

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

**Interim Financial Report  
31 March 2019**

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

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other  
Comprehensive Income**  
For the 1st quarter and 3-month period ended 31 March 2019

		1st Quarter Ended 31.3.2019	1st Quarter Ended 31.3.2018	3-Month Period Ended 31.3.2019	3-Month Period Ended 31.3.2018
	Note	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>					
Revenue		221,842	215,188	221,842	215,188
Cost of sales		(166,475)	(161,005)	(166,475)	(161,005)
Gross profit		55,367	54,183	55,367	54,183
Other expense (net)		(1,690)	(1,727)	(1,690)	(1,727)
Operating expenses		(6,841)	(5,563)	(6,841)	(5,563)
Profit from operations		46,836	46,893	46,836	46,893
Finance costs		(1,893)	(3,615)	(1,893)	(3,615)
Share of results in joint venture, net of tax		-	403	-	403
Profit before tax		44,943	43,681	44,943	43,681
Income tax expense		(7,127)	(6,738)	(7,127)	(6,738)
Profit after tax from continuing operations		37,816	36,943	37,816	36,943
<b>Discontinued operations</b>					
Loss after tax from discontinued operations	A7	(397)	(1,006)	(397)	(1,006)
Profit after tax for the period		37,419	35,937	37,419	35,937
Other comprehensive expenses		(12,304)	(39,830)	(12,304)	(39,830)
Total comprehensive income/(expenses) for the period		25,115	(3,893)	25,115	(3,893)
Profit after tax attributable to:					
Owners of the Company		33,656	31,504	33,656	31,504
Non-controlling interests		3,763	4,433	3,763	4,433
		37,419	35,937	37,419	35,937
Total comprehensive income/(expenses) attributable to:					
Owners of the Company		22,341	(6,492)	22,341	(6,492)
Non-controlling interests		2,774	2,599	2,774	2,599
		25,115	(3,893)	25,115	(3,893)
EPS - Basic (sen)					
	B11				
- Continuing operations		8.37	8.11	8.37	8.11
- Discontinued operations		0.11	(0.04)	0.11	(0.04)
		8.48	8.07	8.48	8.07
EPS - Diluted (sen)					
	B11				
- Continuing operations		7.76	7.49	7.76	7.49
- Discontinued operations		0.10	(0.04)	0.10	(0.04)
		7.86	7.45	7.86	7.45

The notes set out on pages 7 to 29 form an integral part and should be read in conjunction with this interim financial report.

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

**Unaudited Condensed Consolidated Statement of Financial Position**  
**As at 31 March 2019**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As At</b>	<b>As At</b>
	<b>31.3.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	291,113	287,392
Intangible asset	1,784,529	1,635,027
Investment properties	177,212	177,212
Inventories	43,443	43,443
Land use rights	19,635	21,223
Associate and joint venture	4,000	4,000
Investment in quoted shares	45,502	43,247
Investment in unquoted shares	335	335
Goodwill on consolidation	8,357	8,357
	2,374,126	2,220,236
<b>Current Assets</b>		
Inventories	62,350	64,230
Receivables	86,224	93,101
Contract assets	1,823	1,838
Derivative asset	-	647
Bank balances and deposits	100,703	130,508
	251,100	290,324
<b>TOTAL ASSETS</b>	<b>2,625,226</b>	<b>2,510,560</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Owners Of The Company</b>		
Share capital	541,486	540,667
Treasury shares	(30,046)	(30,046)
Reserves	864,321	842,159
	1,375,761	1,352,780
Non-Controlling Interests	175,530	172,756
<b>Total Equity</b>	<b>1,551,291</b>	<b>1,525,536</b>
<b>Non-Current Liabilities</b>		
Payables	9,484	8,855
Long-term borrowings	581,717	486,308
Deferred tax liabilities	94,050	88,342
	685,251	583,505
<b>Current Liabilities</b>		
Payables	281,696	286,995
Short-term borrowings	102,970	112,387
Derivative liability	1,504	-
Taxation	2,514	2,137
	388,684	401,519
<b>Total Liabilities</b>	<b>1,073,935</b>	<b>985,024</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,625,226</b>	<b>2,510,560</b>
<b>Net Assets Per Ordinary Share (RM)</b>	<b>3.46</b>	<b>3.41</b>

The notes set out on pages 7 to 29 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 3-month ended 31 March 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 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 (expenses)/income for the period	-	-	-	-	(35,038)	(6,528)	-	-	3,570	31,504	(6,492)	2,599	(3,893)
Contributions by and distributions to owners of the Company:-													
Issuance of ordinary shares arising from:													
- conversion of Warrants	1	-	-	-	-	-	-	-	-	-	1	-	1
- exercise of ESOS options	311	-	-	(77)	-	-	-	-	-	-	234	-	234
Total transactions with owners of the Company	312	-	-	(77)	-	-	-	-	-	-	235	-	235
Balance at 31.3.2018	524,317	(30,046)	-	17,669	(62,528)	(8,539)	-	16,221	1,219	762,122	1,220,435	136,356	1,356,791

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

**Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)  
For the 3-month ended 31 March 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	-	-	-	-	(11,419)	2,255	-	-	(2,151)	33,656	22,341	2,774	25,115
Contributions by and distributions to owners of the Company:-													
Issuance of ordinary shares arising from:													
- conversion of Warrants	166	-	-	-	-	-	-	(18)	-	-	148	-	148
- exercise of ESOS options	653	-	-	(161)	-	-	-	-	-	-	492	-	492
Total transactions with owners of the Company	819	-	-	(161)	-	-	-	(18)	-	-	640	-	640
Balance at 31.3.2019	541,486	(30,046)	-	17,436	(18,230)	(13,418)	-	14,565	(1,504)	865,472	1,375,761	175,530	1,551,291

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

**Unaudited Condensed Consolidated Statement of Cash Flows**  
**For the 3-month period ended 31 March 2019**

	<b>3-Month Period Ended</b>	
	<b>31.3.2019</b>	<b>31.3.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax		
- Continuing operations	44,943	43,681
- Discontinued operations	190	(756)
Adjustments for non-cash flow - Non-cash items	(37,916)	(37,902)
- Non-operating items	1,362	2,980
Operating profit before working capital changes	8,579	8,003
Changes in working capital - Net change in assets	1,199	256
- Net change in liabilities	(6,777)	1,417
Cash from operations	3,001	9,676
Income tax paid	(1,086)	(3,476)
<b>Net cash from operating activities</b>	1,915	6,200
<b>Cash flows for investing activities</b>		
Cash outflow for Don Sahong Hydropower Project	(114,977)	(79,497)
Dividend received	15	9
Interest received	508	626
Payments for purchase of:		
- property, plant and equipment	(8,749)	(7,361)
Proceeds from disposal of:		
- property, plant and equipment	8	13
<b>Net cash for investing activities</b>	(123,195)	(86,210)

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)**  
**For the 3-month period ended 31 March 2019**

	<b>3-Month Period Ended</b>	
	<b>31.3.2019</b>	<b>31.3.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,893)	(3,615)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	(15,006)	(4,949)
- Hire purchase payables	295	(410)
- Term loans	111,862	80,548
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	492	234
- Conversion of Warrants	148	1
(Placement)/Withdrawal of short-term deposits pledged with banks	(7)	45
<b>Net cash from financing activities</b>	<b>95,891</b>	<b>71,854</b>
<b>Effect of foreign exchange translation</b>	<b>906</b>	<b>646</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(24,483)</b>	<b>(7,510)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>122,118</b>	<b>129,348</b>
<b>Cash and cash equivalents at end of the period</b>	<b>97,635</b>	<b>121,838</b>
Cash and cash equivalents included in the statement of cash flows comprise the following amounts:		
<u>Continuing operations</u>		
Bank balances and deposits	83,218	111,728
Bank overdrafts	(1,456)	(14,162)
<u>Discontinued operations</u>		
Bank balances and deposits	17,485	27,427
	<b>99,247</b>	<b>124,993</b>
Less:		
- Deposits with original maturity period of more than three months	-	-
- Deposits pledged to licensed banks	(1,612)	(3,155)
	<b>97,635</b>	<b>121,838</b>

The notes set out on pages 7 to 29 form an integral part and should be read in conjunction with this interim financial report.

**Notes to the interim financial report**

**A EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of preparation**

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

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

- (a) During the 3-month period ended 31 March 2019, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

<b>MFRSs and/or IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
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 3-month period ended 31 March 2019:

<b>MFRSs and/or IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
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	231	-	653	-
- Conversion of Warrants	67	-	166	-
At 31.3.2019	<u>417,662</u>	<u>(20,497)</u>	<u>541,486</u>	<u>(30,046)</u>

During the 3-month period ended 31 March 2019, the Company has:

(a) Issued new ordinary shares are as follows:

	<u>Issue Price</u>	<u>No. of Shares</u>
Exercise of ESOS options	2.00	157,984
Exercise of ESOS options	2.41	73,000
Conversion of Warrants	2.22	67,000

As at 31 March 2019, the total number of warrants which remained unexercised was 52,784,842 (31.12.2018: 52,851,842).

Of the total 417,661,509 (31.12.2018 : 417,363,525) issued ordinary shares as at 31 March 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 31 March 2019 was therefore 397,164,209 (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. Efforts by SPSB to extend the PPA was not successful. Sabah Electricity Sdn Bhd (“SESB”) has disagreed on the proposed new commercial terms approved by the Energy Commission and the Ministry of Energy, Green Technology and Water.

Accordingly, the Group has presented and disclosed in these financial statements (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 ended 31 March 2019 is present as follows:

	<b>1st Quarter Ended 31.3.2019 RM'000</b>	<b>1st Quarter Ended 31.3.2018 RM'000</b>	<b>3-Month Period Ended 31.3.2019 RM'000</b>	<b>3-Month Period Ended 31.3.2018 RM'000</b>
Revenue	-	-	-	-
Cost of sales	(58)	(792)	(58)	(792)
Gross loss	(58)	(792)	(58)	(792)
Other income (net)	508	320	508	320
Operating expenses	(260)	(284)	(260)	(284)
Profit/(Loss) from operations	190	(756)	190	(756)
Finance costs	-	-	-	-
Profit/(Loss) before tax	190	(756)	190	(756)
Income tax expense	(587)	(250)	(587)	(250)
Loss after tax for the period	(397)	(1,006)	(397)	(1,006)
Other comprehensive expenses	-	-	-	-
Total comprehensive expenses for the period	(397)	(1,006)	(397)	(1,006)
Loss after tax attributable to:				
Owners of the Company	438	(163)	438	(163)
Non-controlling interests	(835)	(843)	(835)	(843)
	(397)	(1,006)	(397)	(1,006)
Total comprehensive expenses attributable to:				
Owners of the Company	438	(163)	438	(163)
Non-controlling interests	(835)	(843)	(835)	(843)
	(397)	(1,006)	(397)	(1,006)

**A7. Discontinued operations (Cont'd)**

No revenue was generated by both SPSB and SMHP in current quarter and corresponding period in 2018.

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

	1st Quarter Ended 31 March		3-Month Period Ended 31 March	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>After crediting:</b>				
Gain on disposal of property, plant and equipment	8	-	8	-
Interest income:				
- External parties	63	128	63	128
- Intra-group of companies	435	201	435	201
<b>After charging:</b>				
Depreciation of property, plant and equipment	-	(19)	-	(19)
Provision for retrenchment benefits	-	(300)	-	(300)
Writedown in value of inventories	2	-	2	-

**Mega First Corporation Berhad**  
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**A8. Segment information**

<b>3-Month Period Ended</b> <b>31 March 2019</b>	<b>Power</b> <b>RM'000</b>	<b>Resources</b> <b>RM'000</b>	<b>Property</b> <b>RM'000</b>	<b>Investment</b> <b>Holding &amp;</b> <b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue</b>						
External revenue						
- Continuing operations	169,891	32,839	2,075	17,037	-	221,842
- Discontinued operations	-	-	-	-	-	-
	<u>169,891</u>	<u>32,839</u>	<u>2,075</u>	<u>17,037</u>	<u>-</u>	<u>221,842</u>
Inter-segment revenue	-	-	-	19,471	(19,471)	-
Consolidated revenue	<u>169,891</u>	<u>32,839</u>	<u>2,075</u>	<u>36,508</u>	<u>(19,471)</u>	<u>221,842</u>
<b>Results</b>						
Profit from operations						
- Continuing operations	45,055	2,923	1,601	17,312	(20,055)	46,836
- Discontinued operations	190	-	-	-	-	190
	<u>45,245</u>	<u>2,923</u>	<u>1,601</u>	<u>17,312</u>	<u>(20,055)</u>	<u>47,026</u>
Finance costs						(1,893)
Share of results in joint venture						-
Profit before tax						<u>45,133</u>
Income tax expense						<u>(7,714)</u>
Profit after tax						<u>37,419</u>
<b>Total assets</b>						
At 31 March 2019	<u>1,884,787</u>	<u>334,102</u>	<u>304,428</u>	<u>1,346,024</u>	<u>(1,244,115)</u>	<u>2,625,226</u>

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**A8. Segment information (Cont'd)**

<b>3-Month Period Ended</b> <b>31 March 2018</b>	<b>Power</b> <b>RM'000</b>	<b>Resources</b> <b>RM'000</b>	<b>Property</b> <b>RM'000</b>	<b>Investment</b> <b>Holding &amp;</b> <b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue</b>						
External revenue						
- Continuing operations	161,037	37,181	2,099	14,871	-	215,188
- Discontinued operations	-	-	-	-	-	-
	161,037	37,181	2,099	14,871	-	215,188
Inter-segment revenue	-	-	-	10,399	(10,399)	-
Consolidated revenue	161,037	37,181	2,099	25,270	(10,399)	215,188
<b>Results</b>						
Profit from operations						
- Continuing operations	42,612	6,687	1,501	6,361	(10,268)	46,893
- Discontinued operations	(756)	-	-	-	-	(756)
	41,856	6,687	1,501	6,361	(10,268)	46,137
Finance costs						(3,615)
Share of profit in joint venture						403
Profit before tax						42,925
Income tax expense						(6,988)
Profit after tax						35,937
<b>Total assets</b>						
At 31 December 2018	1,769,417	332,040	303,674	1,227,930	(1,122,501)	2,510,560

**A9. Dividend paid**

No dividend was paid during the 3-month period ended 31 March 2019.

**A10. Valuation of property, plant and equipment**

There was no revaluation of property, plant and equipment during the period reported up to 22 May 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**

There was no significant event during the period.

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

There was no significant event subsequent to the end of the period reported up to 22 May 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 3-month period ended 31 March 2019.

**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").

**A14. Changes in contingent liabilities and assets**

(a) Contingent liability (Cont'd)

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

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

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

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

Other than as disclosed above, there was no material contingent liability as at 22 May 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 22 May 2019, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.



**A15. Capital commitments**

As at 31 March 2019, the Group has the following commitments:

	<b>31.3.2019</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised but not provided for:	
Contracted	10,205
<b>Don Sahong Hydropower Project</b>	
Authorised but not provided for:	
Contracted	256,092
Not contracted	51,212
	<u>307,304</u>
<b>Total</b>	<u><u>317,509</u></u>

**A16. Significant related party transactions**

	<b>3-Month</b> <b>Period</b> <b>Ended</b> <b>31.3.2019</b> <b>RM'000</b>
Sales of lime products to a joint venture company	2,381

Other than as disclosed above, there was no other significant related party transaction during the current quarter and 3-month period ended 31 March 2019.

**A17. Derivative financial instruments**

	<b>31.3.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Derivative (liability)/asset</u></b>		
Interest rate swap	(1,504)	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 club deal facilities (“Facilities”), which are obtained for the purpose of financing the construction of the Don Sahong Hydropower Project. With the IRS, it effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

As at the end of the reporting period, the Group has utilised IRS of USD68.08 million (31.12.2018: USD57.81 million). The IRS has the same maturity terms as the Facilities and is settled every 3 months which is consistent to Facilities’ interest repayment schedule.

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

- a) The critical terms of the IRS and the hedged item (i.e. the Facilities) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly matched; and
- b) The fair value of the hedging instrument at inception is nil.

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

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

During the 3-month period ended 31 March 2019, a loss of RM2.15 million is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

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

**B1. Performance review - Current quarter 31 March 2019 ("1Q2019") versus ("vs") the corresponding quarter 31 March 2018 ("1Q2018")**

	1Q 2019 RM'000	1Q 2018 RM'000	Changes RM'000	%
Revenue	221,842	215,188	6,654	3.1%
Other expenses (net)	(1,690)	(1,727)	37	-2.1%
Profit before interest and tax	46,835	47,296	(461)	-1.0%
Profit before tax	44,943	43,681	1,262	2.9%
Profit after tax	37,816	36,943	873	2.4%
Profit after tax attributable to owners of the Company	33,218	31,667	1,551	4.9%

<b>Revenue</b>				
Power	169,891	161,037	8,854	5.5%
Resources	32,839	37,181	(4,342)	-11.7%
Property	2,075	2,099	(24)	-1.1%
Sub-total	204,805	200,317	4,488	2.2%
Investment holding & others	17,037	14,871	2,166	14.6%
Total revenue	221,842	215,188	6,654	3.1%

<b>Profit before tax</b>				
Power	45,053	42,610	2,443	5.7%
Resources	3,415	6,778	(3,363)	-49.6%
Property	1,163	1,029	134	13.0%
Sub-total	49,631	50,417	(786)	-1.6%
Investment holding & others	(4,688)	(6,736)	2,048	-30.4%
Total profit before tax	44,943	43,681	1,262	2.9%

<b>Significant income/(expense) items:</b>				
Construction revenue	169,891	161,037	8,854	5.5%
Construction profit	45,618	42,931	2,687	6.3%
Gain from quoted investments	9	9	-	0.0%
Gain/(Loss) on foreign exchange	2,111	(1,974)	4,085	206.9%

**B1. Performance review - 1Q2019 vs 1Q2018 (Cont'd)**

**Continuing Operations**

Group revenue from continuing operations came in at RM221.8 million, marginally higher than RM215.2 million achieved a year ago, as a 5.5% increase in construction revenue more than offset a 11.7% decline revenue contribution from the Resources Division.

Group pre-tax profit in the current quarter was 2.9% higher at RM44.9 million, compared to RM43.7 million reported in the same period last year. Improvement in Group PBT was primarily attributable to a 6.3% increase in construction profit and foreign exchange gain of RM2.1 million (1Q2018: loss of RM2.0 million), partially offset by a 49.6% decline in profit contribution from the Resources Division.

**Power Division (Don Sahong)**

Physical completion of Don Sahong for the quarter under review was 8.3%, marginally higher than 8.2% recorded a year ago. Construction revenue rose 5.5% to RM169.9 million (1Q2018: RM161.0 million) on higher physical completion and translation gain arising from a 4.2% strengthening of the US Dollar against the Malaysia Ringgit. Correspondingly, construction profit rose 6.3% to RM45.6 million (1Q 2018: RM42.9 million).

**Resources Division**

The Resources Division recorded a 11.7% decline in revenue to RM32.8 million against RM37.2 million in the same period last year due to a 13.2% decline in sales revenue of lime products from RM34.2 million to RM29.7 million. Revenue contribution from other products improved marginally by RM0.2 million due mainly to higher sales of limestone.

Revenue from lime products was adversely affected by 15.1% decline in sales volume, partially mitigated by a 2.3% increase in the average selling price mainly as a result of a 4.2% rise of the US Dollar against the Malaysia Ringgit. Sales volume of lime products in the current quarter was negatively impacted by lower industrial output by existing customers on slower economic activities and an uncertain domestic and regional economic outlook.

Pre-tax profit fell at a sharper rate of 49.6% to RM3.4 million (1Q2018: RM6.8 million). Lower sales volume aside, margins were adversely affected by higher unit production costs resulting from lower plant utilization rate and the completion of Kiln 8.

**Property Division**

There was no development income recognised in both periods. Rental income in the current quarter remained stable year-on-year at RM2.1 million.

Pre-tax profit however increased 13.0% to RM1.16 million (1Q2018: RM1.03 million) primarily on lower staff costs and property maintenance expenses.

**B2. Performance review**

(a) Assets and Liabilities

Significant changes in key assets and liabilities during the 3-month period ended 31 March 2019 are explained below:

<b>Asset/Liability Items</b>	<b>As At 31.3.2019 RM'000</b>	<b>As At 31.12.2018 RM'000</b>	<b>Changes RM'000</b>	<b>Explanation</b>
Property, plant and equipment ("PPE")	291,113	287,392	3,721	Increase primarily due to RM8.7 million capital expenditures as follows: <ul style="list-style-type: none"> <li>- RM4.1 million on expanding flexible packaging production capacity;</li> <li>- RM1.5 million on kiln expansion by the Resources Division; and,</li> <li>- RM2.8 million on plantation development in Cambodia.</li> </ul> Partially offset RM4.9 million assets write off and depreciation charge.
Intangible asset	1,784,529	1,635,027	149,502	Intangible asset represents the cumulative construction revenue recognised for the Don Sahong Hydropower Project.
Investment properties	177,212	177,212	-	No movement in the current quarter.
Inventories (non-current)	43,443	43,443	-	Represents land held for property development. No movement in the current quarter.
Investment in quoted shares	45,502	43,247	2,255	Increase was due to an increase in the market value of quoted securities.

**B2. Performance review (Cont'd)**

(a) Assets and Liabilities (Cont'd)

Significant changes in key assets and liabilities during the 3-month period ended 31 March 2019 are explained below:

<b>Asset/Liability Items</b>	<b>As At 31.3.2019 RM'000</b>	<b>As At 31.12.2018 RM'000</b>	<b>Changes RM'000</b>	<b>Explanation</b>
Inventories (current)	62,350	64,230	(1,880)	No significant change in the level of inventories held by the Group.
Receivables	86,224	93,101	(6,877)	Decrease was mainly attributable to realisation of RM6.7 million 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 quarter.
Deferred tax liabilities	94,050	88,342	5,708	Increase was mainly due to additional deferred tax provision on Don Sahong's construction profit recognised in the current quarter.
Payables (current)	281,696	286,995	(5,299)	Decrease was mainly due to lower payables recorded by the Resources Division.

## B2. Performance review (Cont'd)

### (b) Group borrowings and debt securities

As at 31 March 2019, total borrowings (exclude hire purchase) amounted to RM684.7 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	
<b>Secured</b>					
Bankers' acceptance	-	-	-	10,003	10,003
Term loans	553,721	27,996	-	23,511	605,228
Bank overdrafts	-	-	-	1,456	1,456
Revolving credits	-	-	-	53,000	53,000
	553,721	27,996	-	87,970	669,687
<b>Unsecured</b>					
Revolving credits	-	-	-	15,000	15,000
<b>Total bank borrowings</b>	<u>553,721</u>	<u>27,996</u>	<u>-</u>	<u>102,970</u>	<u>684,687</u>

The increase in total borrowings since 31 December 2018 was primarily attributable to a drawdown of RM94.0 million from the club-deal loan facility to part finance the construction of the Don Sahong project.

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

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

The Group has no debt securities as at 31 March 2019.

### (c) Cash flow analysis for the 3-month period ended 31 March 2019

The Group generated RM1.9 million cash from its operating activities during the 3-month period ended 31 March 2019.

In the same period, the Group spent RM123.2 million on investing activities comprising mainly RM115.0 million on Don Sahong Hydropower Project and RM8.7 million on capex as described above. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM91.3 million to RM683.2 million (31.12.2018: RM591.9 million) while cash and cash equivalents decreased RM24.5 million to RM97.6 million (31.12.2018: RM122.1 million).

**B3. Variation of Current Quarter (“1Q2019”) versus (“vs”) Preceding Quarter (“4Q 2018”)**

**Continuing Operations**

	<b>1Q 2019</b>	<b>4Q 2018</b>	<b>Changes</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	221,842	220,928	914	0.4%
Other (expenses)/income, net	(1,690)	1,927	(3,617)	-187.7%
Profit before interest and tax	46,835	51,766	(4,931)	-9.5%
Profit before tax	44,943	50,833	(5,890)	-11.6%
Profit after tax	37,816	36,179	1,637	4.5%
Profit after tax attributable to owners of the Company	33,218	30,620	2,598	8.5%

<b>Revenue</b>				
Power	169,891	167,123	2,768	1.7%
Resources	32,839	31,576	1,263	4.0%
Property	2,075	2,587	(512)	-19.8%
Sub-total	204,805	201,286	3,519	1.7%
Investment holding & others	17,037	19,642	(2,605)	-13.3%
<b>Total revenue</b>	<b>221,842</b>	<b>220,928</b>	<b>914</b>	<b>0.4%</b>

<b>Profit before tax</b>				
Power	45,053	47,433	(2,380)	-5.0%
Resources	3,415	3,268	147	4.5%
Property	1,163	1,316	(153)	-11.6%
Sub-total	49,631	52,017	(2,386)	-4.6%
Investment holding & others	(4,688)	(1,184)	(3,504)	295.9%
<b>Total profit before tax</b>	<b>44,943</b>	<b>50,833</b>	<b>(5,890)</b>	<b>-11.6%</b>

<b>Significant income/(expense) items:</b>				
Construction revenue	169,891	167,123	2,768	1.7%
Construction profit	45,618	47,741	(2,123)	-4.4%
Gain from quoted investments	9	237	(228)	-96.2%
Gain on foreign exchange	2,111	2,403	(292)	-12.2%



### **B3. Variation of 1Q2019 vs 4Q2018 (Cont'd)**

Excluding discontinued operations, Group revenue edged up 0.4% quarter-on-quarter to RM221.9 million (4Q2018: RM220.9 million). A 1.7% increase in construction revenue and a 4.0% rise in revenue of the Resources Division were largely offset by a 19.8% decline in the Property Division and a 13.3% decline in revenue contribution from Investment Holding and Others.

Group's PBT however declined 11.6% to RM44.9 million quarter-on-quarter mainly as a result of a 4.4% decline in construction profit and higher losses incurred at Investment Holding and Others.

#### **Power Division (Don Sahong)**

Physical completion of 8.3% for the current quarter was 0.3% higher than what was reported in the preceding quarter. Hence, construction revenue increased correspondingly to RM169.9 million (4Q2018: RM167.2 million).

However, construction profit was 4.4% or RM2.1 million lower due to a one-off cumulative positive adjustment of RM3.2 million recognised in 4Q2018 following a US\$1 million downward revision of Group's project cost on lower estimated financing fees.

#### **Resources Division**

Resources Division's revenue was 4.0% or RM1.2 million higher quarter-to-quarter mainly due to a 5.5% increase in sales of lime products. Other products registered a marginal decline due to lower sales of calcium carbonate powder.

Sales volume of lime products rose 7.2% quarter-on-quarter. However, the average selling price was 1.3% lower on currency effects.

Pre-tax profit improved 4.5% to RM3.4 million (4Q2018: RM3.3 million) on higher revenue.

#### **Property Division**

Revenue decreased 19.8% or RM0.5 million to RM2.1 million due to the absence of development income. The division sold one unit of development property in the previous quarter. Rental income was stable quarter-on-quarter.

Pre-tax profit decreased 11.6% to RM1.2 million due to the absence of development income.

## **B4. Prospects**

### **Don Sahong Hydropower Project (“Don Sahong Project”)**

Overall progress of Don Sahong Project has reached 87.3% physical completion at 31 March 2019 and is on schedule. Dry test on the first turbine is underway, while the installation of the first three turbines are already completed. Wet test is expected to start in 3Q2019.

With 12.7% physical completion left to recognise, construction revenue and profit from Don Sahong is expected to decline in second half of 2019 (“2H2019”). The projected decline in construction revenue and profit in 2H2019 is however expected to be compensated by test energy sales which are expected to commence in the 2H2019 when the four turbines are progressively being tested and commissioned. The Project is expected to achieve full completion by the end of 2019

### **Resources Division**

Resources division is expected to face headwinds from slower industrial activities in the region resulting from global economic uncertainties and heightened geo-political risks. To compensate for slower demand from existing customers, management will continue to work towards securing new customers/projects.

Barring any significant fluctuation in the foreign exchange rates, the average selling price of lime products is expected to remain relatively stable. While cost pressure experienced in 2018 from rising Petcoke, transportation and packaging material costs has stabilised in recent months, overall kiln capacity utilisation has declined following the completion of Kiln 8 in December 2018. In the absence of demand growth, lower capacity utilisation is expected to add pressure to unit production cost in 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 RM11 million as at 31 March 2019.

**B5. Profit forecast**

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

**B6. Income tax expense**

	1st Quarter Ended 31 March		3-Month Period Ended 31 March	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b><u>Continuing operations</u></b>				
- Malaysian	647	596	647	596
- Overseas	6,480	6,142	6,480	6,142
	<u>7,127</u>	<u>6,738</u>	<u>7,127</u>	<u>6,738</u>
<b><u>Discontinued operations</u></b>				
- Malaysian	587	250	587	250
- Overseas	-	-	-	-
	<u>587</u>	<u>250</u>	<u>587</u>	<u>250</u>
	<u>7,714</u>	<u>6,988</u>	<u>7,714</u>	<u>6,988</u>

The Group's effective tax rate for the current quarter and 3-month period ended 31 March 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 22 May 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 lawsuit are disclosed in Note A14(a).

Other than as disclosed above, there was no material litigation as at 22 May 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 is payable on 12 July 2019 to entitled shareholders as at 21 June 2019 and has not been included as a liability in these financial statements.
- (b) No dividend has been proposed or declared for the 3-month period ended 31 March 2019.

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

	1st Quarter Ended 31 March		3-Month Period Ended 31 March	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b><u>Continuing Operations</u></b>				
<b>After crediting:</b>				
Dividend income	15	9	15	9
Gain on disposal of:				
- property, plant and equipment	-	13	-	13
Gain on foreign exchange:				
- realised	2,094	-	2,094	-
- unrealised	17	-	17	-
Interest income	445	498	445	498
<b>After charging:</b>				
Allowance for impairment losses on:				
- receivables, net	(996)	-	(996)	-
Amortisation of land use rights	(1,588)	-	(1,588)	-
Depreciation of property, plant and equipment	(4,302)	(3,911)	(4,302)	(3,911)
Interest expense	(1,893)	(3,615)	(1,893)	(3,615)
Loss on foreign exchange:				
- realised	-	(840)	-	(840)
- unrealised	-	(1,134)	-	(1,134)
(Write-down)/Writeback in value of inventories	(98)	104	(98)	104
Write-off of plant and equipment	(556)	(3)	(556)	(3)
<b>After other comprehensive income/(expenses)</b>				
Foreign currency translation difference for foreign operations	(12,408)	(36,872)	(12,408)	(36,872)
Fair value changes of equity investments	2,255	(6,528)	2,255	(6,528)
Fair value changes of interest rate swap	(2,151)	3,570	(2,151)	3,570

## B11. Earnings per share

	1st quarter ended		3-month period ended	
	31 March		31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>(a) Basic earnings per share</b>				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	33,218	31,667	33,218	31,667
- Discontinued operations	438	(163)	438	(163)
	<u>33,656</u>	<u>31,504</u>	<u>33,656</u>	<u>31,504</u>
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	417,364	410,786	417,364	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	68	101	68	101
- Warrants	65	-	65	-
	<u>397,000</u>	<u>390,390</u>	<u>397,000</u>	<u>390,390</u>
Basic earnings per share (sen):				
- Continuing operations	8.37	8.11	8.37	8.11
- Discontinued operations	0.11	(0.04)	0.11	(0.04)
- Total	<u>8.48</u>	<u>8.07</u>	<u>8.48</u>	<u>8.07</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 3-month period ended 31 March 2019 excluding treasury shares held by the Company.

**B11. Earnings per share (Cont'd)**

	1st quarter ended 31 March		3-month period ended 31 March	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>(b) Diluted earnings per share</b>				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	33,218	31,667	33,218	31,667
- Discontinued operations	438	(163)	438	(163)
	<u>33,656</u>	<u>31,504</u>	<u>33,656</u>	<u>31,504</u>
Weighted average number of ordinary shares ('000)	397,000	390,390	397,000	390,390
Weighted average number of shares under options and warrants ('000)	77,103	83,370	77,103	83,370
Weighted average number of shares that would have been issued at average market price ('000)	(46,179)	(51,071)	(46,179)	(51,071)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>427,924</u>	<u>422,689</u>	<u>427,924</u>	<u>422,689</u>
Diluted earnings per share (sen):				
- Continuing operations	7.76	7.49	7.76	7.49
- Discontinued operations	0.10	(0.04)	0.10	(0.04)
- Total	<u>7.86</u>	<u>7.45</u>	<u>7.86</u>	<u>7.45</u>

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

**B12. Authorised for issue**

These interim financial statements were authorised for issue by the Board of Directors on 29 May 2019.