 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.

Investments in joint ventures, if any, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2018. The Group's share of the post acquisition profits and other comprehensive income of the associate 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 significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate 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 an associate, 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 or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate 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 MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.8 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 MFRS 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%

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Property, Plant and Equipment (Cont'd)

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

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.

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.

4.9 Leased Assets

(a) Finance Leases

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 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 statement of financial position of the Group and of the Company.

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.

The lump sum upfront lease payments made in respect of leasehold land which in substance is an operating lease is classified as prepaid lease payments. The prepaid lease payments are stated at cost less accumulated amortisation. The amortisation is charged to profit or loss in equal instalments over the lease period.

4.10 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.

4.11 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 provides construction services to the grantor in exchange for the concession assets, the construction revenue is recognised at the fair value using the output method (Note 4.21) with the corresponding entry recorded as an intangible asset (service concession asset) in the consolidated statement of financial position. The service concession asset represents the Group's rights (license) to charge the grantor, based on usage of the public service for the construction of assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Service Concession Arrangement (Cont'd)

The service concession asset is amortised upon the commencement of the concession period on a straight-line method over 25 years. The costs of day-to-day servicing of service concession asset are recognised in profit or loss when incurred.

Where an indication of impairment exists, the carrying amount of the service concession asset is assessed and written down immediately to its recoverable amount.

Revenue from construction services which recognised using output method is make reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers. 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.

The contract asset represents (i) Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date or (ii) contract of which incurred construction costs exceed calculated construction costs, and costs of project of which revenue have not yet been recognised.

Contract liability represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

Subsequent to commercial operation date ("COD"), revenue from operation and maintenance services is recognised when services have been rendered.

4.12 Intangible Asset (Service Concession Asset)

Intangible asset 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.

The costs of day-to-day servicing of the intangible asset are recognised in profit or loss when incurred.

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Inventories

(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 is classified as non-current. The carrying amount of such land classified as inventory under non-current assets is carried at the lower of cost and net realisable value.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is reclassified as property development costs under current assets 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 under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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.

On completion, sold properties are recognised in profit or loss and unsold properties are transferred to developed properties held for sale.

(c) Developed properties held for sale

Units of development properties Completed and held for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method and consist of costs associated with the acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, direct costs, appropriate proportions of common costs attributable to developing the properties to completion and borrowing costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Inventories (Cont'd)

(d) Other inventories

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.

4.14 Contract Costs

(a) Incremental Costs of Obtaining A Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to Fulfil A Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4.15 Contract Asset and Contract Liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.16 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 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.

4.18 Capitalisation of Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

4.19 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 Dismantling, Removal and Restoration Costs

A provision is recognised when the Group has an obligation to dismantle and remove structures on identified sites and restore these sites at the end of the lease term to an acceptable condition consistent with the lease agreement. The provision is measured at the present value of the compounded future expenditure at current prices.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 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.

4.21 Revenue From Contracts With Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

(a) The customer simultaneously receives and consumes the benefits provided as the Group performs.

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(c) The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed todate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers (Cont'd)

(a) Revenue from service concession arrangement

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 from construction services is recognised over time in the period in which the services are rendered using the output method, by reference to the construction progress based on the physical proportion of construction work assessed by the project engineers. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

An intangible asset is recognised when the construction services are rendered. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

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 4.11 Service Concession Arrangement.

(b) Revenue from the sale of goods

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.

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

The Group's obligation to repair or replace faulty products under the standard terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) Revenue from sale of electricity and steam

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers (Cont'd)

(d) Revenue from property development

The revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognise revenue over time 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.

The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) as in the attached layout plan in the sale and purchase agreements. The purchasers could enforce its rights to the promised properties if the Group and the Company seek to sell the unit to another purchaser. The contractual restriction on the Group's and the Company's ability to direct the promised property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group and the Company. The Group and the Company have the right to payment for performance completed to date, is entitled to continue to transfer to the customer the development units promised, and has the rights to complete the construction of the properties and enforce its rights to full payment.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange for the assets sold.

4.22 Revenue From Other Sources And Other Operating Income

(a) Dividend Income

Dividend income from subsidiaries and other investments are recognised when the shareholders' right to receive is established.

(b) Interest income

Interest income on short-term deposits and advances are recognised on an accrual basis based on effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue From Other Sources And Other Operating Income (Cont'd)

(c) Provision of management services

Revenue from the provision of management services is recognised based on services rendered.

(d) Rental income

Rental income is accounted for on a straight-line method over the lease term.

(e) Government Grant

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 period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

4.23 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 Income Tax (Cont'd)

(b) Deferred Tax (Cont'd)

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 embodies 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.

4.24 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 Employee Benefits (Cont'd)

(c) Share-Based Payment Transactions (Cont'd)

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.

4.25 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.

4.26 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.

4.27 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.28 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.

4.29 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 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, plant 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, plant 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 Accounting Estimates and Judgements (Cont'd)

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

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 Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 23 and 24 to the financial statements.

(g) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Note 24 to the financial statements.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 Accounting Estimates and Judgements (Cont'd)

(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) 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.

(k) Revenue Recognition For Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by project engineers. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date is disclosed in Note 23 to the financial statements.

(l) 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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Construction revenue	656,228	645,441	–	–
Sale of goods	208,793	178,231	–	–
Sale of properties	1,016	660	–	–
Dividend income	119	336	73,874	92,513
Interest income	4	415	145	462
Rental income	7,959	8,010	–	–
Management fee	–	–	1,608	1,598
	874,119	833,093	75,627	94,573

The information on the disaggregation of revenue is disclosed as follows:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue recognised:				
- At point of time	217,891	187,652	75,627	94,573
- Over time	656,228	645,441	–	–
	874,119	833,093	75,627	94,573
Represented by geographical markets:				
- Laos	656,228	645,441	–	–
- Malaysia	118,738	103,058	75,627	94,573
- Other countries	99,153	84,594	–	–
	874,119	833,093	75,627	94,573

6. PROFIT FROM OPERATIONS - CONTINUING OPERATIONS

This is arrived at:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After crediting:				
Dividend income from equity investments at fair value through other comprehensive income (2017 : available-for-sale financial assets)	922	916	–	–
Fair value gain on investment properties	6,375	6,316	–	–
Gain on disposal of:				
- Property, plant and equipment	2,222	305	–	–
- Quoted shares	–	114	–	–
Gain on foreign exchange, net:				
- Realised	2,850	10,928	–	–
- Unrealised	–	500	7,357	–
Interest income on financial assets that are not at fair value through profit or loss:				
- Deposits with financial institutions	2,037	3,092	–	–
- Imputed interest on dividend receivable	–	–	6,926	–
Write-back of:				
- Inventories written down previously	–	1	–	–
- Land held for property development	–	657	–	–
After charging:				
Auditors' remuneration:				
- Audit fees:				
- For the financial year	478	552	60	60
- Underprovision in the previous financial year	2	7	–	–
- Non-audit fees:				
- Auditors of the Company	20	25	20	21
Depreciation of property, plant and equipment	16,327	15,290	82	59
Direct operating expenses arising from investment properties	2,285	2,367	–	–

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

This is arrived at (Cont'd):-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging: (Cont'd)				
Directors' remuneration:				
- Fees	443	447	443	447
- Salary, bonus and other remuneration	818	773	818	773
- Defined contribution plan	86	81	86	81
- Share options to Directors	388	8,325	388	8,325
- Other emoluments	29	38	29	38
Impairment loss on investment in subsidiaries	–	–	75,980	–
Loss on foreign exchange, net:				
- Realised	–	3,672	158	1,231
- Unrealised	943	4,428	–	38,406
Property, plant and equipment written off	282	172	–	–
Staff costs:				
- Defined contribution plan	1,483	1,533	363	313
- Salaries, wages, bonuses and allowances	26,065	23,342	3,079	2,678
- Share options to staff	–	5,657	–	5,657
- Other benefits	1,867	1,169	150	237
Writedown in value of inventories	273	308	–	–

There was no monetary value of benefits-in-kind received by Directors of the Group and of the Company for the financial years ended 31 December 2018 and 31 December 2017.

(a) Details of net impairment loss on financial assets included in profit from operations are as follows:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging:				
Net impairment loss on financial assets during the financial year:				
- Investment in subsidiaries	–	–	75,980	–
- Individually impaired	820	464	–	58
- Additions under MFRS 9	2,545	–	–	–
- Available-for-sale financial assets (including cumulative losses reclassified from other comprehensive income)	–	1,157	–	–
- Reversal of impairment losses	–	–	(47,326)	(282)
	3,365	1,621	28,654	(224)

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

7. FINANCE COSTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Interest on financial liabilities that are not at fair value through profit or loss:				
- Bank overdrafts	294	191	238	176
- Revolving credits	4,095	2,757	1,837	582
- Amount owing to subsidiaries	–	–	3,498	2,709
- Term loans	1,470	2,277	–	–
- Hire purchase	623	361	4	–
- Bankers' acceptances	391	288	–	–
- Notional time value loss on dividend receivable	–	–	–	6,926
- Others	870	885	257	497
	7,743	6,759	5,834	10,890

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Current tax:				
- Malaysian tax	3,452	3,966	75	135
- Foreign tax	–	2,647		–
- Underprovision in the previous financial year	704	1,100	–	98
	4,156	7,713	75	233
Deferred tax (Note 31):				
- Relating to originating and recognition of temporary differences	27,739	27,485	–	–
- Under/(Over)provision in the previous financial years	857	(1,843)	–	–
- Remeasurement of deferred tax on investment properties arising from change in Real Property Gains Tax ("RPGT") rate	5,156	–	–	–
	33,752	25,642	–	–
	37,908	33,355	75	233

8. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate was reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

Based on Budget 2019 announced by the Finance Ministry of Malaysia and with effect from 1 January 2019, RPGT rate on gain from disposal of properties and shares in property holding companies by companies after the sixth year shall be increased from 5% to 10%.

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

(a) during the tax free period starting from date of incorporation until the 5th anniversary of the concession plant's commercial operation date; or

(b) by virtue of carried out tax-exempt activity.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax:				
- Continuing operations	197,440	185,289	48,837	24,549
- Discontinued operations	(7,818)	27,275	–	–
	189,622	212,564	48,837	24,549
Tax at Malaysian statutory rate of 24%	45,509	51,015	11,721	5,892
Tax effects of:				
- Effect of change in corporate income tax rate	(1,609)	–	–	–
- Effect of differential in tax rates on fair value adjustment on investment properties	5,156	(665)	–	–
- Income not subject to tax	(20,254)	(9,862)	(21,612)	(22,203)
- Expenses not deductible	8,591	6,062	9,966	16,446
- Deferred tax assets not recognised during the financial year	6,900	566	–	–
- Utilisation of reinvestment allowances	(2,011)	(3,355)	–	–
- Under/(Over)provision in the previous financial years:				
- Current tax	568	1,096		98
- Deferred tax	986	(1,913)	–	–
- Withholding tax on dividends from a subsidiary	–	2,647	–	–
Income tax expense for continuing and discontinued operations	43,836	45,591	75	233

8. INCOME TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	23,854	23,597	–	–
Unabsorbed capital allowances	762	621	–	–
Others	6,839	337	–	–
	31,455	24,555	–	–

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 2018, 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 RM18,532,000 (2017 : RM18,195,000) available to be carried forward to be offset against future taxable income.

With effect from year of assessment 2019, unused tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment immediately following that year of assessment. The unused tax losses expire at end of the year of assessment 2025 but the unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

9. DISCONTINUED OPERATIONS

The Group has discontinued two power plant operations, as detailed below:-

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

(b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd ("SPSB"). The Power Purchase Agreement ("PPA") expired on 2 December 2017. Efforts by SPSB in 2018 to extend the PPA was not successful as Sabah Electricity Sdn Bhd ("SESB") disagreed with the proposed new commercial terms approved by the Energy Commission and the Ministry of Energy, Green Technology and Water.

In relation to the above, the Group has presented and disclosed in the financial statements the effects of discontinued operations for both SMHP (which had been effected in the financial year ended 31 December 2017) and SPSB in accordance to MFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

9. DISCONTINUED OPERATIONS (CONT'D)

Comparative consolidated statement of profit or loss and other comprehensive income have been reclassified to illustrate the results of discontinued operations separately from continuing operations. Accordingly, the results of the discontinued operations are presented below:-

	Note	GROUP 2018 RM'000	GROUP 2017 RM'000
Revenue	9(a)	–	331,245
Cost of sales		(2,049)	(284,849)
Gross (loss)/profit		(2,049)	46,396
Other income		33,129	3,102
Administrative expenses		(1,580)	(16,375)
Other expenses		(37,317)	(2,253)
Loss on deconsolidation		–	(3,209)
(Loss)/Profit from operations	9(b)	(7,817)	27,661
Finance costs	9(c)	(1)	(386)
(Loss)/Profit before tax		(7,818)	27,275
Income tax expense	9(d)	(5,928)	(12,236)
(Loss)/Profit after tax		(13,746)	15,039
(Loss)/Profit after tax attributable to:			
- Owners of the Company		(10,017)	8,747
- Non-controlling interests		(3,729)	6,292
		(13,746)	15,039

(a) Revenue relates to sale of electricity and steam.

(b) Included in (loss)/profit from operations are the following items:-

	GROUP 2018 RM'000	GROUP 2017 RM'000
After crediting:		
Arbitral tribunal's award	31,615	–
Interest income:		
- Deposits with financial institutions	558	599

9. DISCONTINUED OPERATIONS (CONT'D)

(b) Included in (loss)/profit from operations are the following items (Cont'd):-

	GROUP	
	2018 RM'000	2017 RM'000
After charging:		
Audit fee	23	70
Allowance for impairment loss on receivables	9,778	1,585
Amortisation of land use rights	–	190
Depreciation of property, plant and equipment	35	31,304
Impairment loss on property, plant and equipment	10,471	–
Loss on deconsolidation of a subsidiary (including cumulative foreign exchange translation losses reclassified from other comprehensive income)	–	3,209
Plant and equipment written off	2	37
Provision for site restoration costs	16,650	–
Realised loss on foreign exchange difference	–	19
Staff costs:		
- Defined contribution plan	112	1,229
- Salaries, wages, bonuses and allowances	1,218	15,275
- Other benefits	921	3,018
Writedown in value of inventories	3,456	352

(c) Finance costs consist of:-

	GROUP	
	2018 RM'000	2017 RM'000
Interest on:		
- Bank overdrafts	–	376
- Others	1	10
	1	386

9. DISCONTINUED OPERATIONS (CONT'D)

(d) Income tax expense consists of:-

	GROUP 2018 RM'000	GROUP 2017 RM'000
Current tax:		
- Malaysia	6,860	3,069
- Foreign	–	8,594
- Overprovision in previous financial years	(136)	(4)
	6,724	11,659
Deferred tax (Note 31):		
- Relating to originating and recognition of temporary differences	(925)	647
- Under/(Over)provision in previous financial years	129	(70)
	(796)	577
	5,928	12,236

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

	GROUP 2018 RM'000	GROUP 2017 RM'000
Net cash from operating activities	22,288	73,292
Net cash for investing activities	(3,899)	(2,672)
Net cash for financing activities	(11,029)	(51,593)
Net cash inflow from discontinued operations	7,360	19,027

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

10. OTHER COMPREHENSIVE INCOME/(EXPENSES)

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Items that will be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets				
- Changes during the financial year	–	15,670	–	(410)
- Transfer to profit or loss for an impairment loss	–	904	–	–
	–	16,574	–	(410)
Foreign currency translation:				
- Changes during the financial year	21,991	(69,170)	–	–
- Recycled to profit or loss upon deconsolidation of a foreign operation	56	–	–	–
	22,047	(69,170)	–	–
Cash flow hedge				
- Changes during the financial year	2,998	(2,351)	–	–
	25,045	(54,947)	–	(410)
Items that will not be reclassified subsequently to profit or loss				
Fair value of equity instruments				
- Changes during the financial year	(13,662)	–	(820)	-
Other comprehensive income/(expenses) from continuing operations	11,383	(54,947)	(820)	(410)
Discontinued operations				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation:				
- Changes during the financial year	–	(2,488)	–	–
- Recycled to profit or loss upon deconsolidation of foreign operations	–	(49,621)	–	–
	–	(52,109)	–	–
	11,383	(107,056)	(820)	(410)

11. EARNINGS PER SHARE

	GROUP	
	2018	2017
Basic earnings/(loss) per share		
Profit/(loss) after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	139,283	129,589
- Discontinued operations	(10,017)	8,747
	129,266	138,336
Weighted average number of ordinary shares ('000):-		
Issued ordinary shares on 1 January	410,786	401,900
Effect of new ordinary shares issued pursuant to:		
- ESOS options	239	167
- Warrants	871	2,454
Effect of treasury shares held	(20,497)	(20,497)
Weighted average number of ordinary shares for the financial year	391,399	384,024
Basic earnings/(loss) per share (sen):		
- Continuing operations	35.59	33.75
- Discontinued operations	(2.56)	2.28
	33.03	36.03
Diluted earnings/(loss) per share		
Profit/(loss) after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	139,283	129,589
- Discontinued operations	(10,017)	8,747
	129,266	138,336
Weighted average number of ordinary shares for the financial year ('000)	391,399	384,024
Weighted average number of shares under options and warrants ('000)	77,402	83,554
Weighted average number of shares that would have been issued at average market price ('000)	(49,659)	(53,776)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	419,142	413,802
Diluted earnings/(loss) per share (sen):		
- Continuing operations	33.23	31.32
- Discontinued operations	(2.39)	2.11
	30.84	33.43

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 2.0 sen per ordinary share amounting to RM7,808,176 for the financial year ended 31 December 2017 was paid on 6 July 2018.

An interim tax-exempt dividend of 2.0 sen per ordinary share amounting to RM7,813,315 for the financial year ended 31 December 2018 (2017 : interim tax-exempt dividend of 2.0 sen) was paid on 12 October 2018.

The Board proposes a final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018 (2017 : final tax-exempt dividend of 2.0 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 **Cost**	**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**
At 1 January 2017	122,383	6,017	35,319	578,907	742,626
Effect of MFRS 15 adoption	–	–	–	(2,644)	(2,644)
At 1 January 2017, restated	122,383	6,017	35,319	576,263	739,982
Additions	259	–	200	37,109	37,568
Acquisition of a subsidiary	–	–	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 43)	(70,362)	–	–	(267,090)	(337,452)
Reclassifications	–	(3,136)	3,136	–	–
Translation differences	(1,163)	–	–	(3,130)	(4,293)
At 31 December 2017/ 1 January 2018	51,117	2,881	71,416	342,330	467,744
Additions	2,489	–	3,483	50,688	56,660
Disposals/Write-offs	(1,478)	–	(321)	(7,221)	(9,020)
Reclassifications	1,124	–	–	(1,124)	–
Translation differences	1	–	–	428	429
At 31 December 2018	53,253	2,881	74,578	385,101	515,813

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

GROUP Accumulated Depreciation/ Impairment Loss	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
At 1 January 2017	(53,901)	(1,214)	(11,443)	(352,551)	(419,109)
Effect of MFRS 15 adoption	–	–	–	501	501
At 1 January 2017, restated	(53,901)	(1,214)	(11,443)	(352,050)	(418,608)
Depreciation charges	(3,509)	(29)	(2,028)	(41,028)	(46,594)
Disposals/Write-offs	–	–	–	489	489
Deconsolidation of a subsidiary (Note 43)	46,210	–	–	208,697	254,907
Translation differences	730	56	(157)	1,441	2,070
At 31 December 2017/ 1 January 2018	(10,470)	(1,187)	(13,628)	(182,451)	(207,736)
Depreciation charges	(861)	(45)	(2,065)	(13,391)	(16,362)
Impairment losses	–	–	–	(10,471)	(10,471)
Disposals/Write-offs	405	–	62	5,699	6,166
Reclassifications	(141)	(62)	132	71	–
Translation differences	(1)	–	–	(17)	(18)
At 31 December 2018	(11,068)	(1,294)	(15,499)	(200,560)	(228,421)
Net Book Value					
At 31 December 2018	42,185	1,587	59,079	184,541	287,392
At 31 December 2017	40,647	1,694	57,788	159,879	260,008
At 1 January 2017	68,482	4,803	23,876	224,213	321,374

COMPANY Cost	Bearer Plant RM'000	Equipment and Vehicles RM'000	Total RM'000
At 1 January 2017	4,586	2,724	7,310
Additions	1,158	15	1,173
At 31 December 2017/1 January 2018	5,744	2,739	8,483
Additions	1,031	886	1,917
Write-offs	–	(3)	(3)
At 31 December 2018	6,775	3,622	10,397

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

COMPANY **Accumulated Depreciation**	Bearer Plant RM'000	Equipment and Vehicles RM'000	Total RM'000
At 1 January 2017	–	(2,623)	(2,623)
Additions	–	(59)	(59)
At 31 December 2017/1 January 2018	–	(2,682)	(2,682)
Additions	–	(82)	(82)
Write-offs	–	3	3
At 31 December 2018	–	(2,761)	(2,761)
Net Book Value			
At 31 December 2018	6,775	861	7,636
At 31 December 2017	5,744	57	5,801
At 1 January 2017	4,586	101	4,687

Property, plant and equipment of the Group with net book value of RM43,779,000 (31.12.2017: RM41,190,000) have been charged as security for banking facilities granted to certain subsidiaries.

Property, plant and equipment of the Group with net book value of RM12,012,000 (31.12.2017: RM10,060,000) were acquired under hire purchase arrangements.

14. INTANGIBLE ASSET

	GROUP	
	2018 RM'000	2017 RM'000
At 1 January	941,796	370,391
Additions during the financial year	656,228	645,441
Translation differences	37,003	(74,036)
At 31 December	1,635,027	941,796

14. INTANGIBLE ASSET (CONT'D)

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 entered into a Concession Agreement ("CA") with Lao PDR, whereby the Lao PDR had granted on a build, operate and transfer basis, the concession rights to the Group for the development of the 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 its subsidiary 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 COD 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 the end of 2019.

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.

Included in intangible asset are interests on term loan of RM15,882,000 capitalised during current financial year (31.12.2017 : Nil).

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.

The Group has assessed the recoverable amount of the intangible asset and determined that no impairment is required.

15. INVESTMENT PROPERTIES

	GROUP	
	2018 RM'000	2017 RM'000
Leasehold land and buildings, at fair value		
At beginning of financial year	170,117	151,811
Reclassified:		
- From inventories (land held for development)	1,652	11,990
- To inventories (completed properties for sale)	(932)	–
Fair value gain recognised in profit or loss (Note 6)	6,375	6,316
At end of financial year	177,212	170,117

15. INVESTMENT PROPERTIES (CONT'D)

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2018				
Leasehold land and buildings	6,375	165,167	5,670	177,212
31.12.2017				
Leasehold land and buildings	–	164,447	5,670	170,117
1.1.2017				
Leasehold land and buildings	–	151,811	–	151,811

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 input:-

Unobservable Input	Relationship of Unobservable Input to Fair Value
Future rental cash inflows at gross rental yield of 8% to 9% (2017 : 8%).	The higher the rental income, the higher the fair value.

Investment property of a subsidiary with carrying value of approximately RM121,109,000 (31.12.2017 : RM121,109,000) has been charged as security for revolving credit facilities granted to the Company and a subsidiary.

16. INVENTORIES

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current			
(i) Land held for property development			
- Freehold land	3,093	3,093	3,093
- Leasehold land	24,141	25,793	25,793
	27,234	28,886	28,886

16. INVENTORIES (CONT'D)

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current (Cont'd)			
(ii) Property development costs			
At beginning of financial year	16,209	15,552	22,329
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	16,209	16,209	15,552
	43,443	45,095	44,438
Current			
(iii) Completed properties for sale	11,253	11,182	23,229
(iv) Other inventories			
- Finished goods and work-in-progress	10,224	4,017	4,524
- Materials, spare parts and consumables	42,753	27,081	32,121
	52,977	31,098	36,645
	64,230	42,280	59,874
Recognised in profit or loss			
Inventories recognised as cost of sales	177,878	372,184	347,831
Inventories written down/off	3,729	660	1,328
Write-back of inventories previously written down/off	–	(1)	(186)

17. LAND USE RIGHTS

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Rights over land for:						
- Plantation development	11,864	11,699	10,819	9,923	9,923	9,923
- Mineral extraction, quarrying, mining and others	9,359	9,012	8,403	3,731	3,384	2,779
- Power generation	–	–	192	–	–	–
	21,223	20,711	19,414	13,654	13,307	12,702

17. LAND USE RIGHTS (CONT'D)

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, Mondulkiri Province, Kingdom of Cambodia primarily for agricultural development and cultivation (the "ELC Agreement"). The originally granted area is gross and inclusive of the relevant protected area, land reserved for public infrastructure, and land parcels affected by authorised occupation by the local villagers.

On 9 February 2018, Mega First Plantation (Cambodia) Ltd, a 100% owned subsidiary of the Company, entered into an amendment to the ELC Agreement with the Ministry of Agriculture, Forestry and Fisheries, whereby the size of the land in the ELC Agreement has been revised to the registered land area of 6,419.93 hectares and the term of the concession has been reduced from 90 years to 50 years, commencing from 29 April 2013.

18. SUBSIDIARIES

		COMPANY	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
(i) Unquoted ordinary shares in Malaysia			
At cost	436,661	315,740	315,740
Less: Accumulated impairment losses			
- At 1 January	(207,391)	(207,391)	(207,391)
- Additions during the financial year	(75,980)	–	–
- At 31 December	(283,371)	(207,391)	(207,391)
	153,290	108,349	108,349
(ii) Unquoted equity shares outside Malaysia, at cost	138,837	12,468	12,468
(iii) Quasi equity loans to a subsidiary	–	92,117	92,117
(iv) Unquoted preference shares in Malaysia			
At cost	532,815	304,731	186,267
Additions during the financial year	116,283	228,084	118,464
Accumulated impairment losses	(77,326)	(77,326)	(77,326)
Unrealised foreign exchange differences	(15,474)	(22,774)	15,529
	556,298	432,715	242,934
Net carrying amount at end of financial year	848,425	645,649	455,868

The subsidiaries are listed in Note 42 to the financial statements. The consolidated financial statements do not account for the subsidiary that is under winding up, as disclosed in Note 42 and Note 43 to the financial statements.

18. SUBSIDIARIES (CONT'D)

During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment losses of RM75,980,000 (2017 - Nil), representing the write-down of the investments to their recoverable amounts, was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

The quasi equity loans to a subsidiary in the previous financial year represented advances made where the subsidiary was not expected to repay such balances to the Company as in substance, these amounts were treated as part of the Company's net investment in the subsidiary. During the current financial year, such loans have been capitalised by way of conversion into equity shares in the subsidiary.

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:-

		GROUP	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Don Sahong Power Company Ltd. ("DSPC")	79,649	32,406	12,420
Idaman Harmoni Sdn. Bhd. ("IHSB")	38,262	36,443	35,049
Power related companies	16,172	23,831	89,077
Other individually immaterial subsidiaries	38,673	41,077	20,142
Total	172,756	133,757	156,688

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

	DSPC RM'000	**SPSB RM'000**	**IHSB RM'000**
At 31 December 2018			
Non-current assets	1,648,084	*	93,038
Current assets	17,361	52,359	34,808
Non-current liabilities	(1,153,807)	–	(7,036)
Current liabilities	(113,391)	(19,356)	(43,576)
Net assets	398,247	33,003	77,234

* - *Negligible*

18. 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):-

	DSPC RM'000	SPSB RM'000	IHSB RM'000
Financial year ended 31 December 2018			
Revenue	656,228	–	7,376
Profit/(Loss) after tax	104,175	(7,611)	(1,539)
Total comprehensive income/(expense)	104,175	(7,611)	(1,539)
Total comprehensive income/(expense) attributable to non-controlling interests	89,592	(3,729)	1,822
Dividends paid to non-controlling interests	–	(3,929)	–
Net cash flows (for)/from operating activities	(350)	19,299	1,556
Net cash flows (for)/from investing activities	(353,715)	(8,587)	294
Net cash flows from/(for) financing activities	349,381	(8,020)	(2,000)
At 31 December 2017			
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)
Net assets	262,687	48,635	78,773
Financial year ended 31 December 2017			
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 investing activities	(300,244)	(1,972)	(1,586)
Net cash flows from/(for) financing activities	312,604	(1,924)	(2,000)

19. JOINT VENTURE AND ASSOCIATE

	GROUP 2018 RM'000	GROUP 2017 RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	*	–
Additions during the financial year	4,001	*
Share of post-acquisition loss	(1)	–
At 31 December	4,000	*

* - *Negligible*

19. JOINT VENTURE AND ASSOCIATE (CONT'D)

The details of the joint venture and associate are as follows:-

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 31.12.2018 %	31.12.2017 %
Joint Venture				
Merchant Commodities Pty. Ltd. ("MC")	Distributor of limestone products	Australia	50	50
Associate				
Golden Blue Sdn. Bhd. ("GB")	Investment holding	Malaysia	40	–

(a) The Group's involvement in joint arrangements are structured through separate vehicles which provide the Group rights to the net assets of the entities. Accordingly, the Group has classified investment in MC as joint venture.

(b) The Group recognised its share of results in both MC and GB based on the unaudited financial statements drawn up to the most recent reporting date, which is 31 December 2018.

(c) The summarised unaudited financial information (after fair value adjustment at acquisition date and/ or alignment for the Group's accounting policies) for the joint venture and associate of the Group is presented below:-

	MC 31.12.2018 RM'000	MC 31.12.2017 RM'000	GB 31.12.2018 RM'000	GB 31.12.2017 RM'000
Non-current assets	703	571	10,100	–
Current assets, inclusive of cash and cash equivalents of RM1,246,000 (2017 : RM726,000)	10,308	4,051	810	–
Current liabilities - trade and other payables	(13,053)	(3,954)	(930)	–
Net (liabilities)/assets	(2,042)	668	9,980	–

19. JOINT VENTURE AND ASSOCIATE (CONT'D)

(c) The summarised unaudited financial information (after fair value adjustment at acquisition date and/or alignment for the Group's accounting policies) for the joint venture and associate of the Group is presented below (Cont'd):-

	MC		GB	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	26,539	5,530	–	–
Depreciation	40	10	–	–
Interest expense	14	–	–	–
Income tax expense	–	–	–	–
(Loss)/Profit after tax	(2,660)	618	–	–
Total other comprehensive (expense)/income	(2,660)	618	–	–
Group's share of loss for the financial year	(1)	–	–	–
Group's share of total other comprehensive expense	(1)	–	–	–
Reconciliation of Net Assets to Carrying Amount				
Group's share of net assets	–	–	3,992	–
Goodwill	–	–	8	–
Carrying amount of Group's interests in the joint venture and associate	–	–	4,000	–

(d) The Group has not recognised losses relating to MC where its share of losses exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised loss at the end of the reporting period was RM2,042,000 (2017 : profit of RM618,000). The Group has no obligation in respect of these losses.

20. INVESTMENT IN QUOTED SHARES

	GROUP			COMPANY		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Equity investments at fair value through other comprehensive income	43,247	56,909	40,315	1,435	2,255	2,665

At 1 January 2018, the Group designated its investment in quoted shares to be measured at fair value through other comprehensive income because the Group intends to hold the investments for long-term. In the previous financial year, these investments were classified as available-for-sale financial assets.

21. INVESTMENT IN UNQUOTED SHARES

	GROUP		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares at fair value (2017 : at cost less accumulated losses)	335	335	335

At 1 January 2018, the Group designated its investments in unquoted shares to be measured at fair value through other comprehensive income because the Group intends to hold the investments for long-term. In the previous financial year, these investments were classified as available-for-sale financial assets and measured at cost.

22. GOODWILL ON CONSOLIDATION

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

	GROUP		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Resources segment	4,582	4,582	4,582
Printing business	2,785	2,785	2,785
Others	990	990	990
	8,357	8,357	8,357

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

The recoverable amounts of the cash-generating units are determined using 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		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
Resources segment	42%	21%	11%	10.9%	12.6%	11.6%
Printing business	70%	34%	26%	10.9%	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. CONTRACT ASSETS

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At cost	2,597	1,351	72,815
Less : Accumulated impairment loss	(759)	(759)	(759)
	1,838	592	72,056

The contract assets primarily relate to the Group's right to consideration for construction work completed but not yet billed as at the reporting date.

The contract assets are recoverable upon billing to customers.

24. RECEIVABLES

	GROUP 31.12.2018 RM'000	GROUP 31.12.2017 RM'000	GROUP 1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	COMPANY 31.12.2017 RM'000	COMPANY 1.1.2017 RM'000
Trade receivables						
Third parties	44,294	48,795	85,991	–	–	–
Joint venture	8,265	3,901	12,937	–	–	–
	52,559	52,696	98,928	–	–	–
Less : Allowance for impairment losses						
- At 1 January						
As previously reported	(2,075)	(5,062)	(2,161)	–	–	–
Effects on adoption of MFRS 9	(8,462)	–	–	–	–	–
As reported under MFRS 9 (2017 - FRS 139)	(10,537)	(5,062)	(2,161)	–	–	–
- Additions	(3,365)	(1,605)	(2,804)	–	–	–
- Write-offs	991	106	–	–	–	–
- Deconsolidation of a subsidiary	–	4,486	–	–	–	–
- Translation differences	–	–	(97)	–	–	–
- At 31 December	(12,911)	(2,075)	(5,062)	–	–	–
	39,648	50,621	93,866	–	–	–

24. RECEIVABLES (CONT'D)

	GROUP 31.12.2018 RM'000	GROUP 31.12.2017 RM'000	GROUP 1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	COMPANY 31.12.2017 RM'000	COMPANY 1.1.2017 RM'000
Trade receivables	39,648	50,621	93,866	–	–	–
Other receivables						
Sundry receivables	16,892	29,608	26,880	1,104	1,367	1,676
Less : Allowance for impairment losses						
- At 1 January						
As previously reported	(1,214)	(8,099)	(8,099)	(702)	(702)	(702)
Effects on adoption of MFRS 9	(1,877)	–	–	(646)	–	–
As reported under MFRS 9 (2017 - FRS 139)	(3,091)	(8,099)	(8,099)	(1,348)	(702)	(702)
- Additions	(9,778)	(444)	–	–	–	–
- Write-offs	11,655	7,329	–	646	–	–
- At 31 December	(1,214)	(1,214)	(8,099)	(702)	(702)	(702)
	15,678	28,394	18,781	402	665	974
Refundable deposits	7,401	3,233	3,070	381	380	178
Prepayments	24,120	70,302	103,282	601	603	1,196
Contract costs	14	487	487	–	–	–
Current tax assets	6,240	6,454	5,991	205	64	115
	53,453	108,870	131,611	1,589	1,712	2,463
Amount owing by subsidiaries						
At cost	–	–	–	40,685	228,258	197,762
Less : Allowance for impairment losses						
At 1 January	–	–	–	(54,546)	(47,844)	(47,844)
Addition	–	–	–	–	(58)	–
Reversal/(Notional time value loss)	–	–	–	6,926	(6,926)	–
Write-back	–	–	–	47,326	282	–
At 31 December	–	–	–	(294)	(54,546)	(47,844)
	–	–	–	40,391	173,712	149,918
	93,101	159,491	225,477	41,980	175,424	152,381

The credit periods granted for trade receivables range from 21 to 120 days. Amount owing by joint venture is subject to credit term of 60 days.

Amount owing by sundry receivables is interest-free, unsecured and receivable on demand. At the end of the reporting period, there was no indication that amounts owing by third parties are not recoverable.

24. RECEIVABLES (CONT'D)

Included in prepayments is an advance payment of RM12,922,000 (31.12.2017 : RM55,584,000) 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.

Contract costs primarily relate to costs incurred by the Group for work performed in developing tooling equipment for identified customers who have control over such equipment which will be used for production of goods in fulfilling customers' orders.

25. BANK BALANCES AND DEPOSITS

	GROUP			COMPANY		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and bank balances	62,670	45,531	90,425	1,025	514	36,432
Deposits with financial institutions	67,206	79,436	184,124	–	–	98,283
Housing Development Accounts	632	13,783	16,777	–	–	–
	130,508	138,750	291,326	1,025	514	134,715

The deposits with financial institutions of the Group and of the Company earn interest at rates ranging from 2.17% to 4.2% (31.12.2017 : 2.17% to 4.2%) per annum. The deposits have maturity periods ranging from 30 to 730 days (31.12.2017 : 30 to 730 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.

Included in bank balances and deposits of the Group are deposits of RM1,605,000 (31.12.2017 : RM1,188,000) pledged to licensed banks as security for banking facilities granted to certain subsidiaries as disclosed in Note 30 to the financial statements.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank balances and deposits	130,508	138,750	1,025	514
Bank overdrafts (Note 33)	(6,785)	(6,202)	(1,140)	(5,961)
Less:				
- Deposits pledged to banks	(1,605)	(1,188)	–	–
- Deposits with tenure of more than 3 months	–	(2,012)	–	–
	122,118	129,348	(115)	(5,447)

26. SHARE CAPITAL

The movements in the issued and paid-up share capital of the Company are as follows:-

	Group/Company			
	Number of Shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued And Fully Paid-Up				
Ordinary Shares				
At 1 January	410,786	401,900	524,005	401,900
New shares issued pursuant to:				
- ESOS options	641	368	1,844	988
- Warrants	5,937	8,518	14,818	21,260
Transfer from share premium account	–	–	–	99,857
At 31 December	417,364	410,786	540,667	524,005

(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. The ordinary shares have no par value.

(ii) During the financial year, the Company issued:-

(a) 5,936,842 new ordinary shares for cash at the prices of RM2.22 from the conversion of warrants; and

(b) 641,057 new ordinary shares for cash at the prices of RM2.00 and RM2.41 pursuant to the exercise of options under the Employees' Share Option Scheme.

All the above-mentioned ordinary shares rank pari passu with the then ordinary shares of the Company.

(iii) Of the total 417,363,525 (31.12.2017 : 410,785,626) issued and fully paid-up ordinary shares as at 31 December 2018, 20,497,300 (31.12.2017 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 31 December 2018 was therefore 396,866,225 (31.12.2017 : 390,288,326).

(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.

Included in share capital is share premium amounting to RM99,856,708 (31.12.2017 : RM99,856,708) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (twenty-four (24) months from the commencement of Section 74 of the Companies Act 2016).

27. TREASURY SHARES

None of the treasury shares were resold or cancelled during the financial year.

28. RESERVES

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-distributable reserves						
Share premium	–	–	99,856	–	–	99,856
ESOS reserve	17,597	17,746	4,120	17,597	17,746	4,120
Translation reserve	(6,811)	(27,490)	90,571	–	–	–
Fair value reserve	(15,673)	22,255	5,681	(5,736)	(801)	(391)
Capital reserve	–	–	15,075	–	–	–
Warrant reserve	14,583	16,221	18,571	14,583	16,221	18,571
Hedge reserve	647	(2,351)	–	–	–	–
	10,343	26,381	233,874	26,444	33,166	122,156
Distributable reserve						
Retained profits	831,816	714,660	580,377	252,006	215,323	210,153
	842,159	741,041	814,251	278,450	248,489	332,309

28.1 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);

28. RESERVES (CONT'D)

28.1 ESOS reserve (Cont'd)

The main features of the ESOS are as follows (Cont'd):-

(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.

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:-

			Number of Options Over Ordinary Shares			
		Balance	Movements			Balance
Grant	Exercise	as at	← during the financial year →			as at
date	price	1.1.2018	Granted	Exercised	Lapsed	31.12.2018
	RM	'000	'000	'000	'000	'000
24.8.2010	1.34 *^	286	–	–	–	286
5.5.2015	2.00 *#	13,132	–	(403)	(108)	12,621
21.2.2017	2.41	10,820	–	(238)	–	10,582
22.5.2017	3.45	300	–	–	–	300
23.6.2017	3.40	160	–	–	–	160
4.4.2018	2.89	–	600	–	–	600
		24,698	600	(641)	(108)	24,549

			Number of Options Over Ordinary Shares			
		Balance	Movements			Balance
Grant	Exercise	as at	← during the financial year →			as at
date	price	1.1.2017	Granted	Exercised	Lapsed	31.12.2017
	RM	'000	'000	'000	'000	'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

* 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.

28. RESERVES (CONT'D)

28.1 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**	**5.5.2015**	**21.2.2017**	**22.5.2017**	**23.6.2017**	**4.4.2018**
31.12.2018						
Fair value of share options (RM)	1.70	2.46	0.76	1.12	0.95	0.65
Weighted average share price (RM)	1.67	2.45	2.72	4.00	3.74	3.23
Exercise price (RM)	1.34*	2.00*	2.41	3.45	3.40	2.89
Expected volatility (%)	24.54	28.88	29.69	26.79	26.86	19.41
Risk free rate (%)	3.87	3.84	4.16	4.08	3.88	3.95
Expected dividend yield (%)	4.41	3.25	1.84	1.25	1.34	1.24

Grant date	**24.8.2010**	**5.5.2015**	**21.2.2017**	**22.5.2017**	**23.6.2017**
31.12.2017					
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

** - Adjusted for the alteration in the capital structure of the Company during the option period.*

28.2 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.

28.3 Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of fair value through other comprehensive income financial assets until they are disposed of.

28. RESERVES (CONT'D)

28.4 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 52,851,842 (31.12.2017 : 58,788,684) outstanding warrants of the Company.

28.5 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.

29. PAYABLES - NON-CURRENT

		GROUP			COMPANY		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Hire purchase payables (non-current)	#	8,459	6,022	923	387	–	–
Provisions		396	1,061	300	–	–	–
		8,855	7,083	1,223	387	–	–
Minimum hire purchase payments:							
- Not later than one year		4,367	2,785	634	242	–	–
- Later than one year and not later than five years		9,140	6,600	1,001	413	–	–
		13,507	9,385	1,635	655	–	–
Less : Future finance charges		(1,237)	(1,035)	(166)	(40)	–	–
Present value of hire purchase payables		12,270	8,350	1,469	615	–	–
Analysed by:							
- Current liabilities (Note 32)		3,811	2,328	546	228	–	–
- Non-current liabilities	#	8,459	6,022	923	387	–	–
		12,270	8,350	1,469	615	–	–

The hire purchase payables of the Group and of the Company bear effective interest at rates ranging from 3.8% to 8.4% (31.12.2017 : 6.0% to 8.4%) per annum.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

30. LONG-TERM BORROWINGS

		GROUP		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Long-term borrowings:				
- Term loans	@	486,308	112,741	22,642

The term loans of the Group are analysed as follows:-

		GROUP		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current (Note 33)		12,593	13,832	11,407
Non-current:				
- Club deal facilities		459,723	94,234	–
- Other term loans		26,585	18,507	22,642
	@	486,308	112,741	22,642
		498,901	126,573	34,049

<u>Term Loans under Club Deal Facilities ("Facilities")</u>

In year 2017, the Group entered into 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 bear 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 at the end of the reporting period was 6.22% (31.12.2017 : 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 to 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 partially hedged by interest rate swap as disclosed in Note 34 to the financial statements.

30. LONG-TERM BORROWINGS (CONT'D)

Other Term Loans

The term loans of the Group are floating rate in nature and bear interest at rates ranging from 4.0% to 7.1% (31.12.2017 : 4.75% to 6.74%) 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;

(f) Joint and several guarantees given by certain directors of certain subsidiaries of the Company; and

(g) Guarantee coverage by Government of Malaysia under Working Capital Guarantee Scheme.

31. DEFERRED TAX LIABILITIES/(ASSETS)

	GROUP		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Deferred tax assets	–	(170)	(2,690)
Deferred tax liabilities	88,342	56,176	33,054
	88,342	56,006	30,364

The movement of deferred tax liabilities/(assets) during the financial year is analysed as follows:-

	GROUP	
	2018 RM'000	**2017 RM'000**
At beginning of financial year:		
- As previously reported	56,006	30,364
- Effects on adoption of MFRS 9	(2,031)	–
- Restated	53,975	30,364
Recognised in profit or loss:		
- Continuing operations (Note 8)	33,752	25,642
- Discontinued operations (Note 9)	(796)	577
Deconsolidation of a subsidiary (Note 43)	–	859
Effect of foreign exchange translation	1,411	(1,436)
At end of financial year	88,342	56,006

31. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

The deferred tax liabilities/(assets) represent the tax effects of:-

	GROUP 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Intangible asset	62,358	35,919	11,853
Accelerated capital allowances over depreciation on qualifying costs of property, plant and equipment	15,034	14,615	14,222
Fair value gain on investment properties	10,949	5,113	4,648
Others	1	359	(359)
	88,342	56,006	30,364

32. PAYABLES - CURRENT

	GROUP 31.12.2018 RM'000	GROUP 31.12.2017 RM'000	GROUP 1.1.2017 RM'000	COMPANY 31.12.2018 RM'000	COMPANY 31.12.2017 RM'000	COMPANY 1.1.2017 RM'000
Trade payables	229,690	155,327	102,864	–	–	–
Other payables and accruals						
Sundry payables and deposits received	11,545	7,067	11,546	93	98	99
Accrued expenses	19,283	17,634	11,644	1,664	1,623	1,334
Hire purchase payables due within 12 months (Note 29)	3,811	2,328	546	228	–	–
Provisions	16,680	366	500	–	–	–
Deferred income	5,986	5,986	5,986	5,986	5,986	5,986
Amount owing to subsidiaries	–	–	–	75,586	51,834	51,356
Amount owing to a related party	–	–	80	–	–	80
	57,305	33,381	30,302	83,557	59,541	58,855
	286,995	188,708	133,166	83,557	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 ranges from 30 to 120 days.

Provisions comprise mainly an estimated cost of RM16.65 million to restore the discontinued power plant site in Tawau to an acceptable condition to the landlord upon expiry of the lease term. The estimate is reviewed regularly for indication of any material change.

32. PAYABLES - CURRENT (CONT'D)

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 RM24,742,000 (31.12.2017 : RM16,706,000) which is non-trade in nature, unsecured, bears interest at rate of 4% (31.12.2017 : 4%) per annum and is repayable on demand. The amount owing is to be settled in cash.

33. SHORT-TERM BORROWINGS

	GROUP			COMPANY		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Revolving credits:						
- Secured	69,000	71,000	48,000	25,000	25,000	–
- Unsecured	15,000	10,000	–	15,000	10,000	–
	84,000	81,000	48,000	40,000	35,000	–
Term loans (Note 30):						
- Secured	12,593	13,832	11,407	–	–	–
Bankers' Acceptances:						
- Secured	9,009	7,402	6,582	–	–	–
Bank overdrafts:						
- Secured	5,645	241	–	–	–	–
- Unsecured	1,140	5,961	–	1,140	5,961	–
	6,785	6,202	–	1,140	5,961	–
	112,387	108,436	65,989	41,140	40,961	–

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 and of the Company bear interest rates ranging from 6.95% to 8.35% (31.12.2017 : 6.65% to 8.1%) per annum.

(b) The bankers' acceptances of the Group bear interest rates ranging from 3.7% to 6.0% (31.12.2017 : 3.52% to 5.62%) per annum.

(c) The revolving credits of the Group and of the Company bear interest rates ranging from 4.52% to 4.82% (31.12.2017 : 4.36% to 4.62%) 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. DERIVATIVE ASSET/(LIABILITY)

	Contract/Notional Amount			Carrying Amount		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Derivative asset/ (liability)						
Interest rate swap	239,119	53,950	–	647	(2,351)	–

The Interest Rate Swap ("IRS") is executed with credit-worthy financial institution in order to partially hedge against potential increases in the LIBOR arising from the club deal facilities ("Facilities"), as disclosed in Note 30 to the financial statements for the purpose of financing the construction of the Don Sahong Hydropower Project. With the IRS, it effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

As at the end of the reporting period, the Group has utilised IRS of USD57.8 million (2017 - USD13.3 million). The IRS has the same maturity terms as the Facilities and is settled every 3 months which is consistent to Facilities' interest repayment schedule.

The Group 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. the Facilities) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly matched; and

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

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

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

During the financial year, a gain of RM3.0 million is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

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 2018 of RM1,352,780,000 (31.12.2017 : RM1,235,000,000) on 396,866,225 (31.12.2017 : 390,288,326) ordinary shares in issue (net of treasury shares).

36. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	13,712	6,548	–	–
Don Sahong Hydropower Project	442,569	734,172	–	–
	456,281	740,720	–	–

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.

37. OPERATING LEASE COMMITMENTS

LEASES AS LESSOR

The Group leases out certain properties under non-cancellable operating leases.

The future minimum lease payments expected to be received under the non-cancellable operating leases are as follows:-

	GROUP	
	2018 RM'000	**2017 RM'000**
Not more than one year	5,760	6,214
Later than one year and not later than five years	6,127	4,177
	11,887	10,391

38. CONTINGENT LIABILITY

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

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

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

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

38. CONTINGENT LIABILITY (CONT'D)

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

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

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

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

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

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

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

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

(iii) Costs; and

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

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

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

On 7 June 2018, GOM filed an appeal to the Court of Appeal against the High Court's decision to dismiss the application for summary judgment. On 6 July 2018, the High Court directed both parties to file all pre-trial documents for the Main Suit before 28 September 2018 and has set 28 September 2018 as the next case management date.

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

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

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

39. CASH FLOW INFORMATION

(a) During the financial year, the Group and the Company made the following payment to purchase property, plant and equipment:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost of property, plant and equipment purchased	56,660	37,568	1,917	1,173
Amount financed through hire purchase [Note 39(b)]	(6,895)	(8,090)	(683)	–
Cash disbursed for purchase of property, plant and equipment	49,765	29,478	1,234	1,173

(b) The reconciliations of liabilities arising from financing activities are as follows:-

GROUP	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
2018				
At 1 January	126,573	8,350	88,402	223,325
Changes in Financing Cash Flows				
Proceeds from drawdown	390,437	–	6,607	397,044
Repayment of borrowings (principal)	(28,514)	–	(2,000)	(30,514)
Net drawdown of term loans, bankers' acceptances and trust receipts	361,923	–	4,607	366,530
Repayment of hire purchase (principal)	–	(2,975)	–	(2,975)
Non-cash Changes				
New hire purchase [Note 39(a)]	–	6,895	–	6,895
Foreign exchange adjustments	10,405	–	–	10,405
At 31 December	498,901	12,270	93,009	604,180

39. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

GROUP	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
2017				
At 1 January	34,049	1,469	54,582	90,100
Changes in Financing Cash Flows				
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' acceptances and trust receipts	92,524	–	33,820	126,344
Repayment of hire purchase (principal)	–	(1,209)	–	(1,209)
Non-cash Changes				
New hire purchase [Note 39(a)]	–	8,090	–	8,090
At 31 December	126,573	8,350	88,402	223,325

COMPANY	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
2018				
At 1 January	–	–	35,000	35,000
Changes in Financing Cash Flows				
Proceeds from drawdown [Note 39(a)]	–	–	5,000	5,000
Repayment of hire purchase	–	(68)	–	(68)
Non-cash Changes				
New hire purchase [Note 39(a)]	–	683	–	683
At 31 December	–	615	40,000	40,615
2017				
At 1 January	–	–	–	–
Changes in Financing Cash Flows				
Proceeds from drawdown	–	–	35,000	35,000
At 31 December	–	–	35,000	35,000

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.

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 United States Dollar ("USD"), Singapore Dollar ("SGD"), Australian Dollar ("AUD") 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.

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 2018	AUSTRALIAN DOLLAR RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets						
Investment in quoted shares	–	–	16,334	204	–	16,538
Receivables	5,748	8,900	741	–	–	15,389
Bank balances and deposits	–	4,055	153	–	90	4,298
	5,748	12,955	17,228	204	90	36,225
Financial liability						
Payables (current)	–	(1,091)	(20)	–	(52)	(1,163)
Net financial assets	5,748	11,864	17,208	204	38	35,062
Less: Net financial liabilities denominated in the respective entity's functional currency	–	(11,864)	–	–	(79)	(11,943)
Currency exposure	5,748	–	17,208	204	(41)	23,119

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
Financial assets						
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
Financial liability						
Payables (current)	–	(389)	(36)	–	(398)	(823)
Net financial assets	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)
Currency exposure	35,241	–	23,657	234	3,362	62,494

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

COMPANY 2018	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets						
Investment in unquoted preference shares	–	556,298	–	–	–	556,298
Bank balances and deposits	–	189	–	–	–	189
Currency exposure	–	556,487	–	–	–	556,487
COMPANY 2017						
Financial assets						
Investment in unquoted preference shares	–	432,715	–	–	–	432,715
Amount owing by subsidiaries	–	50,512	–	–	19	50,531
Bank balances and deposits	6	88	–	–	–	94
Currency exposure	6	483,315	–	–	19	483,340

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Effects on profit after taxation and equity				
AUD/RM:				
- strengthened by 5%	287	–	–	–
- weakened by 5%	(287)	–	–	–
RMB/RM:				
- strengthened by 5%	–	1,339	–	–
- weakened by 5%	–	(1,339)	–	–
USD/RM:				
- strengthened by 5%	451	657	27,824	24,166
- weakened by 5%	(451)	(657)	(27,824)	(24,166)
SGD/RM:				
- strengthened by 5%	860	899	*	–
- weakened by 5%	(860)	(899)	–	–
HKD/RM:				
- strengthened by 5%	10	9	–	–
- weakened by 5%	(10)	(9)	–	–

* – *Negligible*

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 financial institutions are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 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:-

	GROUP		COMPANY	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Effects on profit after taxation and equity				
Increase of 25 basis points (bp)	(1,000)	(309)	(103)	(78)
Decrease of 25 bp	1,000	309	103	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.

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Effects on equity				
Increase of 5%	2,162	2,845	72	113
Decrease of 5%	(2,162)	(2,845)	(72)	(113)

(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 Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 debtors which constituted approximately 30% of its total receivables at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	GROUP		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Malaysia	24,287	28,313	35,170
Australia	6,806	10,825	4,178
China	–	–	45,438
Others	8,555	11,483	9,080
	39,648	50,621	93,866

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

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.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having significant balances and more than 90 days overdue are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	GROSS AMOUNT RM'000	LIFETIME LOSS ALLOWANCE RM'000	CARRYING AMOUNT RM'000
GROUP			
31.12.2018			
Current (not past due)	11,769	–	11,769
1 to 90 days past due	25,256	–	25,256
91 to 180 days past due	4,260	(2,345)	1,915
Past due more than 180 days	5,409	(2,863)	2,546
	46,694	(5,208)	41,486
Credit impaired:			
- individually impaired	8,462	(8,462)	–
	55,156	(13,670)	41,486

In the previous financial year, the loss allowance on trade receivables was calculated under FRS 139. The ageing analysis of trade receivables (including amount owing by related parties) is as follows:-

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	GROSS AMOUNT RM'000	INDIVIDUAL IMPAIRMENT RM'000	COLLECTIVE IMPAIRMENT RM'000	CARRYING VALUE RM'000
GROUP				
31.12.2017				
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

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Ageing analysis (Cont'd)

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows (Cont'd):-

	GROSS AMOUNT RM'000	INDIVIDUAL IMPAIRMENT RM'000	COLLECTIVE IMPAIRMENT RM'000	CARRYING VALUE RM'000
GROUP				
1.1.2017				
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

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 23 and 24 to the financial statements respectively.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Bank Balances and Deposits

The Group considers these banks have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries

The Company applies the general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

COMPANY	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
31.12.2018			
Low credit risk	40,318	–	40,318
Significant increase in credit risk	367	(294)	73
Credit impaired	–	–	–
	40,685	(294)	40,391

In the previous financial year, the loss allowance on amount owing by subsidiaries was calculated under FRS 139.

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 INTEREST 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
GROUP						
31.12.2018						
Payables:						
- Non-current	–	396	396	–	–	396
- Current	–	277,198	277,198	277,198	–	–
Hire purchase payables	3.8 to 8.4	12,270	13,507	4,367	9,140	–
Term loans	4.0 to 7.1	498,901	566,118	44,688	515,905	5,525
Bankers' acceptances	3.7 to 6.0	9,009	9,009	9,009	–	–
Revolving credits	4.5 to 4.8	84,000	84,000	84,000	–	–
Bank overdrafts	6.95 to 8.35	6,785	6,785	6,785	–	–
		888,559	957,013	426,047	525,045	5,921
GROUP						
31.12.2017						
Payables:						
- Non-current	–	1,061	1,061	–	1,061	–
- Current	–	180,394	180,394	180,394	–	–
Hire purchase payables	6.0 to 8.37	8,350	9,385	2,785	6,600	–
Term loans	4.63 to 6.74	126,573	131,346	108,954	17,104	5,288
Bankers' acceptances	3.52 to 5.62	7,402	7,402	7,402	–	–
Revolving credits	4.36 to 4.62	81,000	81,663	81,663	–	–
Bank overdrafts	6.65 to 8.1	6,202	6,202	6,202	–	–
Derivative liability	–	2,351	2,351	2,351	–	–
		413,333	419,804	389,751	24,765	5,288

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

	EFFECTIVE INTEREST 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
GROUP						
1.1.2017						
Payables:						
- Non-current	–	300	300	–	300	–
- Current	–	126,751	126,751	126,751	–	–
Hire purchase payables	5.48 to 8.37	1,469	1,635	634	1,001	–
Term loans	4.0 to 7.75	34,049	40,860	13,495	21,199	6,166
Trust receipts	4.15 to 5.85	6,582	6,582	6,582	–	–
Revolving credits	4.35 to 4.94	48,000	48,215	48,215	–	–
		217,151	224,343	195,677	22,500	6,166
COMPANY						
31.12.2018						
Revolving credits	4.52 to 4.82	40,000	40,000	40,000	–	–
Bank overdraft	6.95	1,140	1,140	1,140	–	–
Hire purchase payable	3.78 to 4.57	615	655	242	413	–
Payables:						
- Current	–	77,343	77,343	77,343	–	–
Financial guarantee contract*	–	–	459,723	–	459,723	–
		119,098	578,861	118,725	460,136	–
COMPANY						
31.12.2017						
Revolving credits	4.36 to 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 contract*	–	–	94,234	–	94,234	–
		94,516	188,879	94,645	94,234	–

* - *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. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

	EFFECTIVE INTEREST 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
COMPANY						
1.1.2017						
Payables:						
- Current	–	52,869	52,869	52,869	–	–

Cash Flow Hedge

The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of a term loan as disclosed in Note 30 to the financial statements. The interest rate swap has the same nominal value and is settled every 3 monthly, consistent with the interest repayment schedule of the term loan.

The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect other comprehensive income:-

GROUP	CARRYING AMOUNT RM'000	EXPECTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
31.12.2018					
Interest rate swap	647	647	–	647	–
31.12.2017					
Interest rate swap	(2,351)	(2,351)	–	(2,351)	–

During the financial year, a gain of RM2,998,000 (2017 : loss of RM2,351,000) was recognised in other comprehensive income.

40. FINANCIAL INSTRUMENTS (CONT'D)

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.

The debt-to-equity ratio of the Group at the end of the reporting period was as follow:-

		GROUP	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Term loans (Note 30)	498,901	126,573	34,049
Revolving credits (Note 33)	84,000	81,000	48,000
Hire purchase payables (Note 29)	12,270	8,350	1,469
Bankers' acceptances (Note 33)	9,009	7,402	6,582
	604,180	223,325	90,100
Less: Cash and cash equivalents (Note 25)	(122,118)	(129,348)	(263,000)
Net debt	482,062	93,977	(172,900)
Total equity	1,525,536	1,368,757	1,342,793
Debt-to-equity ratio (times)	0.32	0.07	N/A

There was no change in the Group's approach to capital management during the financial year.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 Classification Of Financial Instruments

	GROUP			COMPANY		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial assets						
Designated at Fair Value Through Other Comprehensive Income Upon Initial Recognition (31.12.2017 and 1.1.2017 : Available-for sale financial assets)						
Investment in quoted shares	43,247	56,909	40,315	1,435	2,255	2,655
Investment in unquoted shares	335	335	335	–	–	–
	43,582	57,244	40,650	1,435	2,255	2,655
Hedging Instrument						
Derivative asset	647	–	–	–	–	–
Amortised Cost (31.12.2017 and 1.1.2017: Loan and receivables financial assets)						
Investment in unquoted preference shares	–	–	–	566,298	432,715	242,934
Receivables	62,727	82,248	115,717	783	1,045	1,152
Bank balances and deposits	130,508	138,750	291,326	1,025	514	134,715
Amount owing by subsidiaries	–	–	–	40,391	173,712	149,918
	193,235	220,998	407,043	608,497	607,986	528,719
Financial liabilities						
At fair value through profit or loss liabilities						
Derivative liability	–	2,351	–	–	–	–
Amortised Cost (31.12.2017 and 1.1.2017: Other financial liabilities)						
Payables:						
- Non-current	396	1,061	300	–	–	–
- Current	277,198	180,394	126,751	1,757	1,721	1,513
Hire purchase payables	12,270	8,350	1,469	615	–	–
Term loans	498,901	126,573	34,049	–	–	–
Bank overdrafts	6,785	6,202	–	1,140	5,961	–
Bankers' acceptances	9,009	7,402	6,582	–	–	–
Revolving credits	84,000	81,000	48,000	40,000	35,000	–
Amount owing to subsidiaries	–	–	–	75,586	51,834	51,356
	888,559	410,982	217,151	119,098	94,516	52,869

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

40. FINANCIAL INSTRUMENTS (CONT'D)

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. The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
GROUP	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**		
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets								
Other investments:								
- Quoted shares	43,247	–	–	–	–	–	43,247	43,247
- Unquoted shares	–	335	–	–	–	–	335	335
Derivative asset	–	647	–	–	–	–	647	647
Financial Liabilities								
Term loans	–	–	–	–	498,901	–	498,901	498,901
Hire purchase payables	–	–	–	–	12,270	–	12,270	12,270
GROUP								
31.12.2017								
Financial Assets								
Other investments:								
- Quoted shares	56,909	–	–	–	–	–	56,909	56,909
- Unquoted shares	–	–	–	–	–	–	#	335
Financial Liabilities								
Term loans	–	–	–	–	126,573	–	126,573	126,573
Hire purchase payables	–	–	–	–	8,350	–	8,350	8,350
Derivative liability	–	2,351	–	–	–	–	2,351	2,351
GROUP								
1.1.2017								
Financial Assets								
Other investments:								
- Quoted shares	40,315	–	–	–	–	–	40,315	40,315
- Unquoted shares	–	–	–	–	–	–	#	335
Financial Liabilities								
Term loans	–	–	–	–	34,049	–	34,049	34,049
Hire purchase payables	–	–	–	–	1,469	–	1,469	1,469

\# - *In the last financial year, the fair value of the Group's investment in unquoted shares was not presented due to the lack of marketability of the shares and the fair value cannot be reliably measured.*

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information (Cont'd)

	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	RM'000	RM'000
COMPANY								
31.12.2018								
Financial Asset								
Investment in preference shares	–	–	–	–	556,298	–	556,298	556,298
Financial Liability								
Hire purchase payables	–	–	–	–	615	–	615	615
31.12.2017								
Financial Asset								
Investment in preference shares	–	–	–	–	432,715	–	432,715	432,715
1.1.2017								
Financial Asset								
Investment in preference shares	–	–	–	–	242,934	–	242,934	242,934

(a) The fair values of financial instruments carried at fair value have been determined using the following basis:-

(i) The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.

(ii) The fair value of unquoted equity investment is determined to approximate the net assets of the investee as it's immaterial in the context of the financial statements.

(iii) 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.

(b) The fair values of financial investments not carried at fair value, which are for disclosure purposes, have been determined using the following basis:-

(i) 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.

(ii) The fair values of investment in preference shares and 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.

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	Properties development and 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.

41. OPERATING SEGMENTS (CONT'D)

GROUP 2018	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	656,228	142,249	9,455	66,187	–	874,119
Inter–segment revenue	–	–	–	129,250	(129,250)	–
Consolidated revenue	656,228	142,249	9,455	195,437	(129,250)	874,119
Represented by revenue recognised:						
- At a point of time	–	142,249	9,455	66,187	–	217,891
- Over time	656,228	–	–	–	–	656,228
	656,228	142,249	9,455	66,187	–	874,119
Results						
Profit from operations						
- Continuing operations	177,061	16,979	14,323	127,353	(130,532)	205,184
- Discontinued operations	(7,817)	–	–	–	–	(7,817)
	169,244	16,979	14,323	127,353	(130,532)	197,367
Finance costs						(7,744)
Share of loss of equity accounted joint venture and associate						(1)
Profit before tax						189,622
Income tax expense						(43,836)
Profit after tax						145,786

41. OPERATING SEGMENTS (CONT'D)

Included in the profit after tax for the financial year are the following items:-

GROUP 2018	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Income						
Dividend income	–	102	820	73,993	(73,874)	1,041
Fair value gain on investment properties	–	–	6,375	–	–	6,375
Gain/(Loss) on foreign exchange, net:						
- Realised	(545)	(535)	–	3,930	–	2,850
- Unrealised	31	(15)	–	6,341	(7,300)	(943)
Interest income	1,141	139	354	965	–	2,599
Expense						
Allowance for impairment losses on:						
- Receivables, net	9,778	3,272	–	93	–	13,143
Depreciation of property, plant and equipment	96	11,132	98	5,036	–	16,362
Interest expenses	4	1,501	2,008	23,329	(19,098)	7,744
ESOS option expenses	–	–	–	388	–	388
Assets						
Segment assets	1,744,656	323,202	240,812	195,650	–	2,504,320
Inter-segment assets	24,761	6,033	59,746	1,031,961	(1,122,501)	–
	1,769,417	329,235	300,558	1,227,611	(1,122,501)	2,504,320
Current tax assets						6,240
Consolidated total assets						2,510,560
Liabilities						
Segment liabilities	218,362	62,831	46,135	567,217	–	894,545
Inter-segment liabilities	977,089	7,528	53,669	84,508	(1,122,794)	–
	1,195,451	70,359	99,804	651,725	(1,122,794)	894,545
Deferred tax liabilities						88,342
Current tax liabilities						2,137
Consolidated total liabilities						985,024
Other segment items						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	46	37,130	12	19,472	–	56,660
- Intangible asset	656,228	–	–	–	–	656,228
- Land use rights	–	469	–	–	–	469
- Associate	–	4,000	–	–	–	4,000

41. OPERATING SEGMENTS (CONT'D)

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	645,441	119,944	9,150	58,558	–	833,093
- Discontinued operations	331,245	–	–	–	–	331,245
	976,686	119,944	9,150	58,558	–	1,164,338
Inter–segment revenue	–	–	–	129,743	(129,743)	–
Consolidated revenue	976,686	119,944	9,150	188,301	(129,743)	1,164,338
Represented by revenue recognised:						
- At a point of time	331,245	119,944	9,150	58,558	–	518,897
- Over time	645,441	–	–	–	–	645,441
	976,686	119,944	9,150	58,558	–	1,164,338
Results						
Profit from operations						
- Continuing operations	172,816	20,720	12,516	76,357	(90,361)	192,048
- Discontinued operations	27,661	–	–	–	–	27,661
	200,477	20,720	12,516	76,357	(90,361)	219,709
Finance costs						(7,145)
Profit before tax						212,564
Income tax expense						(45,591)
Profit after tax						166,973

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:-

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Dividend income	–	51	865	92,849	(92,513)	1,252
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
Expense						
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 option expenses	–	–	–	13,982	–	13,982
Assets						
Segment assets	1,118,777	296,183	250,224	172,803	–	1,837,987
Inter-segment assets	64,949	5,151	42,105	755,617	(867,822)	–
	1,183,726	301,334	292,329	928,420	(867,822)	1,837,987
Current tax assets						170
Tax recoverable						6,454
Consolidated total assets						1,844,611
Liabilities						
Segment liabilities	135,726	42,316	48,531	192,746	–	419,319
Inter-segment liabilities	575,117	23,692	54,372	215,489	(868,670)	–
	710,843	66,008	102,903	408,235	(868,670)	419,319
Deferred tax liabilities						56,176
Current tax liabilities						359
Consolidated total liabilities						475,854
Other segment items						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	896	35,771	–	21,733	53	58,453
- Intangible asset	645,441	–	–	–	–	645,441
- Land use rights	–	4	–	1,028	–	1,032
- Joint venture	–	*	–	–	–	*

* - *Negligible*

41. OPERATING SEGMENTS (CONT'D)

Geographical information

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At A Point Of Time		Over Time		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations						
Malaysia	118,738	103,058	–	–	118,738	103,058
Laos	–	–	656,228	645,441	656,228	645,441
Other ASEAN countries	17,738	22,730	–	–	17,738	22,730
India	37,065	27,190	–	–	37,065	27,190
Australia	21,270	18,841	–	–	21,270	18,841
Other countries	23,080	15,833	–	–	23,080	15,833
	217,891	187,652	656,228	645,441	874,119	833,093
Discontinued operations						
China	–	253,476	–	–	–	253,476
Malaysia	–	77,769	–	–	–	77,769
	217,891	518,897	656,228	645,441	874,119	1,164,338

The analysis of the Group's non-current assets by geographical region is summarised as follow:-

	Non-current Assets	
	2018 RM'000	2017 RM'000
Continuing operations		
Malaysia	548,733	522,618
Laos	1,635,027	941,953
Cambodia	36,476	28,249
	2,220,236	1,492,820
Discontinued operations		
Malaysia	*	10,678
	2,220,236	1,503,498

* - *Negligible*

Major customers

The following is the major customer with revenue equal to or more than 10% of the Group's revenue:-

	Revenue		Division
	2018 RM'000	2017 RM'000	
Customer A ^	656,228	645,441	Power

^ - *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 2018 %	2017 %
Subsidiaries of the Company				
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^	100	100
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100
Goleman Limited @	Dormant	Malaysia^	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
Mega First Investments (L) Limited &	General investment	Malaysia#	100	100
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %
Subsidiaries of the Company (Cont'd)				
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
Subsidiary of AESB				
Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI")	Investment holding and provision of management consultancy services	Malaysia	100	100
Subsidiary of BISB				
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive components	Malaysia	100	100
Subsidiary of CSI				
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6
Subsidiaries of DSH				
Ground Roses Limited @ ("GRL")	Investment holding	Malaysia^	100	100
Silver Acreage Limited @	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 2018 %	2017 %
Subsidiary of GRL				
Don Sahong Power Company Ltd *	Develop and operate hydroelectric power plant	Lao People's Democratic Republic	80	80
Subsidiaries of GLSB				
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
Subsidiaries of HXC				
Hexachase Flexipack Sdn. Bhd.	Manufacturing of flexible packaging products	Malaysia	55.2	55.2
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
Subsidiary of HLSB				
Hexachase Marketing & Trading Sdn. Bhd.	Marketing and trading of labels and printed products	Malaysia	47.1	47.1
Subsidiary of MCM				
Geo-Mobile Asia (HK) Limited *	Dormant	Hong Kong	100	100

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %
Subsidiary of MFI				
Greentown Parking Sdn. Bhd.	Car park operator	Malaysia	100	100
Subsidiaries of MFPI				
Mega First Power (HK) Limited ("MFPL") !	Dormant	Hong Kong	-	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of a power plant	Malaysia	100	100
Serudong Power Sdn. Bhd.	Temporarily ceased business operations	Malaysia	51	51
Subsidiaries of MFR				
Anting Sendirian Berhad	Quarry operator	Malaysia	100	100
Sri Anting Sdn. Bhd.	Operating quarries	Malaysia	100	100
Subsidiaries of RCI				
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

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %
Subsidiaries of RCI (Cont'd)				
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	50.25
Subsidiary of BSB				
Usaha Takzim Sdn. Bhd.	Property investment	Malaysia	100	100
Subsidiary of RCIM				
Mesrasasi Sdn. Bhd.	Quarry operator	Malaysia	100	100
Subsidiary of RKSB				
Runding ANR Sdn. Bhd.	Pre-operating	Malaysia	60	60
Subsidiary of TKSB				
Teratai ANR Sdn. Bhd.	Mining and exploration	Malaysia	70	70

* Subsidiary companies audited by other firms of chartered accountants.

& Subsidiary company audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.

@ 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.

! The subsidiary was placed under members' voluntary winding up on 9 November 2018.

43. DECONSOLIDATION OF A SUBSIDIARY

2018

On 9 November 2018, Mega First Power (HK) Limited ("MFPL") incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company, has obtained approval from its sole shareholder to commence members' voluntary winding up pursuant to Companies Ordinance in Hong Kong. On 25 January 2019, the appointed liquidator has registered relevant statutory documents with Companies Registrar.

2017

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:-

	GROUP	
	2018 RM'000	**2017 RM'000**
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 deficit/(reserves)	56	(49,621)
Loss on deconsolidation of subsidiary	(56)	(3,209)
Proceed from deconsolidation of subsidiary	–	25,084
Cash and cash equivalents of subsidiary deconsolidated	–	(32,738)
Outstanding sale consideration at end of financial year	–	(14,448)
Net cash outflow from deconsolidation of subsidiary	–	(22,102)

* – *Negligible*

44. 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 2018 RM'000	2017 RM'000
Executive Directors		
- Salary, bonus and other remuneration	904	854
- Share options	–	6,035
Non-Executive Directors		
- Fees	443	447
- Other emoluments	29	38
- Share options	388	2,290
	1,764	9,664

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/COMPANY 2018 Number of Directors	2017
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
RM500,001 - RM550,000	1	–
Non-Executive Directors		
Below RM50,000	–	1
RM50,001 - RM100,000	7	6

45. 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), joint ventures and key management personnel.

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed elsewhere in the financial statements whereas the transactions that the Group and the Company carried out with such parties during the financial year are disclosed below:

(a) Subsidiaries

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income received and receivable	–	–	73,874	92,513
Management fee received and receivable	–	–	1,608	1,598
Interest income received and receivable	–	–	141	63
Interest expense paid and payable	–	–	(3,498)	(2,709)
Rental received and receivable	–	–	310	310
Rental paid and payable	–	–	(480)	(480)

(b) Joint Venture

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sales of lime products	13,233	5,308	–	–

(c) The remuneration of key management personnel is as follows:-

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' fees	443	447	443	447
Salary, bonus and other remuneration, including benefits-in-kind (gross)	5,524	5,706	3,054	2,963
Share options	388	12,007	388	12,007

45. RELATED PARTY DISCLOSURES (CONT'D)

(c) The remuneration of key management personnel is as follows (Cont'd):-

The movement in share options granted to key management personnel is as follows:-

	GROUP/COMPANY	
	2018	2017
	'000	'000
At 1 January	21,527	11,960
Granted	600	9,750
Exercised	(196)	(183)
At 31 December	21,931	21,527

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

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

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

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

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

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

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

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

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

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

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

On 8 May 2018, the following agreements were entered into (Cont'd):-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

47. TRANSITION TO THE MFRS FRAMEWORK

As stated in Note 3.1 to the financial statements, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs. The accounting policies in Note 4 to the financial statements have been applied to all financial information covered under this set of financial statements.

In preparing the opening MFRS statements of financial position at 1 January 2017 (date of transition), the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with FRSs. The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Group's statement of financial position on 1 January 2017:-

GROUP	As Reported At 31.12.2016 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	At 1.1.2017 MFRSs RM'000
ASSETS				
Non-Current Assets				
Property, Plant And Equipment	323,517	(2,143)	–	321,374
Intangible asset	370,391	–	–	370,391
Investment Properties	149,356	–	2,455	151,811
Inventories	–	44,438	–	44,438
Land Held For Property Development	44,438	(44,438)	–	–
Land Use Rights	16,635	–	2,779	19,414
Project Development Expenditure	72,065	(72,065)	–	–
Investment In Quoted Shares	40,315	–	–	40,315
Investment In Unquoted Shares	335	–	–	335
Goodwill On Consolidation	10,812	–	(2,455)	8,357
Deferred Tax Assets	2,690	–	–	2,690
	1,030,554	(74,208)	2,779	959,125
Current Assets				
Inventories	59,874	–	–	59,874
Contract Assets	–	72,056	–	72,056
Receivables	227,168	1,088	(2,779)	225,477
Bank Balances And Deposits	291,326	–	–	291,326
	578,368	73,144	(2,779)	648,733
TOTAL ASSETS	1,608,922	(1,064)	–	1,607,858
EQUITY AND LIABILITIES				
Share Capital	401,900	–	–	401,900
Treasury Shares	(30,046)	–	–	(30,046)
Reserves	815,198	(947)	–	814,251
Equity Attributable To Owners Of The Company	1,187,052	(947)	–	1,186,105
Non-controlling Interests	156,688	–	–	156,688
Total Equity	1,343,740	(947)	–	1,342,793

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Group's statement of financial position on 1 January 2017 (Cont'd):-

GROUP	As Reported At 31.12.2016 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	At 1.1.2017 MFRSs RM'000
Non-Current Liabilities				
Payables	1,223	–	–	1,223
Long-Term Borrowings	22,642	–	–	22,642
Deferred Tax Liabilities	33,054	–	–	33,054
	56,919	–	–	56,919
Current Liabilities				
Payables	133,283	(117)	–	133,166
Short-Term Borrowings	65,989	–	–	65,989
Derivative Liability	–	–	–	–
Current Tax Liabilities	8,991	–	–	8,991
	208,263	(117)	–	208,146
Total Liabilities	265,182	(117)	–	265,065
TOTAL EQUITY AND LIABILITIES	1,608,922	(1,064)	–	1,607,858

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Group's statements of financial position on 31 December 2017 and 1 January 2018:-

GROUP	As Reported At 31.12.2017 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	Restated At 31.12.2017 MFRSs RM'000	MFRS 9 Adjustments RM'000 Note 47.1	At 1.1.2018 MFRSs RM'000
ASSETS						
Non-Current Assets						
Property, Plant And Equipment	262,151	(2,143)	–	260,008	–	260,008
Intangible asset	941,796	–	–	941,796	–	941,796
Investment Properties	167,662		2,455	170,117	–	170,117
Inventories	–	45,095	–	45,095	–	45,095
Land Held For Property Development	45,095	(45,095)	–	–	–	–
Land Use Rights	17,327	–	3,384	20,711	–	20,711
Project Development Expenditure	601	(601)	–	–	–	–
Investment In Quoted Shares	56,909	–	–	56,909	–	56,909
Investment In Unquoted Shares	335	–	–	335	–	335
Goodwill On Consolidation	10,812	–	(2,455)	8,357	–	8,357
Deferred Tax Assets	170	–	–	170	–	170
	1,502,858	(2,744)	3,384	1,503,498	–	1,503,498
Current Assets						
Inventories	42,280	–	–	42,280	–	42,280
Contract Assets	–	592	–	592	–	592
Receivables	161,787	1,088	(3,384)	159,491	(10,339)	149,152
Bank Balances And Deposits	138,750	–	–	138,750	–	138,750
	342,817	1,680	(3,384)	341,113	(10,339)	330,774
TOTAL ASSETS	1,845,675	(1,064)	–	1,844,611	(10,339)	1,834,272

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Group's statement of financial positions on 31 December 2017 and 1 January 2018 (Cont'd):-

GROUP	As Reported At 31.12.2017 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	Restated At 31.12.2017 MFRSs RM'000	MFRS 9 Adjustments RM'000 Note 47.1	At 1.1.2018 MFRSs RM'000
EQUITY AND LIABILITIES						
Share Capital	524,005	–	–	524,005	–	524,005
Treasury Shares	(30,046)	–	–	(30,046)	–	(30,046)
Reserves	741,988	(947)	–	741,041	(8,308)	732,733
Equity Attributable To Owners Of The Company	1,235,947	(947)	–	1,235,000	(8,308)	1,226,692
Non-controlling Interests	133,757	–	–	133,757	–	133,757
Total Equity	1,369,704	(947)	–	1,368,757	(8,308)	1,360,449
Non-Current Liabilities						
Payables	7,083	–	–	7,083	–	7,083
Long-Term Borrowings	112,741	–	–	112,741	–	112,741
Deferred Tax Liabilities	56,176	–	–	56,176	(2,031)	54,145
	176,000	–	–	176,000	(2,031)	173,969
Current Liabilities						
Payables	188,825	(117)	–	188,708	–	188,708
Short-Term Borrowings	108,436	–	–	108,436	–	108,436
Derivative Liability	2,351	–	–	2,351	–	2,351
Current Tax Liabilities	359	–	–	359	–	359
	299,971	(117)	–	299,854	–	299,854
Total Liabilities	475,971	(117)	–	475,854	(2,031)	473,823
TOTAL EQUITY AND LIABILITIES	1,845,675	(1,064)	–	1,844,611	(10,339)	1,834,272

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Company's statement of financial position on 1 January 2017:-

COMPANY	As Reported At 31.12.2016 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	At 1.1.2017 MFRSs RM'000
ASSETS				
Non-Current Assets				
Property, Plant And Equipment	4,687	–	–	4,687
Land Use Rights	9,923	–	2,779	12,702
Project Development Expenditure	1,196	(1,196)	–	–
Subsidiaries	455,868	–	–	455,868
Investment In Quoted Shares	2,665	–	–	2,665
	474,339	(1,196)	2,779	475,922
Current Assets				
Receivables	153,964	1,196	(2,779)	152,381
Bank Balances And Deposits	134,715	–	–	134,715
	288,679	1,196	(2,779)	287,096
TOTAL ASSETS	763,018	–	–	763,018
EQUITY AND LIABILITIES				
Share Capital	401,900	–	–	401,900
Treasury Shares	(30,046)	–	–	(30,046)
Reserves	332,309	–	–	332,309
Equity Attributable To Owners Of The Company/Total Equity	704,163	–	–	704,163
Current Liabilities				
Payables	58,855	–	–	58,855
Short-Term Borrowings	–	–	–	–
Total Liabilities	58,855	–	–	58,855
TOTAL EQUITY AND LIABILITIES	763,018	–	–	763,018

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

The following is the reconciliation of the impact arising from first time adoption of MFRSs including application of the new accounting standards to the Company's statements of financial position on 31 December 2017 and 1 January 2018:-

COMPANY	As Reported At 31.12.2017 FRSs RM'000	MFRS 15 Adjustments RM'000 Note 47.2	Other Adjustments RM'000 Note 47.3	Restated At 31.12.2017 MFRSs RM'000	MFRS 9 Adjustments RM'000 Note 47.1	At 1.1.2018 MFRSs RM'000
ASSETS						
Non-Current Assets						
Property, Plant And Equipment	5,801	–	–	5,801	–	5,801
Land Use Rights	9,923	–	3,384	13,307	–	13,307
Project Development Expenditure	601	(601)	–	–	–	–
Subsidiaries	645,649	–	–	645,649	–	645,649
Investment In Quoted Shares	2,255	–	–	2,255	–	2,255
	664,229	(601)	3,384	667,012	–	667,012
Current Assets						
Receivables	178,207	601	(3,384)	175,424	(646)	174,778
Bank Balances And Deposits	514	–	–	514	–	514
	178,721	601	(3,384)	175,938	(646)	175,292
TOTAL ASSETS	842,950	–	–	842,950	(646)	842,304
EQUITY AND LIABILITIES						
Share Capital	524,005	–	–	524,005	–	524,005
Treasury Shares	(30,046)	–	–	(30,046)	–	(30,046)
Reserves	248,489	–	–	248,489	(646)	247,843
Equity Attributable To Owners Of The Company/Total Equity	742,448	–	–	742,448	(646)	741,802
Current Liabilities						
Payables	59,541	–	–	59,541	–	59,541
Short-Term Borrowings	40,961	–	–	40,961	–	40,961
Total Liabilities	100,502	–	–	100,502	–	100,502
TOTAL EQUITY AND LIABILITIES	842,950	–	–	842,950	(646)	842,304

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

47.1 MFRS 9 Financial Instruments

On 1 January 2018, the Group adopted MFRS 9 which is effective for annual periods beginning on or after 1 January 2018.

Under FRSs, financial assets and financial liabilities were accounted for under FRS 139 'Financial Instrument: Recognition and Measurement'. Upon transition to MFRSs, the Group adopted MFRS 9 'Financial Instruments' ("MFRS 9"), requiring the Group to review the classification and measurement of its financial instruments at the date of transition.

The Group elected the exemption under MFRS 1 which allows the Group not to restate comparative information in year of initial application of MFRS 9. Hence, the Group applied FRS 139 and FRS 7 "Financial Instruments: Disclosures" for the comparative information. The adjustments to align the carrying amounts of the financial assets under the previous FRS 139 with MFRS 9 were recognised in the retained profits and other reserve as at 1 January 2018, as summarised below:-

(i) The Group intends to hold the investments in equity shares for long-term. These investments were measured at fair value or cost less impairment losses in prior periods. As permitted by MFRS 9, the Group designated such investments as fair value through other comprehensive income, to be measured at fair value at each reporting date.

(ii) The Group changed its impairment loss methodology from the 'incurred loss' approach to the 'expected credit loss' approach upon the adoption of MFRS 9. Under this new approach, the Group accounted for the expected credit losses of its financial assets measured at amortised cost and contract assets to reflect their changes in credit risk since initial recognition. As permitted by MFRS 9, the Group used a simplified approach to measure the loss allowance of its trade receivables and contract assets.

(iii) In addition, the Group represented its net impairment losses on financial assets and contract assets under Note 6 to the financial statements pursuant to the new requirement of MFRS 101 'Presentation of Financial Statements'.

The financial impacts arising from the adoption of MFRS 9 are as follows:-

(i) Classification and Measurement

For the previously held available-for-sale equity investments which is now measured at fair value through other comprehensive income ("FVOCI"), the cumulative impairment loss of RM24,266,000 previously recognised in profit or loss were reclassified from retained profits to fair value reserve as at 1 January 2018.

(ii) Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI. The Group previously recorded impairment based on the 'incurred loss' model when there is objective evidence that a financial asset is impaired.

Upon adoption of MFRS 9, the Group recognised additional impairment loss on the Group's trade and other receivables of RM8,462,000 and RM1,877,000 respectively which has resulted in a corresponding decrease in retained profits as at 1 January 2018.

Upon transition to MFRS 9, the Company has recognised an increase in loss allowance of RM646,000 on amount owing by a receivable against opening retained profits as at date of initial application of MFRS 9 or 1 January 2018.

47. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

47.1 MFRS 9 Financial Instruments (Cont'd)

The financial impacts arising from the adoption of MFRS 9 are as follows (Cont'd):-

(iii) Tax Adjustment

The corresponding tax impact to the Group arising from impairment loss provided in (ii) above has resulted in a decrease in deferred tax liabilities and retained profits of RM2,031,000 as at 1 January 2018.

47.2 MFRS 15 Revenue from Contracts with Customers

On 1 January 2018, the Group adopted MFRS 15 which is effective for annual periods beginning on or after 1 January 2018.

Under FRSs, revenue was recognised under FRS 118 'Revenue'. Upon transition to MFRSs, the Group adopted MFRS 15 'Revenue from Contracts with Customers' ("MFRS 15") which required the Group to review the measurement and timing of when revenue shall be recognised and the manner of presentation.

The application of MFRS 15 resulted in the following changes:-

(i) Land held for property development amounting to RM45,095,000 as at 31.12.2017 (31.12.2016 : 44,438,000) was represented as inventory (non-current);

(ii) Project development expenditure of RM71,464,000 (as at 31.12.2016) relating to Don Sahong Hydropower Project was reclassified as contract assets. The remaining RM601,000 relating to payments made to develop a piece of land was reclassified as prepayments under receivables; and

(iii) Contracts entered into by an indirect subsidiary of the Company with its customers for tooling development where the associated development costs were previously capitalised as property, plant and equipment and depreciated over the useful life.

Under MFRS 15, costs incurred to develop the tooling equipment was not recognised as property, plant and equipment but as contract costs which would be charged out as expenses in profit or loss upon fulfillment of relevant performance obligations.

47.3 Comparative figures have been restated to conform with the presentation of the current financial year following transition from FRSs to MFRSs.

There are no material differences between the statements of profit or loss and other comprehensive income and statements of cash flows presented under FRSs and MFRSs.

Other than those disclose above, there were no other changes to the Group's and the Company's financial position, financial performance and cash flows arising from the transition to MFRSs.

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 Malaysian Financial Reporting Standards, International 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 2018 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

KHOO TENG KEAT

26 March 2019

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 Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed **NEO HONG CHEE**
at Petaling Jaya
on 26 March 2019

Before me,

SELVARAJAH A/L SIVALINGAM
COMMISSIONER FOR OATHS

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2018

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
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	1,278
2	Building, office, guardhouse and warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	16	22,600	Freehold	1997	1997	3,107
3	Warehouse	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	8	2,970	Freehold	2011	n/a	983
4	Warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	10	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	6	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	5	62,290	Freehold	2014	2014	2,376
10	Stockyard	Lot 45137, 45138, 45139 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	87,817	Freehold	2013	2013	4,420
11	Stockyard	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	386

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2018 [CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
12	Stockyard	Lot 45160 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7	25,040	Freehold	2012	2012	1,279
13	Road access	Lot 6252, 6671, 6251, 6738, 13693 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7	64,041	Freehold	2012	2012	3,564
14	Road access	Lot 23358 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	4	5,893	Freehold	2015	2015	186
15	Quarry and limestone hill	Lot 45152 Mukim Kampar Daerah Kampar Perak Darul Ridzuan	12	16,010	Freehold	2007	n/a	467
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	1,050
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	4
18	Agricultural land	Lot 320491 Mukim Teja Daerah Kampar Perak Darul Ridzuan	4	343,980	Leasehold (Expire in 2073)	2015	n/a	11,989
19	Industrial land	PN 397963 Lot 321568 Mukim Teja, Daerah Kampar Perak Darul Ridzuan	3	469,400	Leasehold (Expire in 2044)	2017	2017	19,649
20	Office and warehouse	Lot 28 Jalan Pengacara U1/48 Temasya Industrial Park Selangor Darul Ehsan	19	892	Freehold	2000	2000	607
21	Industrial 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	5	n/a	Leasehold	2013	n/a	391

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2018 [CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
23	Factory land and buildings	Lot 138321 Jalan Changkat Larang P.O. Box 15 31007 Batu Gajah Perak Darul Ridzuan	36	42,576	Leasehold (Expire in 2045)	1982	1985	1,201
24	Double storey terrace house	HS (D) 353154 PT 355802 Mukim Hulu Kinta, Daerah Kinta Perak Darul Ridzuan	10	121	Leasehold (Expire in 2103)	2009	n/a	108
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	2012	654
26	Agricultural land	HS (D) 198576 PT 37293 Mukim Sungai Terap Kinta District Perak Darul Ridzuan	n/a	14,636	Leasehold 60 years (Expire in 2071)	2012	2012	1,369
27	Factory land and buildings	Lot PT 839 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	31	28,850	Leasehold 60 years (Expire in 2047)	1987	n/a	3,066
28	Quarrying limestone hill	Lot PT 23156 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	n/a	36,422	Leasehold 30 years (Expire in 2042)	1981	n/a	511
29	Industrial 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	4,407
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	8,067

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2018 [CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
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	3,347
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	617
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	1,001
37	Industrial land	PN 71752 Lot 197220 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	n/a	12,132	Leasehold 60 years (Expire in 2052)	2012	2011	1,331
38	Corporate office tower and office suite	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	10	19,104	Leasehold 99 years (Expire in 2106)	2006	2016	121,109
39	Car park	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	10		Leasehold 99 years (Expire in 2106)	2006	2018	6,375
40	Car park	PT 147622 Greentown, Ipoh Perak Darul Ridzuan	8	11,621	Leasehold 99 years (Expire in 2094)	2010	2016	12,500
41	Car park	Block A, B, C & D Greentown Business Centre Greentown, Ipoh	13 - 20	4,499	Leasehold 99 years (Expire in 2094)	1999 - 2006	2017	3,500
42	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	2	7,785	Leasehold 99 years (Expire in 2094)	2017	2017	1,533

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2018 [CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
43	4-storey shop office	Lot 8A, 8B, 16, 16A - 16C 24C, 29B, 39B, 40, 40A, 40B Greentown Avenue, Ipoh Perak Darul Ridzuan	2	20,093	Leasehold 99 years (Expire in 2094)	2017	2017	5,432
44	2-storey shop office	PT 1323, 1339, 1340 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	2	459	Freehold	2017	2017	968
45	Low cost flat	PN 38656 Mukim Batu Berendam Daerah Melaka Tengah, Melaka	2	4,030	Leasehold 99 years (Expire in 2100)	2017	2017	2,170
46	3-storey shop office	PT 1126, 1129, 1130 1175, 1183 Mukim Dengkil Daerah Sepang Selangor Darul Ehson	2	1,053	Leasehold 99 years (Expire in 2096)	2017	2017	2,968
47	Vacant land	PN 147624, 295228 Greentown, Ipoh Perak Darul Ridzuan	n/a	16,188	Leasehold 99 years (Expire in 2094)	2005	n/a	20,657
48	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
49	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	999
50	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
51	Vacant land held for development	Lot 3887-4068, 4070 PT 1135-1166, 1184-1199 Mukim Dengkil Daerah Sepang Selangor Darul Ehsan	n/a	214,645	Leasehold 99 years (Expire in 2097)	1996	n/a	32,408
52	Factory land and building	PT 2620 & PT 2621 Lot 31 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak Darul Ridzuan	22	12,565	Leasehold 99 years (Expire in 2095)	1996	n/a	2,327

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2018 [CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
53	Factory and office (Building A)	PN 20204 Lot 4915 20, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	3	4,940	Leasehold 99 years (Expire in 2096)	2016	2016	3,784
54	Factory and office (Building B)	PN 20204 Lot 4915 20, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	1	4,126	Leasehold 99 years (Expire in 2096)	2018	2018	1,029
55	Factory and office	PN 20205 Lot 4916 18, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	6	4,961	Leasehold 99 years (Expire in 2096)	2013	2014	4,328
56	Factory and office	Lot 4788-4789, Jalan TTC 29 Taman Perindustrian Cheng Taman Teknologi Cheng 75250 Melaka	9	3,916	Leasehold 99 years (Expire in 2096)	2009	2016	2,503
57	Factory and office	PN 47679 Lot 8821 5, Jalan TTC 30 Taman Teknologi Cheng 75250 Melaka	1	4,993	Leasehold 99 years (Expire in 2096)	2018	2018	3,811

STATISTICS **OF SHAREHOLDINGS**

AS AT 29 MARCH 2019

Total Number of Issued Shares	:	417,661,509 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^
Less than 100	585	29,210	0.01
100 to 1,000	2,913	2,599,840	0.65
1,001 to 10,000	4,801	18,464,782	4.65
10,001 to 100,000	1,029	32,130,671	8.09
100,001 to less than 5% of issued shares	258	184,571,075	46.47
5% and above of issued shares	3	159,368,631	40.13
Total	9,589	397,164,209	100.00

(^) - 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	95,810,000	22.94
2)	Cartaban Nominees (Asing) Sdn Bhd *- BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)*	32,000,045	7.66
3)	Citigroup Nominees (Asing) Sdn Bhd *- UBS AG Singapore for Keen Capital Investments Limited*	31,558,586	7.56
4)	Mega First Corporation Berhad *- Share Buy-Back Account*	20,497,300	4.91
5)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	3.54
6)	Kah Hin Loong Sdn Bhd	11,321,200	2.71
7)	PRT Capital Pte Ltd	9,864,760	2.36
8)	Shoptra Jaya (M) Sdn Bhd	6,137,000	1.47
9)	Grand Terrace Sdn Bhd	5,441,920	1.30
10)	Zulkifli bin Hussain	4,763,300	1.14
11)	Cartaban Nominees (Asing) Sdn Bhd *- BBH (Lux) SCA for Fidelity Funds Asean*	4,401,700	1.05

STATISTICS OF SHAREHOLDINGS
AS AT 29 MARCH 2019 [CONT'D]

TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
12)	Andrew Lim Cheong Seng	4,300,000	1.03
13)	Citibank Group Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (Nomura)*	3,885,400	0.93
14)	Lanai Etika Sdn Bhd	3,276,240	0.78
15)	Cartaban Nominees (Tempatan) Sdn Bhd *- RHB Trustees Berhad for Manulife Investment Shahriah Progress Fund)*	3,160,850	0.76
16)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Affin Hwang Asset Management Berhad for Affin Hwang Absolutereturn Fund II*	2,633,800	0.63
17)	Maybank Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ong Kok Yon*	2,208,200	0.53
18)	Wan Poh Mining Company Sdn Bhd	2,127,700	0.51
19)	Maybank Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ong Kok Ching*	2,100,000	0.50
20)	Goh Nan Kioh	2,063,120	0.49
21)	Chow Chee Kong	1,926,200	0.46
22)	Hoe Seng Company Pte Limited	1,860,000	0.45
23)	Lim Gaik Bway @ Lim Chiew Ah	1,831,500	0.44
24)	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Dimensional Emerging Markets Value Fund*	1,825,800	0.44
25)	Maybank Nominees (Tempatan) Sdn Bhd *- Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)*	1,825,300	0.44
26)	Goh Nan Yang	1,717,000	0.41
27)	Y K Toh Property Sdn Bhd	1,677,400	0.40
28)	Lim Soo Kiow	1,643,600	0.39
29)	Lee Sei Fah	1,631,600	0.39
30)	Maybank Nominees (Tempatan) Sdn Bhd *- MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-Nomur)(419513)*	1,618,070	0.39
	Total	**279,895,071**	**67.01**

STATISTICS OF SHAREHOLDINGS
AS AT 29 MARCH 2019 [CONT'D]

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest Shares	% ^	Deemed Interest Shares		% ^
1)	Goh Nan Kioh	2,063,120	0.52	140,509,586	(a)	35.38
2)	Rubber Thread Industries (M) Sdn Berhad	95,810,000	24.12	3,276,240	(b)	0.82
3)	Keen Capital Investments Limited	31,558,586	7.94	–		
4)	Cambrew Asia Limited	–	–	99,086,240	(c)	24.95
5)	Laju Riang Sdn Bhd	–	–	99,086,240	(c)	24.95
6)	Kema Development Sdn Bhd	–	–	99,086,240	(c)	24.95
7)	Cambrew (Malaysia) Sdn Bhd	–	–	99,086,240	(c)	24.95
8)	Dr. Lim Thian Soo	10,000	*	99,086,240	(c)	24.95
9)	Lim Thiam Cheok	10,000	*	99,086,240	(c)	24.95
10)	Lim Yam Poh	–	–	99,086,240	(c)	24.95
11)	FMR LLC	–	–	34,351,245	(d)	8.22

DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY

	Director	Direct Interest Shares	% ^	Deemed Interest Shares		% ^	ESOS Exercise Price RM1.34	RM2.00	RM2.41	RM3.45	RM2.89
1)	Goh Nan Kioh	2,063,120	0.52	140,509,586	(a)	35.38	–	3,188,328	1,800,000	–	–
2)	Goh Nan Yang	1,717,000	0.43	–		–	–	2,277,377	2,000,000	–	–
3)	Khoo Teng Keat	340,000	0.08	–		–	–	1,138,688	800,000	–	–
4)	Yeow See Yuen	1,427,000	0.36	44,200	(e)	0.01	–	1,366,426	1,400,000	–	–
5)	Dato' Tan Ang Meng	438,000	0.01	–		–	–	113,869	100,000	–	–
6)	Dato' Koh Hong Sun	503,869	0.13	–		–	–	–	100,000	–	–
7)	Tay Kheng Chiong	70,900	0.02	–		–	285,862	113,869	100,000	–	–
8)	Datuk Haji Pengiran Saifuddin bin Pengiran Tahir, JP	–	–	–		–	–	–	–	300,000	
9)	Jesper Bjorn Madsen	–	–	–		–	–	–	–	–	300,000
10)	Professor Dato' Dr. Tan Hui Meng	–	–	366,200	(f)	0.09	–	–	–	–	300,000
	Total	**6,559,889**	**1.55**	**140,919,986**		**35.48**	**285,862**	**8,198,557**	**6,300,000**	**300,000**	**600,000**

Notes:

* *Less than 0.01%.*

^ *Based on the 417,661,509 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 Fidelilty 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 29 MARCH 2019

Number of Outstanding Warrants	:	52,784,842
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	151	6,939	0.01
100 to 1,000	845	443,129	0.84
1,001 to 10,000	682	2,544,589	4.82
10,001 to 100,000	267	9,324,891	17.67
100,001 to less than 5% of issued Warrants	77	30,108,539	57.04
5% and above of issued Warrants	2	10,356,755	19.62
Total	2,024	52,784,842	100.00

DIRECTORS' WARRANT HOLDINGS

		Number of Warrants Held			
	Director	Direct	%	Deemed	%
1)	Goh Nan Kioh	364,080	0.69	8,875,755 (*)	16.81
2)	Goh Nan Yang	303,000	0.57	–	–
3)	Khoo Teng Keat	60,000	0.11	–	–
4)	Yeow See Yuen	586,571	1.11	7,800 (**)	0.01
5)	Dato' Tan Ang Meng	–	–	–	–
6)	Dato' Koh Hong Sun	–	–	–	–
7)	Tay Kheng Chiong	8,100	0.01	–	–
8)	Datuk Haji Pengiran Saifuddin bin Pengiran Tahir, JP	–	–	–	–
9)	Jesper Bjorn Madsen	–	–	–	–
10)	Professor Dato' Dr. Tan Hui Meng	–	–	557,800 (***)	1.05
	Total	1,321,751	2.49	9,441,355	17.87

(*) - 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
AS AT 29 MARCH 2019 [CONT'D]

TOP 30 WARRANT HOLDERS

No.	Name of Securities Account Holder	No. of Warrants held	% of Total Warrants
1)	Citigroup Nominees (Asing) Sdn Bhd *- UBS AG Singapore for Keen Capital Investments Limited*	6,556,755	12.42
2)	Cartaban Nominees (Asing) Sdn Bhd *- BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)*	3,800,000	7.20
3)	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Wong Yee Hui*	2,027,900	3.84
4)	Kah Hin Loong Sdn Bhd	1,898,777	3.60
5)	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Wong Yee Hui (KLC/KEN)*	1,802,000	3.41
6)	PRT Capital Pte Ltd	1,740,840	3.30
7)	CIMB Group Nominees (Asing) Sdn Bhd *- Exempt AN for DBS Bank Ltd (SFS)*	1,483,400	2.81
8)	Teh Chak Seong	1,200,000	2.27
9)	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Oh Kim Sun*	1,106,100	2.10
10)	Shoptra Jaya (M) Sdn Bhd	1,083,000	2.05
11)	CIMSEC Group Nominees (Asing) Sdn Bhd *- CIMB Bank for Chai Lee Lee (MY2254)*	1,000,000	1.89
12)	Zulkifli bin Hussain	649,600	1.23
13)	Alliancegroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account Christina Loh Yoke Lin (8111756)*	610,000	1.16
14)	Affin Hwang Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yeow See Yuen*	586,571	1.11
15)	Beh Eng Par	584,000	1.11
16)	Lanai Etika Sdn Bhd	578,160	1.10
17)	Ang Yen Peng	557,800	1.06
18)	CIMSEC Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Peck Chuan (B Tinggi – CL)*	509,400	0.97
19)	Boon Sim Fah	455,000	0.86
20)	Chee Mee Mee	400,000	0.76

STATISTICS OF WARRANT HOLDINGS
AS AT 29 MARCH 2019 [CONT'D]

TOP 30 WARRANT HOLDERS

No.	Name of Securities Account Holder	No. of Warrants held	% of Total Warrants
21)	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Wong Yee Hui*	400,000	0.76
22)	Maybank Nominees (Tempatan) Sdn Bhd *- Pledged securities account for Lee Jih Yong*	368,300	0.70
23)	Goh Nan Kioh	364,080	0.69
24)	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Goh Leng Pheow (MU006)*	350,000	0.66
25)	Lee Sei Fah	319,800	0.61
26)	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Choong Foong Ming (021)*	308,000	0.58
27)	Goh Nan Yang	303,000	0.57
28)	Lee Hooi Li	301,500	0.57
29)	Tan Saw Gnoh	300,800	0.57
30)	Goh Chye Keat	300,000	0.57
	Total	**31,944,783**	**60.53**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 53rd 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 Wednesday, 29 May 2019 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 2018. *(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 2018. *(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 2019, up to an aggregate amount of RM650,000, from 30 May 2019 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) Dato' Tan Ang Meng *(Resolution 3)*
   b) Mr Yeow See Yuen *(Resolution 4)*
   c) Professor Dato' Dr. Tan Hui Meng *(Resolution 5)*

5. To re-appoint Messrs Crowe Malaysia PLT as auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Resolution 6)*

   <u>Special Business</u>

   To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **Ordinary Resolution**
   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." *(Resolution 7)*

7. **Ordinary Resolution**
   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." *(Resolution 8)*

NOTICE OF ANNUAL GENERAL MEETING

[CONT'D]

8. **Ordinary Resolution**
Renewal of Share Buy-Back Authority

"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 :- *(Resolution 9)*

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. **Special Resolution**
Proposed Adoption of the New Constitution of the Company

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part B of the Statement to Shareholders dated 30 April 2019 accompanying the Company's Annual Report 2018, be and is hereby adopted as the Constitution of the Company, *(Resolution 10)*

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10. 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 2018 under Resolution 1 at the 53rd AGM, the dividend will be paid to the shareholders on 12 July 2019. The entitlement for the dividend shall be 21 June 2019.

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 21 June 2019; 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
30 April 2019

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 2019 shall be entitled to attend the 53rd 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 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.

NOTICE OF ANNUAL GENERAL MEETING

[CONT'D]

EXPLANATORY NOTES TO SPECIAL BUSINESS

1) **Ordinary 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 2019, from 30 May 2019 up till the next AGM of the Company.

2) **Ordinary 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.

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) **Ordinary 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 Part A of the Statement to Shareholders dated 30 April 2019 which is circulated together with the Company's Annual Report 2018.

EXPLANATORY NOTES TO SPECIAL BUSINESS (CONT'D)

5) **Special Resolution - Proposed Adoption of the new Constitution of the Company**

The proposed Special Resolution, if passed will bring the Company's Constitution in line with the Companies Act 2016, the Main Market Listing Requirement of Bursa Malaysia Listing Requirement and will enhance administrative efficiency. The proposed new Constitution is set out in Part B of the Statement to Shareholders dated 30 April 2019 which is circulated together with the Company's Annual Report 2018.

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 53rd AGM are found on the Profile of Directors section of this Annual Report 2018.

GROUP OF
COMPANIES DIRECTORY

No.	Company Name & Email Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Mega First Corporation Berhad 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.	Mega First Investments (L) Limited mfil@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
3.	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
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.	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
6.	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
7.	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
8.	Mega First Housing Development Sdn. Bhd. Gombak Land Sdn. Bhd. Idaman Harmoni Sdn. Bhd. Paya Emas 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	No. 15A Persiaran Greentown 4A, Greentown Avenue, 30450 Ipoh, Perak Darul Ridzuan.	05-2433033	05-2433033	Mr. Khoo Teng Keat
10.	Hexachase Labels Sdn. Bhd. info@hexachase.com	No. 20, Jalan TTC 26, Taman Teknologi Cheng, 75250 Melaka.	06-3357461 06-3357472	06-3357429	Mr. Danny Yeo
11.	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
12.	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
13.	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

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 53rd 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 29 May 2019 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 Dato' Tan Ang Meng as Director.			
4.	Re-elect Mr Yeow See Yuen as Director.			
5.	Re-elect Professor Dato' Dr. Tan Hui Meng as Director.			
6.	Re-appoint Crowe Malaysia PLT 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.			
10.	Adoption of New Constitution of the Company.			

(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 2019 shall be entitled to attend the 53rd 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.

Please fold here

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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MFCB