

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

**Interim Financial Report
30 September 2019**

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 3rd quarter and 9-month period ended 30 September 2019

		3rd Quarter Ended 30.9.2019	3rd Quarter Ended 30.9.2018	9-Month Period Ended 30.9.2019	9-Month Period Ended 30.9.2018
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		125,510	219,062	506,402	653,191
Cost of sales		(97,854)	(165,356)	(385,844)	(490,810)
Gross profit		27,656	53,706	120,558	162,381
Other (expenses)/income, net		(686)	5,895	(2,500)	7,645
Operating expenses		(6,204)	(6,694)	(18,902)	(16,609)
Profit from operations		20,766	52,907	99,156	153,417
Finance costs		(1,834)	(1,238)	(5,242)	(6,810)
Share of results in joint venture, net of tax		-	(104)	-	-
Profit before tax		18,932	51,565	93,914	146,607
Income tax expense		(3,364)	(8,342)	(16,049)	(23,254)
Profit after tax from continuing operations		15,568	43,223	77,865	123,353
Discontinued operations					
Loss after tax from discontinued operations	A7	(80)	(1,258)	(995)	(13,323)
Profit after tax for the period		15,488	41,965	76,870	110,030
Other comprehensive income		14,327	22,811	5,727	28,272
Total comprehensive income for the period		29,815	64,776	82,597	138,302
Profit after tax attributable to:					
Owners of the Company		14,623	38,159	70,492	98,100
Non-controlling interests		865	3,806	6,378	11,930
		15,488	41,965	76,870	110,030
Total comprehensive income attributable to:					
Owners of the Company		27,760	59,434	75,049	124,946
Non-controlling interests		2,055	5,342	7,548	13,356
		29,815	64,776	82,597	138,302
EPS - Basic (sen)					
	B11				
- Continuing operations		3.51	9.87	17.14	27.83
- Discontinued operations		0.15	(0.09)	0.36	(2.71)
		3.66	9.78	17.50	25.12
EPS - Diluted (sen)					
	B11				
- Continuing operations		3.27	9.11	15.99	25.77
- Discontinued operations		0.14	(0.09)	0.33	(2.50)
		3.41	9.02	16.32	23.27

The notes set out on pages 7 to 33 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2019

	Unaudited As At 30.9.2019 RM'000	Audited As At 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	295,043	287,392
Intangible asset	1,991,842	1,635,027
Investment properties	177,212	177,212
Inventories	43,443	43,443
Land use rights	19,704	21,223
Associate and joint venture	4,000	4,000
Investment in quoted shares	41,242	43,247
Investment in unquoted shares	335	335
Goodwill on consolidation	8,357	8,357
	2,581,178	2,220,236
Current Assets		
Inventories	70,365	64,230
Receivables	73,598	93,101
Contract assets	98	1,838
Derivative asset	-	647
Bank balances and deposits	92,970	130,508
	237,031	290,324
TOTAL ASSETS	2,818,209	2,510,560
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	561,338	540,667
Treasury shares	(30,046)	(30,046)
Reserves	906,597	842,159
	1,437,889	1,352,780
Non-Controlling Interests	177,977	172,756
Total Equity	1,615,866	1,525,536
Non-Current Liabilities		
Payables	8,173	8,855
Long-term borrowings	29,782	486,308
Deferred tax liabilities	103,150	88,342
	141,105	583,505
Current Liabilities		
Payables	312,814	286,995
Short-term borrowings	741,932	112,387
Derivative liability	5,271	-
Taxation	1,221	2,137
	1,061,238	401,519
Total Liabilities	1,202,343	985,024
TOTAL EQUITY AND LIABILITIES	2,818,209	2,510,560
Net Assets Per Ordinary Share (RM)	3.55	3.41

The notes set out on pages 7 to 33 form an integral part and should be read in conjunction with this interim financial report.

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

**Unaudited Condensed Consolidated Statement of Changes in Equity
For the 9-month period ended 30 September 2019**

	← Non-Distributable							→ Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2018	524,005	(30,046)	-	17,746	(27,490)	(2,011)	-	16,221	(2,351)	730,618	1,226,692	133,757	1,360,449
Total comprehensive income for the period	-	-	-	-	21,123	(697)	-	-	6,420	98,100	124,946	13,356	138,302
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(15,621)	(15,621)	-	(15,621)
ESOS options granted	-	-	-	388	-	-	-	-	-	-	388	-	388
ESOS options lapsed	-	-	-	(73)	-	-	-	-	-	73	-	-	-
Issuance of ordinary shares arising from:													
- conversion of Warrants	8	-	-	-	-	-	-	#	-	-	8	-	8
- exercise of ESOS options	1,063	-	-	(265)	-	-	-	-	-	-	798	-	798
Total transactions with owners of the Company	1,071	-	-	50	-	-	-	-	-	(15,548)	(14,427)	-	(14,427)
Effect of increase in issued and paid-up capital of a subsidiary	-	-	-	-	-	-	-	-	-	(12,520)	(12,520)	25,040	12,520
Balance at 30.9.2018	525,076	(30,046)	-	17,796	(6,367)	(2,708)	-	16,221	4,069	800,650	1,324,691	172,153	1,496,844

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 9-month period ended 30 September 2019

	← Non-Distributable						→ Distributable						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2019	540,667	(30,046)	-	17,597	(6,811)	(15,673)	-	14,583	647	831,816	1,352,780	172,756	1,525,536
Total comprehensive income for the period	-	-	-	-	12,483	(2,008)	-	-	(5,918)	70,492	75,049	7,548	82,597
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(7,999)	(7,999)	-	(7,999)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,749)	(2,749)
Issuance of ordinary shares arising from:													
- conversion of Warrants	17,926	-	-	-	-	-	-	(1,981)	-	-	15,945	-	15,945
- exercise of ESOS options	2,745	-	-	(659)	-	-	-	-	-	-	2,086	-	2,086
Total transactions with owners of the Company	20,671	-	-	(659)	-	-	-	(1,981)	-	(7,999)	10,032	(2,749)	7,283
Gain on dilution of interest in a subsidiary	-	-	-	-	-	-	-	-	-	28	28	(28)	-
Subscription of shares in subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	450	450
Balance at 30.9.2019	561,338	(30,046)	-	16,938	5,672	(17,681)	-	12,602	(5,271)	894,337	1,437,889	177,977	1,615,866

The notes set out on pages 7 to 33 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 9-month period ended 30 September 2019

	9-Month Period Ended	
	30.9.2019	30.9.2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax		
- Continuing operations	93,914	146,607
- Discontinued operations	421	(10,632)
Adjustments for non-cash flow - Non-cash items	(71,467)	(111,702)
- Non-operating items	2,961	2,157
Operating profit before working capital changes	25,829	26,430
Changes in working capital - Net change in assets	9,445	(4,978)
- Net change in liabilities	(5,720)	(5,271)
Cash from operations	29,554	16,181
Income tax paid	(2,542)	(5,401)
Retirement benefits paid	-	(1,141)
Net cash from operating activities	27,012	9,639
Cash flows for investing activities		
Cash outflow for Don Sahong Hydropower Project	(219,659)	(272,616)
Dividends received	914	804
Interest received	1,356	1,903
Investment in joint venture and associate	-	(4,000)
Payments for purchase of:		
- property, plant and equipment	(22,145)	(37,097)
- land use rights	(231)	(127)
Proceeds from disposal of:		
- property, plant and equipment	49	4,520
Net cash for investing activities	(239,716)	(306,613)

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 9-month period ended 30 September 2019

	9-Month Period Ended	
	30.9.2019	30.9.2018
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to:		
- shareholders of the Company	(7,999)	(7,808)
- subsidiary's non-controlling interests	(2,749)	-
Interest paid	(5,242)	(6,811)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	622,955	11,369
- Hire purchase payables	(940)	658
- Term loans	(457,723)	267,459
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	2,086	798
- Conversion of Warrants	15,945	8
Proceeds from issuance of shares by a subsidiary to non-controlling interests	450	12,520
(Placement)/Withdrawal of short-term deposits pledged with banks	(1,058)	2,001
Net cash from financing activities	165,725	280,194
Effect of foreign exchange translation	596	396
Net decrease in cash and cash equivalents	(46,383)	(16,384)
Cash and cash equivalents at beginning of the period	122,118	129,348
Cash and cash equivalents at end of the period	75,735	112,964
Cash and cash equivalents included in the statement of cash flows comprise the following amounts:		
<u>Continuing operations</u>		
Bank balances and deposits	91,976	105,932
Bank overdrafts	(14,572)	(10,352)
<u>Discontinued operations</u>		
Bank balances and deposits	994	18,583
	78,398	114,163
Less:		
- Deposits pledged to licensed banks	(2,663)	(1,199)
	75,735	112,964

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and Issuers Communication No. 1/2017 - Guidance on Disclosures in Notes to Quarterly Report issued by Bursa Malaysia.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

- (a) During the 9-month period ended 30 September 2019, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

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

A1. Basis of preparation (Cont'd)

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the 9-month period ended 30 September 2019:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendment to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Defer until further notice
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Other than as disclosed above, the accounting policies and methods of computation adopted by the Group in preparing this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2018.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

A3. Seasonal or cyclical factors

The Group's principal business operations are not significantly affected by seasonal or cyclical factors.

A4. Unusual item

There was no item affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size or incidence in these financial statements.

A5. Nature and amount of changes in estimates

There was no change in estimates of amounts reported in prior periods that have a material effect in the period under review.

A6. Debt and equity securities

	Number of Ordinary Shares		← Amount →	
	Share Capital (Issued and Fully Paid) '000	Treasury Shares '000	Share Capital (Issued and Fully Paid) RM'000	Treasury Shares RM'000
At 1.1.2019	417,364	(20,497)	540,667	(30,046)
New ordinary shares issued arising from:				
- Exercise of ESOS options	1,011	-	2,745	-
- Conversion of Warrants	7,182	-	17,926	-
At 30.9.2019	<u>425,557</u>	<u>(20,497)</u>	<u>561,338</u>	<u>(30,046)</u>

During the 9-month period ended 30 September 2019, the Company has:

(a) Issued new ordinary shares in the following manner:

	<u>Issue Price</u>	<u>No. of Shares</u>
Exercise of ESOS options	1.34	150,000
Exercise of ESOS options	2.00	466,394
Exercise of ESOS options	2.41	395,000
Conversion of Warrants	2.22	7,182,451

As at 30 September 2019, the total number of warrants which remained unexercised was 45,669,391 (31.12.2018: 52,851,842).

Of the total 425,557,470 (31.12.2018 : 417,363,525) issued ordinary shares as at 30 September 2019, 20,497,300 (31.12.2018: 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 30 September 2019 was therefore 405,060,170 (31.12.2018: 396,866,225).

Other than as disclosed above, there was no issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares in these financial statements.

A7. Discontinued operations

The discontinued operations comprised the following: -

- a) Power plant in China operated by 60%-owned Shaoxing Mega Heat & Power Co., Ltd (“SMHP”). The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People’s Republic of China (“QHP”) expired on 22 October 2017 and was not extended by the Group; and
- b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd (“SPSB”). The Power Purchase Agreement (“PPA”) expired on 2 December 2017.

Accordingly, the Group has presented and disclosed in these financial statements (including comparative information) the results of SMHP and SPSB under discontinued operations in accordance to MFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), separately from continuing operations where the results of discontinued operations for current quarter and 9-month period ended 30 September 2019 is presented as follows:

	3rd Quarter Ended 30.9.2019 RM'000	3rd Quarter Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2019 RM'000	9-Month Period Ended 30.9.2018 RM'000
Revenue	-	-	-	-
Cost of sales	(31)	(238)	(121)	(1,956)
Gross loss	(31)	(238)	(121)	(1,956)
Other income/(expenses), net	458	705	1,460	(7,451)
Operating expenses	(290)	(447)	(918)	(1,224)
Profit/(Loss) from operations	137	20	421	(10,631)
Finance costs	-	-	-	(1)
Profit/(Loss) before tax	137	20	421	(10,632)
Income tax expense	(217)	(1,278)	(1,416)	(2,691)
Loss after tax for the period	(80)	(1,258)	(995)	(13,323)
Other comprehensive expenses	-	-	-	-
Total comprehensive expenses for the period	(80)	(1,258)	(995)	(13,323)
Loss after tax attributable to:				
Owners of the Company	610	(370)	1,437	(10,563)
Non-controlling interests	(690)	(888)	(2,432)	(2,760)
	(80)	(1,258)	(995)	(13,323)
Total comprehensive expenses attributable to:				
Owners of the Company	610	(370)	1,437	(10,563)
Non-controlling interests	(690)	(888)	(2,432)	(2,760)
	(80)	(1,258)	(995)	(13,323)

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

A7. Discontinued operations (Cont'd)

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

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After crediting:				
Gain on disposal of property, plant and equipment	-	-	8	-
Interest income:				
- External parties	17	115	91	369
- Intra-group of companies	440	218	1,349	635
Arbitral Tribunal's award	-	420	-	28,792
After charging:				
Allowance for impairment loss on receivables	-	(103)	-	(9,778)
Depreciation of property, plant and equipment	-	-	-	(35)
Impairment loss on plant and equipment	-	2	-	(10,471)
Interest expense	-	-	-	(1)
Provision for plant decommissioning costs, staff retrenchment and other expenses	-	(25)	-	(14,401)
Writeback/(Writedown) in value of inventories	-	6	10	(3,452)

A8. Segment information

9-Month Period Ended 30 September 2019	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	331,073	111,305	7,713	56,311	-	506,402
- Discontinued operations	-	-	-	-	-	-
	331,073	111,305	7,713	56,311	-	506,402
Inter-segment revenue	-	-	-	74,188	(74,188)	-
Consolidated revenue	331,073	111,305	7,713	130,499	(74,188)	506,402
Results						
Profit from operations						
- Continuing operations	85,498	14,827	5,713	69,155	(76,037)	99,156
- Discontinued operations	421	-	-	-	-	421
	85,919	14,827	5,713	69,155	(76,037)	99,577
Finance costs						(5,242)
Profit before tax						94,335
Income tax expense						(17,465)
Profit after tax						76,870
Total assets						
At 30 September 2019	2,082,759	336,867	305,311	1,492,443	(1,399,171)	2,818,209

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

A8. Segment information (Cont'd)

9-Month Period Ended 30 September 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	489,105	110,673	6,868	46,545	-	653,191
- Discontinued operations	-	-	-	-	-	-
	489,105	110,673	6,868	46,545	-	653,191
Inter-segment revenue	-	-	-	56,042	(56,042)	-
Consolidated revenue	489,105	110,673	6,868	102,587	(56,042)	653,191
Results						
Profit from operations						
- Continuing operations	129,630	16,417	12,484	51,743	(56,857)	153,417
- Discontinued operations	(10,631)	-	-	-	-	(10,631)
	118,999	16,417	12,484	51,743	(56,857)	142,786
Finance costs						(6,811)
Profit before tax						135,975
Income tax expense						(25,945)
Profit after tax						110,030
Total assets						
At 31 December 2018	1,769,417	332,040	303,674	1,227,930	(1,122,501)	2,510,560

A9. Dividend paid

The details of dividend paid are disclosed in Note B9.

A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Significant event during the reporting period

(a) Deed of Revocation and Option Agreement

On 13 August 2019, Teratai ANR Sdn Bhd (“TASB”), an 70% indirect subsidiary of the Company and Teratai Kembara Sdn Bhd (“TKSB”), an 77.8% indirect subsidiary of the Company entered into a Deed of Revocation to revoke and rescind the following agreements:

- 1) Second Supplementary Agreement dated 8 May 2018 to change the purpose of TASB from mining activities to mixed development; and
- 2) Option Agreement dated 8 May 2018 to develop and/or purchase all or any part of 4 parcels of 99-year leasehold land measuring a total of approximately 772 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan.

On even date, Bayangan Sutera Sdn Bhd (“BSSB”), an 80% indirect subsidiary of the Company entered into an Option Agreement with Menteri Besar Incorporated (Perak) (“MBI”) to lease or buy a parcel of 99-year leasehold land measuring a total of approximately 688.89 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan for the purpose of developing a large scale solar (“LSS”) photovoltaic plant.

(b) Incorporation of New Subsidiary and Entered into Joint Venture Agreement

On 29 August 2019, Mega First Power Industries Sdn Bhd (“MFPI”), a wholly-owned subsidiary of the Company has incorporated a new subsidiary, MFP Solar Sdn Bhd (“MFP Solar”) to facilitate expansion of the Group’s solar business.

On 25 September 2019, MFPI and MFP Solar entered into a joint venture agreement (“JVA”) with Pekat Teknologi Sdn Bhd (“Pekat”) whereby under the JVA, both MFPI and Pekat will subscribe for new ordinary shares of MFP Solar. Upon completion of such subscription, MFPI and Pekat would hold 55% and 45% equity interest in MFP Solar, respectively. The shares subscription was subsequently completed on 1 October 2019.

Under the JVA, MFP Solar shall be an exclusive partnership between MFPI and Pekat for solar project investment with capacity of up to 10 MWp in Malaysia.

Other than as disclosed above, there was no significant event during the 9-month period ended 30 September 2019.

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

On 11 November 2019, SPSB entered into an Assets Sale Agreement with Reliable Power Resources Sdn Bhd (“RPR”) for the disposal of its Buildings (i.e. all the buildings and structures erected on the Land (held under Country Lease (C.L.) No. Hakmilik No. Lot 10531128, District of Tawau, Sabah) together with Plant Assets (i.e. all the facilities, equipment, plant and machinery, spare parts and fuels) on an as is where is basis, free from all encumbrances whatsoever at a consideration of RM3,000,000.00.

It is a condition to the sale and purchase of the abovementioned Buildings and Plant Assets that SPSB receives a letter from Sabah Electricity Sdn Bhd (“SESB”) in a form satisfactory to SPSB, confirming amongst others, the termination of the Site Lease Agreement (entered into between SPSB and SESB) on or before the Completion Date that possession of the Land together with Buildings and Plant Assets thereon has been yielded to SESB to its satisfaction and that SESB has no claim against SPSB arising from or in connection with the lease of the Land.

Other than the above, there was no significant event subsequent to the end of the period reported up to 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A13. Changes in composition of the Group

There was no change in the composition of the Group for the 9-month period ended 30 September 2019 except as disclosed in Note A11(b) and dissolution of Mega First Power (HK) Limited

A14. Changes in contingent liabilities and assets

(a) Contingent liability

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

- (i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment (“YA”) 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia (“IRBM”) (“Form JA”).
- (ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM (“Form JR”).
- (iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM (“Form J”).

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

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

(a) Contingent liability (Cont'd)

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 hearing of the appeals has been postponed to 11 and 12 March 2020.

Other than as disclosed above, there was no material contingent liability as at 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

(b) Contingent asset

The Group has no contingent asset as at 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A15. Capital commitments

As at 30 September 2019, the Group has the following commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	8,684
Don Sahong Hydropower Project	
Authorised but not provided for:	
Contracted	55,503
Not contracted	18,839
	<u>74,342</u>
Total	<u><u>83,026</u></u>

A16. Significant related party transactions

	3rd Quarter Ended 30.9.2019 RM'000	9-month Period Ended 30.9.2019 RM'000
Sales of lime products to a joint venture company	981	5,382
	<u>981</u>	<u>5,382</u>

Other than as disclosed above, there was no other significant related party transaction during the current quarter and 9-month period ended 30 September 2019.

A17. Derivative financial instruments

	30.9.2019	31.12.2018
	RM'000	RM'000
<u>Derivative (liability)/asset</u>		
Interest rate swap	(5,271)	647

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 revolving credit facility (31.12.2018: club deal facilities), which are obtained for the purpose of refinancing/financing the construction of the Don Sahong Hydropower Project (“Don Sahong 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 USD70 million (31.12.2018: USD57.81 million). The IRS has the same maturity terms as the underlying principal instrument and is settled every 3 months which is consistent to latter’s interest repayment schedule.

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

- a) The critical terms of the IRS and the hedged item 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 9-month period ended 30 September 2019, a loss of RM5.9 million is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

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

B1. Performance review - Current quarter ended 30 September 2019 (“3Q2019”) versus (“vs”) the corresponding quarter ended 30 September 2018 (“3Q2018”)

Continuing Operations

	3Q2019	3Q2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	125,510	219,062	(93,552)	-42.7%
Other (expenses)/income, net	(686)	5,895	(6,581)	-111.6%
Profit before interest and tax	20,766	52,818	(32,052)	-60.7%
Profit before tax	18,932	51,580	(32,648)	-63.3%
Profit after tax	15,568	43,223	(27,655)	-64.0%
Profit after tax attributable to owners of the Company	14,013	38,529	(24,516)	-63.6%
<hr/>				
Revenue				
Power	61,023	164,026	(103,003)	-62.8%
Resources	40,203	36,377	3,826	10.5%
Property	3,644	2,116	1,528	72.2%
<hr/>				
Sub-total	104,870	202,519	(97,649)	-48.2%
Investment holding & others	20,640	16,543	4,097	24.8%
Total revenue	125,510	219,062	(93,552)	-42.7%
<hr/>				
Profit before tax				
Power	14,095	43,353	(29,258)	-67.5%
Resources	5,450	4,571	879	19.2%
Property	2,082	8,219	(6,137)	-74.7%
<hr/>				
Sub-total	21,627	56,143	(34,516)	-61.5%
Investment holding & others	(2,695)	(4,563)	1,868	-40.9%
Total profit before tax	18,932	51,580	(32,648)	-63.3%
<hr/>				
Significant income items:				
Construction revenue	61,023	164,026	(103,003)	-62.8%
Construction profit	16,390	43,727	(27,337)	-62.5%
Fair value gain on investment properties	-	6,375	(6,375)	-100.0%
Gain from quoted investments	430	300	130	43.3%
(Loss)/Gain on foreign exchange	(388)	561	(949)	169.2%

B1. Performance review - 3Q2019 vs 3Q2018 (Cont'd)

Continuing Operations

The Group recorded revenue from continuing operations of RM125.5 million, 42.7% lower than RM219.1 million achieved a year ago primarily due to a 62.8% decrease in construction revenue recognition.

Group pre-tax profit in the current quarter came in 63.3% lower year-on-year at RM18.9 million, compared to RM51.6 million reported in the corresponding quarter last year largely due to lower construction profit which declined by 62.5% to RM16.4 million. PBT in the current quarter was also weighed by the absence of RM6.4 million fair value gain on investment property and pre-commercial operational expenses of Don Sahong.

Power Division (Don Sahong Project)

Physical completion of Don Sahong Project reached 95.0% at the end of September 2019. Current quarter physical completion was lower at 2.9% (3Q2019: 8.0%) as the project neared completion. Consequently, construction revenue fell RM103.0 million to RM61.0 million while construction profit declined RM27.3 million to RM16.4 million.

Resources Division

The Resources Division recorded a 10.5% growth in revenue to RM40.2 million from RM36.4 million achieved a year ago mainly due to a 7.9% increase in sales of lime products to RM36.2 million and a 50% or RM1.0 million notable improvement in sales of calcium carbonate powder

Despite slower demand from existing customers in the domestic and export markets due to lower industrial output, sales volume of lime products for the current quarter rose 8.3% year-on-year, bolstered by higher spot/ad-hoc demand in the export and domestic markets.

Pre-tax profit improved 19.2% to RM5.5 million against RM4.6 million recorded a year ago on higher sales volume and improved plant utilisation, partially offset by absence of RM0.5 million gain on disposal of plant and equipment.

Property Division

Revenue increased 72.2% to RM3.6 million primarily due to sale of 2 units of development properties amounting to RM1.6 million (3Q2018: Nil) in the current quarter. Rental income was constant year-on-year at RM2.1 million.

Pre-tax profit however declined 74.7% to RM2.1 million (3Q2018: RM8.2 million) as a result of the absence of RM6.4 million fair value gain on investment property recorded in 3Q2018,, partially offset by RM0.6 million pre-tax development profit from the sale of 2 property units in the current quarter

B2. Performance review - Year-to-date 30 September 2019 (“YTD 30.9.2019”) versus (“vs”) corresponding Year-to-date 30 September 2018 (“YTD 30.9.2018”)

Continuing Operations

	YTD 30.9.2019 RM'000	YTD 30.9.2018 RM'000	Changes RM'000 %	
Revenue	506,402	653,191	(146,789)	-22%
Other (expenses)/income, net	(2,500)	7,645	(10,145)	-133%
Profit before interest and tax	99,156	153,432	(54,276)	-35%
Profit before tax	93,914	146,622	(52,708)	-36%
Profit after tax	77,865	123,353	(45,488)	-37%
Profit after tax attributable to owners of the Company	69,055	108,663	(39,608)	-36%
Revenue				
Power	331,073	489,105	(158,032)	-32%
Resources	111,305	110,673	632	1%
Property	7,713	6,868	845	12%
Sub-total	450,091	606,646	(156,555)	-26%
Investment holding & others	56,311	46,545	9,766	21%
Total revenue	506,402	653,191	(146,789)	-22%
Profit before tax				
Power	85,385	129,625	(44,240)	-34%
Resources	13,302	16,332	(3,030)	-19%
Property	4,456	10,999	(6,543)	-59%
Sub-total	103,143	156,956	(53,813)	-34%
Investment holding & others	(9,229)	(10,334)	1,105	-11%
Total profit before tax	93,914	146,622	(52,708)	-36%
Significant income/(expense) items:				
Construction revenue	331,073	489,105	(158,032)	-32%
Construction profit	88,922	130,388	(41,466)	-32%
Fair value gain on investment properties	-	6,375	(6,375)	-100%
Gain from quoted investments	914	804	110	14%
Gain/(Loss) on foreign exchange	1,843	(476)	2,319	-487%

Excluding discontinued operations, the Group registered a total revenue of RM506.4 million, representing a 22.5%, declined from RM653.2 million last year. The decrease was mainly attributable to a 32.3% decrease in construction revenue contribution from Don Sahong Project.

Group pre-tax profit from continuing operations contracted 35.9% from RM146.6 million to RM93.9 million in the 9-month period ended 30 September 2019. This was mainly due to lower construction profit (down 31.8% or RM41.5 million), the absence of RM6.4 million fair value gain on investment properties recorded in same period in 2018, an 18.6% or RM3.0 million decline in PBT of Resources Division to RM13.3 million and pre-commercial operational expenses of Don Sahong.

B2. Performance review - YTD 30.9.2019 vs YTD 30.9.2018” (Cont’d)

Power Division (Don Sahong Project)

Don Sahong Project recognised 16.0% of physical completion in the 9-month period ended 30 September 2019, lower than 24.5% registered in the same period last year as Don Sahong Project entered into its final year of construction. Consequently, construction revenue fell RM158.0 million to RM331.1 million, while pre-tax construction profit decreased from RM130.4 million to RM88.9 million

Resources Division

Resources Division’s revenue rose marginally year-on-year by 0.6% to RM111.3 million in the 9-month period ended 30 September 2019. Sales of lime products was lowered by 1.0% at RM100.6 million. However, the decline in lime products was more than offset by an 18.0% increase in sale of other products, namely calcium carbonate powder, limestone and cement bricks.

Sales volume of lime products downed 3.0% year-on-year on slower industrial output in the region, resulting in slower demand from existing domestic and export customers, partially offset by stronger spot/ad hoc export demand in 9-month period ended 30 September 2019. The average selling price of lime products was 2.1% higher, driven mainly by a 3.6% appreciation of US Dollar against the Malaysia Ringgit.

Despite higher level of average selling price, Resource division’s pre-tax profit fell 18.6% to RM13.3 million (YTD30.9.2018: RM16.3 million) due to higher unit production cost (as a result of lower plant utilisation rate), lower sales volume of lime products, increased financing costs, higher inventory written off and lower gain on disposal of plant and equipment.

Property Division

Property Division’s revenue was RM0.8 million higher at RM7.7 million (YTD30.9.2018: RM6.9 million) due to higher development income from the sale of property inventory. Rental income was flat year-on-year.

Despite of higher revenue, pre-tax profit declined 59.5% to RM4.5 million (YTD30.9.2018: RM11.0 million) on the absence of RM6.5 million fair value gain on investment properties recognised in the same period last year.

B2. Performance review - YTD 30.9.2019 vs YTD 30.9.2018” (Cont’d)

(a) Assets and Liabilities

Significant changes in key assets and liabilities during the 9-month period ended 30 September 2019 are explained below:

Asset/Liability Items	As At 30.9.2019 RM'000	As At 31.12.2018 RM'000	Changes RM'000	Explanation
Property, plant and equipment (“PPE”)	295,043	287,392	7,651	Increase was due to RM22.1 million capital expenditures, comprising mainly: <ul style="list-style-type: none"> - RM10.5 million on plantation development in Cambodia; - RM7.1 million on expanding packaging production capacity; - RM3.8 million on manufacturing facilities of Resources Division. Partially offset by RM13.7 million depreciation charge.
Intangible asset	1,991,842	1,635,027	356,815	Intangible asset represents the cumulative construction revenue recognised for the Don Sahong Project.
Investment properties	177,212	177,212	-	No movement in the current period.
Inventories (non-current)	43,443	43,443	-	Represents land held for property development. No movement in the current period.
Investment in quoted shares	41,242	43,247	(2,005)	Decrease was due to a decrease in the market value of quoted securities.

B2. Performance review - YTD 30.9.2019 vs YTD 30.9.2018” (Cont’d)

(a) Assets and Liabilities (Cont’d)

Significant changes in key assets and liabilities during the 9-month period ended 30 September 2019 are explained below:

Asset/Liability Items	As At 30.9.2019 RM'000	As At 31.12.2018 RM'000	Changes RM'000	Explanation
Inventories (current)	70,365	64,230	6,135	Increase in inventories in line with increased sales in Resources and Packaging divisions.
Receivables	73,597	93,101	(19,504)	Decrease was mainly attributable to realisation of advance payment (initially recorded as prepayment) to EPC contractor, Sinohydro, in the form of deduction from progressive billing issued by Sinohydro in the current period.
Deferred tax liabilities	103,150	88,342	14,808	Increase was mainly due to deferred tax provided on construction profit recognised for Don Sahong Project in the current quarter.
Payables (current)	312,814	286,995	25,819	Increase was mainly related amount owing to Sinohydro for construction work of Don Sahong Project where such amount will only be settled in 2020 pursuant to deferred payment arrangement agreed between the parties.

B2. Performance review - YTD 30.9.2019 vs YTD 30.9.2018” (Cont’d)

(b) Group borrowings and debt securities

As at 30 September 2019, total borrowings (exclude hire purchase) amounted to RM771.7 million (31 December 2018: RM598.7 million). The Table below sets out the salient information on the Group’s bank borrowings:

	Long-term		Short-term		Total Borrowings RM'000
	USD RM'000	RM RM'000	USD RM'000	RM RM'000	
Secured					
Bankers' acceptance	-	-	-	12,464	12,464
Term loans	-	29,782	-	11,396	41,178
Bank overdrafts	-	-	-	14,572	14,572
Revolving credits	-	-	628,500	51,000	679,500
	-	29,782	628,500	89,432	747,714
Unsecured					
Revolving credits	-	-	-	24,000	24,000
Total bank borrowings	-	29,782	628,500	113,432	771,714

The increase in total borrowings since 31 December 2018 was primarily attributable to loan drawdown of RM168.8 million to part finance the construction of the Don Sahong Project.

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

The interest rate on foreign currency revolving credit has been partially hedged by an interest rate swap as disclosed in Note A17.

The Group has no debt securities as at 30 September 2019.

(c) Cash flow analysis for the 9-month period ended 30 September 2019

The Group generated RM27.0 million cash from its operating activities during the 9-month period ended 30 September 2019 (YTD30.9.2018: RM9.6 million).

In the same period, the Group spent RM239.7 million on investing activities comprising mainly RM219.7 million on Don Sahong Project and RM22.1 million on capex as described in section (a) above. These investments were funded primarily by borrowings and internal funds. Consequently, the Group’s bank borrowings (excluding bank overdrafts) increased RM165.2 million to RM757.1 million (31.12.2018: RM591.9 million) while cash and cash equivalents decreased RM46.4 million to RM75.7 million (31.12.2018: RM122.1 million).

B3. Variation of Current Quarter (“3Q2019”) versus (“vs”) Preceding Quarter (“2Q2019”)

Continuing Operations

	3Q2019	2Q2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	125,510	159,050	(33,540)	-21.1%
Other expenses, net	(686)	(124)	(562)	453.2%
Profit before interest and tax	20,766	31,554	(10,788)	-34.2%
Profit before tax	18,932	30,039	(11,107)	-37.0%
Profit after tax	15,568	24,481	(8,913)	-36.4%
Profit after tax attributable to owners of the Company	14,013	21,824	(7,811)	-35.8%
<hr/>				
Revenue				
Power	61,023	100,159	(39,136)	-39.1%
Resources	40,203	38,263	1,940	5.1%
Property	3,644	1,994	1,650	82.7%
<hr/>				
Sub-total	104,870	140,416	(35,546)	-25.3%
Investment holding & others	20,640	18,634	2,006	10.8%
Total revenue	125,510	159,050	(33,540)	-21.1%
<hr/>				
Profit before tax				
Power	14,095	26,237	(12,142)	-46.3%
Resources	5,450	4,437	1,013	22.8%
Property	2,082	1,211	871	71.9%
<hr/>				
Sub-total	21,627	31,885	(10,258)	-32.2%
Investment holding & others	(2,695)	(1,846)	(849)	46.0%
Total profit before tax	18,932	30,039	(11,107)	-37.0%
<hr/>				
Significant income items:				
Construction revenue	61,023	100,159	(39,136)	-39.1%
Construction profit	16,390	26,914	(10,524)	-39.1%
Gain from quoted investments	430	475	(45)	-9.5%
(Loss)/Gain on foreign exchange	(388)	120	(508)	-423.3%
<hr/>				

B3. Variation of 3Q2019 vs 2Q2019 (Cont'd)

Excluding discontinued operations, Group revenue declined 21.1% quarter-on-quarter from RM159.1 million to RM125.5 million. The decline was primarily attributable to 39.1% contraction in construction revenue, partially offset by an increase in revenue contribution from both Resources (up 5.1%) and Property (up 82.7%) divisions.

Group's PBT decreased 37.0% or RM11.1 million quarter-on-quarter to RM18.9 million (2Q2019: RM30.0 million) largely driven by a 39.1% decline in construction profit and pre-commercial operational expenses of Don Sahong, partially offset by an increase in pre-tax profit contribution from the Resources Division (up 22.8%) and Property Division (up 71.9%).

Power Division (Don Sahong Project)

Physical completion of 2.9% for the current quarter was 1.9% lower than 4.8% reported in the preceding quarter. As such, both construction revenue and profit decreased correspondingly to RM61.0 million (2Q2019: RM100.2 million) and RM16.4 million (2Q2019: RM26.9 million) respectively.

Resources Division

Resources Division's revenue recorded a quarter-on-quarter growth of 5.1% or RM1.9 million to RM40.2 million mainly due to a 4.6% increase in sales of lime products. Other products registered a 9.5% growth due to higher sales of calcium carbonate powder.

Sales volume of lime products rose 6.7% quarter-on-quarter, driven by spot/ad-hoc demand while demand from existing customers remain weak resulting from slower regional industrial output. Average selling price was 2.0% lower on currency effects.

Resources Division's pre-tax profit improved by 22.8% to RM5.4 million (2Q2019: RM4.4 million) on higher sales volume and improved capacity utilisation rate.

Property Division

Revenue improved 82.7% or RM1.65 million quarter-on-quarter to RM3.6 million (2Q2019: RM2.0 million) due to property development income of RM1.6 million from the sale of property inventory in the current quarter (2Q2019: Nil). Rental income was flat quarter-on-quarter at RM2.1 million.

Pre-tax profit rose 71.9% or RM0.9 million to RM2.1 million on development income.

B4. Prospects

Power Division

1. Hydropower - Don Sahong Hydropower Project (“Don Sahong Project”)

Civil works of the Don Sahong power plant and Don Sahong’s portion of the transmission line from the Don Sahong switchyard to Ban Hut sub-station are completed at the date of this report. On even date, all four generating turbines have been successfully tested and are ready for commissioning.

Construction of the 500KV by-pass transmission line by Électricité du Laos (“EDL”) to the Laos/Cambodia border and the 500KV connecting transmission line by Electricite Du Cambodge (“EDC”) from Laos/Cambodia border to Stung Treng in Cambodia is scheduled for completion before the year end.

Management remains confident of achieving commercial operation date (COD) by the end January 2020.

The Group is expected to recognise most, if not all, of the remaining 5% of the construction revenue and profit in the final quarter of 2019. Additionally, the Group is expected to recognise some energy sales from commissioned turbines in the fourth quarter. Before the completion of the 500KV line which is capable of transmitting up to 85 MW of power.

On 12 September 2019, EDL of Laos signed a new PPA with EDC of Cambodia to sell up to 500 MW hydro power to Cambodia. This is on top of the 195 MW PPA signed between the same parties earlier on 6 March 2019. Given the additional hydro power demand from Cambodia, the government of Laos has given in principal approval for the 5th turbine expansion by Don Sahong subject to, amongst others, approval of feasibility study report and environmental report, and the conclusion of negotiation of the commercial terms with EDL.

B4. Prospects (Cont'd)

Power Division (Cont'd)

2. Solar

The Group intends to enter and expand its solar business as part of the Group's strategy to expand its renewable energy investment within the Power Division.

(i) Large Scale Solar ("LSS")

On 19 August 2019, BSSB, an 80%-owned subsidiary of the Group, submitted a bid for Malaysia's latest Large Scale Solar open tender scheme ("LSS3") to develop and operate a 100 MWac LSS photovoltaic plant. Results of the tender are expected to be announced in 1Q2020. If successful, the project is expected to contribute positively to Group earnings from 2022.

(ii) Commercial/Industrial Rooftops Solar

On 25 September 2019, the Group entered into a 55:45 joint venture with Pekat Teknologi Sdn Bhd ("Pekat") to investment in commercial/industrial rooftop solar projects in Malaysia and oversea.

Pekat is an established Malaysian solar EPC and operation and maintenance contractor.

3. Serudong Power (Discontinued Operation)

Serudong Power, a 51%-owned subsidiary of the Group, operated a 36 MW fuel-fired power plant in Tawau, Sabah. Operations have ceased since 1 Dec 2017 following the expiry of PPA with SESB.

On 11 November 2019, the Company announced the disposal of the Buildings and Plant Assets of Serudong Power to Reliable Power Resources Sdn Bhd for RM3.0 million. As the assets of Serudong Power has been fully impaired in 2018, the disposal upon completion is expected to record a RM3.0 million gain on disposal in 4Q2019.

Further, upon completion, Serudong Power is expected to reverse RM16.7 million provision made in 2018 for plant dismantling and associated costs which will no longer be necessary following the disposal of the power plant assets.

B4. Prospects (Cont'd)

Resources Division

Regional demand of quicklime from existing customers is expected to weaken sequentially in the last quarter as a result of slowing industrial activities. To mitigate the slowdown in the demand from existing customers, management will continue to aggressively work on securing new customers in the region.

Barring any significant fluctuation in the foreign exchange rates, the average selling price of lime products is expected to remain stable. In the absence of demand growth, lower capacity utilisation is expected to add pressure to unit production cost in the fourth quarter of 2019.

Property Division

Rental income from PJ8 and Greentown carparks is expected to remain stable. The Group has no plans to restart its development segment given the weak residential property market in Malaysia. Efforts will continue to market the remaining completed property units with carrying amount of about RM10.3 million as at 30 September 2019 (30.9.2018: RM11.3 million).

B5. Profit forecast

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

B6. Income tax expense

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Continuing operations</u>				
- Malaysian	1,036	2,086	3,422	4,600
- Overseas	2,328	6,256	12,627	18,654
	3,364	8,342	16,049	23,254
<u>Discontinued operations</u>				
- Malaysian	217	1,278	1,416	2,691
	3,581	9,620	17,465	25,945

The Group's effective tax rate for the current quarter and 9-month period ended 30 September 2019 was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate reported on construction profit recognised for Don Sahong Hydropower Project.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations**GOM vs IHSB**

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

Other than as disclosed above, there was no material litigation as at 11 November 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividends

- (a) A final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2018 was approved by the shareholders at the Annual General Meeting held on 29 May 2019. This dividend was paid on 12 July 2019
- (b) No interim dividend has been proposed or declared for the 9-month period ended 30 September 2019 as the Board has decided to conserve cash for settlement of the remaining construction cost of the Don Sahong Hydropower Project.

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

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Continuing Operations</u>				
After crediting:				
Dividend income	430	300	914	804
Fair value gain on investment properties	-	6,375	-	6,375
Gain on disposal of: - property, plant and equipment	(3)	487	(3)	1,947
Gain on foreign exchange: - realised	-	1,047	1,745	131
- unrealised	-	-	98	-
Interest income	383	401	1,265	1,534
After charging:				
Allowance for impairment losses on: - receivables, net	-	-	(996)	-
Amortisation of land use rights	(81)	-	(1,750)	-
Depreciation of property, plant and equipment	(4,651)	(4,347)	(13,723)	(11,993)
Interest expense	(1,834)	(1,238)	(5,242)	(6,810)
Loss on foreign exchange: - realised	(45)	-	-	-
- unrealised	(343)	(486)	-	(607)
Write-down in value of inventories	(141)	(1)	(301)	102
Write-off of plant and equipment	-	-	-	(78)
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	14,493	15,163	13,653	22,549
Fair value changes of equity investments	227	6,310	(2,008)	(697)
Fair value changes of interest rate swap	(393)	1,338	(5,918)	6,420

B11. Earnings per share

	3rd quarter ended 30 September		9-month period ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Basic earnings per share				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	14,013	38,529	69,055	108,663
- Discontinued operations	610	(370)	1,437	(10,563)
	<u>14,623</u>	<u>38,159</u>	<u>70,492</u>	<u>98,100</u>
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	417,364	410,906	420,426	410,786
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	432	62	217	156
- Warrants	2,106	-	2,749	1
	<u>399,405</u>	<u>390,471</u>	<u>402,895</u>	<u>390,446</u>
Basic earnings per share (sen):				
- Continuing operations	3.51	9.87	17.14	27.83
- Discontinued operations	0.15	(0.09)	0.36	(2.71)
- Total	<u>3.66</u>	<u>9.78</u>	<u>17.50</u>	<u>25.12</u>

The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and 9-month period ended 30 September 2019 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	3rd quarter ended		9-month period ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(b) Diluted earnings per share				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	14,013	38,529	69,055	108,663
- Discontinued operations	610	(370)	1,437	(10,563)
	<u>14,623</u>	<u>38,159</u>	<u>70,492</u>	<u>98,100</u>
Weighted average number of ordinary shares ('000)	399,405	390,407	402,895	390,399
Plus: Incremental shares from assumed conversion of Warrants and exercise of ESOS options	28,946	32,329	28,946	31,313
	<u>428,351</u>	<u>422,736</u>	<u>431,841</u>	<u>421,712</u>
Adjusted weighted average number of ordinary shares ('000)				
	<u>428,351</u>	<u>422,736</u>	<u>431,841</u>	<u>421,712</u>
Diluted earnings per share (sen):				
- Continuing operations	3.27	9.11	15.99	25.77
- Discontinued operations	0.14	(0.09)	0.33	(2.50)
- Total	<u>3.41</u>	<u>9.02</u>	<u>16.32</u>	<u>23.27</u>

The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue, adjusted on the assumption that all dilutive outstanding warrants and ESOS options are converted and exercised, respectively.

B12. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 18 November 2019.