

Mega First Corporation Berhad
Registration No. 196601000210 (6682-V)
Incorporated in Malaysia

Interim Financial Report
31 March 2022

Mega First Corporation Berhad
Registration No. 196601000210 (6682-V)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For The 3-Month Period Ended 31 March 2022**

	1st Quarter Ended		3 Months Period Ended		
	31.3.2022	31.3.2021	31.3.2022	31.3.2021	
	RM'000	RM'000	RM'000	RM'000	
Revenue	272,384	193,718	272,384	193,718	
Cost of sales	(153,616)	(94,783)	(153,616)	(94,783)	
Gross profit	118,768	98,935	118,768	98,935	
Other (expenses)/income	(2,749)	3,097	(2,749)	3,097	
Operating expenses	(13,642)	(10,281)	(13,642)	(10,281)	
Profit from operations	102,377	91,751	102,377	91,751	
Finance costs	(6,060)	(4,883)	(6,060)	(4,883)	
Share of results in equity accounted investments, net of tax	4,141	-	4,141	-	
Profit before tax	100,458	86,868	100,458	86,868	
Income tax expense	(3,975)	(1,282)	(3,975)	(1,282)	
Profit after tax for the period	96,483	85,586	96,483	85,586	
Other comprehensive (expenses)/income	(23,132)	104,481	(23,132)	104,481	
Total comprehensive income for the period	73,351	190,067	73,351	190,067	
Profit after tax attributable to:					
Owners of the Company	81,338	73,343	81,338	73,343	
Non-controlling interests	15,145	12,243	15,145	12,243	
	96,483	85,586	96,483	85,586	
Total comprehensive income attributable to:					
Owners of the Company	56,040	172,705	56,040	172,705	
Non-controlling interests	17,311	17,362	17,311	17,362	
	73,351	190,067	73,351	190,067	
EPS - Basic (sen)	B11	8.60	7.74	8.60	7.74

The notes set out on pages 7 to 26 form an integral part and should be read in conjunction with this interim financial report.

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2022

	Unaudited As At 31.3.2022 RM'000	Audited As At 31.12.2021 RM'000
ASSETS		
Non-Current Assets		
Service concession asset	1,920,778	1,922,289
Property, plant and equipment	427,540	410,393
Investment properties	165,203	165,203
Right of use assets	128,304	129,325
Investment in quoted shares	160,476	200,067
Inventories	43,443	43,443
Joint Ventures and Associates	153,063	145,952
Goodwill on consolidation	54,673	54,673
Other assets	1,078	1,157
	3,054,558	3,072,502
Current Assets		
Inventories	141,306	128,858
Receivables	391,917	408,666
Contract assets	1,607	1,587
Bank balances and deposits	356,076	257,649
	890,906	796,760
TOTAL ASSETS	3,945,464	3,869,262
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	743,121	743,121
Treasury shares	(37,261)	(36,869)
Reserves	1,709,806	1,686,852
	2,415,666	2,393,104
Non-Controlling Interests	365,149	346,472
Total Equity	2,780,815	2,739,576
Non-Current Liabilities		
Long-term borrowings	478,482	504,586
Deferred tax liabilities	120,239	119,508
Put option liability	90,337	89,657
Lease liabilities	15,916	15,589
Payables	552	540
	705,526	729,880
Current Liabilities		
Payables	174,817	118,515
Short-term borrowings	278,303	273,295
Lease liabilities	6,003	7,996
	459,123	399,806
Total Liabilities	1,164,649	1,129,686
TOTAL EQUITY AND LIABILITIES	3,945,464	3,869,262
Net Assets Per Ordinary Share (RM)	2.56	1.27

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Registration No. 196601000210 (6682-V)

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 3-month period ended 31 March 2022

	← Non-Distributable →			Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2021	743,121	(30,046)	(52,790)	33,955	27,394	1,205,876	1,927,510	238,102	2,165,612
Total comprehensive income for the period	-	-	45,277	54,085	-	73,343	172,705	17,362	190,067
Contributions by and distributions to owners of the Company:									
- Dividends to shareholders of the Company	-	-	-	-	-	(30,789)	(30,789)	-	(30,789)
Gain on accretion of interest in a subsidiary	-	-	-	-	-	2,768	2,768	(2,768)	-
Subscription of shares in subsidiary by non-controlling interest	-	-	-	-	-	-	-	3,330	3,330
Gain arising from disposal of equity investments recycled to retained profits	-	-	-	385	-	(385)	-	-	-
Balance at 31.3.2021	743,121	(30,046)	(7,513)	88,425	27,394	1,250,813	2,072,194	256,026	2,328,220

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Mega First Corporation Berhad
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Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 3-month period ended 31 March 2022

	← Non-Distributable →						Distributable			Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2022	743,121	(36,869)	847	140,324	27,394	(88,556)	1,606,843	2,393,104	346,472	2,739,576
Total comprehensive income for the period	-	-	14,292	(39,590)	-	-	81,338	56,040	17,311	73,351
Contributions by and distributions to owners of the Company:										
- Dividends to shareholders of the Company	-	-	-	-	-	-	(33,086)	(33,086)	-	(33,086)
Purchase of treasury shares	-	(392)	-	-	-	-	-	(392)	-	(392)
Subscription of shares in subsidiaries by non-controlling interest	-	-	-	-	-	-	-	-	1,366	1,366
Balance at 31.3.2022	743,121	(37,261)	15,139	100,734	27,394	(88,556)	1,655,095	2,415,666	365,149	2,780,815

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Mega First Corporation Berhad
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Unaudited Condensed Consolidated Statement of Cash Flows
For the 3-month period ended 31 March 2022

	3 Months Period Ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	100,458	86,868
Adjustments for non-cash flow - Non-cash items	30,064	24,095
- Non-operating items	2,121	2,896
Operating profit before working capital changes	132,643	113,859
Changes in working capital - Net change in assets	7,446	39,217
- Net change in liabilities	22,893	6,716
Cash from operations	162,982	159,792
Income tax paid	(1,164)	(1,617)
Net cash from operating activities	161,818	158,175
Cash flows for investing activities		
Cash outflow for Don Sahong Hydropower Project	(9,944)	(6,073)
Dividends received	18	27
Interest received	3,233	312
Investment in joint ventures and associates	(2,970)	-
Payments for purchase of:		
- property, plant and equipment	(22,720)	(24,265)
- right of use assets	(851)	(180)
- quoted shares	-	(26)
Proceeds from disposal of:		
- property, plant and equipment	8	17
- quoted shares	-	402
Net cash for investing activities	(33,226)	(29,786)

The notes set out on pages 7 to 26 form an integral part and should be read in conjunction with this interim financial report.

	3 Months Period Ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Cash flows for financing activities		
Finance costs paid	(5,380)	(4,883)
Net repayment of:		
- Revolving credits, trade financing and loans	(988)	(2,680)
- Lease liabilities	(1,698)	(1,520)
- Term loans	(24,735)	(3,740)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	1,366	3,330
Purchase of treasury shares	(392)	-
Placement of deposits pledged with banks	(25)	478
Net cash for financing activities	<u>(31,852)</u>	<u>(9,015)</u>
Effect of foreign exchange translation	1,955	2,039
Net increase in cash and cash equivalents	98,695	121,413
Cash and cash equivalents at beginning of the period	251,937	89,949
Cash and cash equivalents at end of the period	<u>350,632</u>	<u>211,362</u>

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

Bank balances and deposits	356,076	215,656
Bank overdrafts	(637)	(1,114)
Less:		
- Deposits pledged with licensed banks	(4,807)	(3,180)
	<u>350,632</u>	<u>211,362</u>

The notes set out on pages 7 to 26 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 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 2021.

- (a) During the current quarter ended 31 March 2022, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

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

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment –
Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2021

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

- (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 financial year ending 31 December 2022:

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

Effective Date

MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 - Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 2021.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

A3. Seasonal or cyclical factors

The Group's principal business operations were not significantly affected by seasonal or cyclical factors other than its Renewable Energy Division where hydropower generation is subject to seasonal fluctuation of the water level. Normally, the water level will peak between June to November during the wet season. More detailed commentary is set out in B3 and B4 to these financial statements.

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 January 2022	988,352	(42,932)	743,121	(36,869)
Shares repurchased in current period	-	(114)	-	(392)
At 31 March 2022	<u>988,352</u>	<u>(43,046)</u>	<u>743,121</u>	<u>(37,261)</u>

Of the total 988,352,102 issued ordinary shares as at 31 March 2022, 43,046,300 ordinary shares were held as treasury shares by the Company. Accordingly, the number of outstanding ordinary shares in issue as at 31 March 2022 was therefore 945,305,802.

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. Segment information

3-Month Period Ended 31 March 2022	Renewable Energy RM'000	Resources RM'000	Packaging RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	125,358	45,320	94,790	6,916	-	272,384
Inter-segment revenue	-	-	-	459	(459)	-
Consolidated revenue	125,358	45,320	94,790	7,375	(459)	272,384
Results						
Profit from operations	86,504	5,442	10,007	1,230	(806)	102,377
Finance costs						(6,060)
Share of profit in equity accounted investments						4,141
Profit before tax						100,458
Income tax expense						(3,975)
Profit after tax						96,483

3-Month Period Ended 31 March 2021	Renewable Energy RM'000	Resources RM'000	Packaging RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	114,235	44,564	30,680	4,239	-	193,718
Inter-segment revenue	-	-	-	3,445	(3,445)	-
Consolidated revenue	114,235	44,564	30,680	7,684	(3,445)	193,718
Results						
Profit from operations	82,171	6,173	3,143	3,628	(3,364)	91,751
Finance costs						(4,883)
Share of profit in equity accounted investments						-
Profit before tax						86,868
Income tax expense						(1,282)
Profit after tax						85,586

A9. Dividend paid

No dividend was paid during the current quarter ended 31 March 2022.

A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 18 May 2022, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Significant events during the reporting period

There was no significant event during the reporting period.

The Coronavirus Disease 2019 (“COVID-19”) outbreak and the various governmental measures to contain the spread of the virus in Malaysia and elsewhere in the world did not have an adverse material impact to the earnings of the Group in the current quarter ended 31 March 2022, as detailed in B1 and B3 to these financial statements.

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 18 May 2022, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

The ongoing COVID-19 outbreak and governmental measures are not expected to have a material impact to the overall earnings of the Group.

A13. Changes in composition of the Group

The change in the composition of the Group for current quarter ended 31 March 2022 is disclosed as follows:

1. On 26 January 2022, the Company incorporated a wholly-owned subsidiary, namely Mega Ventures Limited with an issued and paid-up capital of USD1,000. The principal activity of Mega Ventures Limited is that of investment holding.
2. On 7 February 2022, the Company incorporated a wholly-owned subsidiary, namely TT Kinta Sdn Bhd with an issued and paid-up capital of RM5,000. The principal activity of TT Kinta Sdn Bhd is that of investment holding.
3. On 14 February 2022, the Company incorporated a 100%-owned subsidiary, namely Integrated Smart Technologies Sdn Bhd (“IST”) with an issued and paid-up capital of RM3. The principal activity of IST is that of investment holding. The Group’s shareholding in IST was subsequently reduced to 28.83% following allotment of new IST shares on 25 February 2022 and 1 April 2022.
4. On 29 March 2022, the Company incorporated a 50.05%-owned subsidiary, namely United Excellence Sdn Bhd with issued and paid-up capital of RM1,001. The principal activity of United Excellence Sdn Bhd is that of investment holding.

A14. Changes in contingent liabilities and assets

(a) Contingent liability

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

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

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

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

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

Based on advice from both its tax consultants and solicitors, IHSB is of the view that the assessment raised by IRBM are statute barred and erroneous in law. IHSB filed its appeals against the assessments to the Special Commissioners of Income Tax ("SCIT") on 28 October 2016. On 1 September 2021, SCIT dismissed IHSB's appeals.

IHSB registered the appeal with the High Court on 15 September 2021. On 18 April 2022, the High Court Judge allowed IHSB's appeal.

On 20 April 2022, IRBM filed an appeal with the Court of Appeal against the decision of the High Court. The Court of Appeal has fixed the case management on 14 June 2022.

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

(a) Contingent liability (Cont'd)

By virtue of the consent judgement with the Government dated 5 October 2018, IHSB does not have to pay the taxes imposed by IRBM under the Assessments until all legal avenues have been exhausted.

Other than as disclosed above, there was no material contingent liability as at 18 May 2022, 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 18 May 2022, 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 2022, the Group has the following capital commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
- Contracted	261,928
- Non-contracted	261,579
	<hr/>
	523,507
	<hr/> <hr/>

A16. Significant related party transactions

There was no significant related party transaction during the current quarter ended 31 March 2022 other than the following commitment made by the Company:

	As at 31.3.2022 RM'000
Corporate guarantees given to lenders and supplier of a joint venture's subsidiary	<hr/>
	302,500
	<hr/>

A17. Derivative financial instruments

	31.3.2022	31.12.2021
	RM'000	RM'000
<u>Derivative liability</u>		
Put option liability over shares of a subsidiary held by non-controlling interest	90,337	89,657

The Company entered into a Put Option Agreement with the minority shareholders of a subsidiary whereby the minority shareholders have the right to require the Company to buy their equity interest in the subsidiary in accordance to the terms of the Put Option Agreement.

The obligation by the Company to purchase subsidiary's equity interest held by the minority interest is initially recognised as put option liability with a corresponding charge direct to equity (classified as "Other Reserve"). Subsequent to the initial recognition, the put option will be remeasured at fair value and any changes in fair value is recognised in profit or loss. A RM680,000 fair value loss was recognised in the current quarter.

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

B1. Performance review - Current quarter ended 31 March 2022 (“1Q2022”) versus (“vs”) the corresponding quarter ended 31 March 2021 (“1Q2021”)

Continuing Operations

	1Q2022	1Q2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue	272,384	193,718	78,666	40.6%
Other (expense)/income, net	(2,749)	3,097	(5,846)	-188.8%
Earning before interest, tax, depreciation and amortisation ("EBITDA")	128,851	114,949	13,902	12.1%
Operating profit	102,377	91,751	10,626	11.6%
Profit before tax	100,458	86,868	13,590	15.6%
Profit after tax	96,483	85,586	10,897	12.7%
Profit after tax attributable to owners of the Company	81,338	73,343	7,995	10.9%
Revenue				
Renewable Energy	125,358	114,235	11,123	9.7%
Resources	45,320	44,564	756	1.7%
Packaging	94,790	30,680	64,110	209.0%
Sub-total	265,468	189,479	75,989	40.1%
Investment holding & others	6,916	4,239	2,677	63.2%
Total revenue	272,384	193,718	78,666	40.6%
Profit before tax				
Renewable Energy	82,991	78,178	4,813	6.2%
Resources	5,299	5,990	(691)	-11.5%
Packaging	8,846	2,597	6,249	240.6%
Sub-total	97,136	86,765	10,371	12.0%
Investment holding & others	3,322	103	3,219	-3125.2%
Total profit before tax	100,458	86,868	13,590	15.6%
Additional Information:				
Share of profit in joint ventures and associates	4,141	-	4,141	na
Gain on foreign exchange	2,268	1,784	484	-27.1%

B1. Performance review - 1Q2022 vs 1Q2021 (Cont'd)

Group revenue in the current quarter surged 40.6% to RM272.4 million (1Q2021: RM193.7 million), underpinned by higher sales contribution across all three core divisions. Notably, the Renewable Energy Division's revenue grew 9.7% to RM125.4 million, while that of the Packaging Division and the Resources Division increased 209.0% to RM94.8 million and 1.7% to RM45.3 million, respectively.

Pre-tax profit improved 15.6% to RM100.5 million (1Q2021: RM86.9 million) largely due to higher profit contribution from the Renewable Energy Division and the Packaging Division which witnessed an increase of 6.2% to RM83.0 million and 240.6% to RM8.8 million, respectively. PBT of the Resources Division fell 11.5% to RM5.3 million.

Investment Holding & Others Division's pre-tax profit improved year-on-year mainly on RM4.1 million share of profits in equity accounted investments especially for the joint venture entity of Edenor Technology Sdn Bhd and its subsidiaries ("Edenor Group") which made a remarkable turnaround in earnings during the current quarter. The 50:50% joint venture posted a profit after tax of almost RM8 million following successful execution of its turnaround strategy under favourable market conditions.

Renewable Energy Division

Revenue came in 9.7% higher at RM125.4 million, bolstered mainly by higher hydro and solar energy sales volume, Ringgit's weaken against the US Dollar and a 1% hydro tariff adjustment on 1 October 2021.

Don Sahong's Equivalent Availability Factor ("EAF") of 84.7% in the current quarter was higher than 81.3% in the same period last year on higher average water level during this dry season. C&I Solar recorded RM1.4 million sales revenue from RM0.2 million a year ago on higher installed capacity of 14.5 MW (1Q2021: 1.5 MW). During the quarter, the Ringgit weakened on average by 3.2% from RM4.06 to RM4.19.

Pre-tax profit advanced 6.2% to RM83.0 million (1Q2021: RM78.2 million), primarily on higher hydropower energy income in Laos.

B1. Performance review - 1Q2022 vs 1Q2021 (Cont'd)

Resources Division

The Resources Division registered sales growth of 1.7% year-on-year from RM44.6 million to RM45.3 million, underpinned by a 6.7% increase in average selling price ("ASP") of lime products, partly offset by a 4.2% decline in sales volume of lime products. Revenue contribution from the other products (including calcium carbonate powder, quarry by-products and cement bricks) declined slightly by 2.7% to RM4.6 million.

Domestic sales volume of lime products, which benefitted from a recovery in domestic economic activities, rose 4.2%. However, the increase in domestic volume was more than offset by a 9.2% contraction in export volume. Exports were negatively impacted by transport restrictions before Hari Raya haulage and shipping constraints.

Despite a higher average selling price, margins were adversely affected by continuous fuel cost escalation, lower production volume and higher transport and electricity charges. Compared to a year ago, the average Petcoke price has risen more than 50% in the current quarter. Consequently, pre-tax profit fell 11.5% year-on-year to RM5.3 million.

Packaging Division

The Packaging Division's revenue tripled to RM94.8 million (1Q2021: RM30.7 million) in the current quarter due to a RM55.7 million contribution from recently acquired Stenta (1Q2021: Nil) and improved sales performance of Hexachase. Hexachase sales revenue, which rose 27.5% from RM30.7 million to RM39.1 million, continues to benefit from increased orders from both existing and new customers, locally and abroad.

The Division's pre-tax profit soared 240.6% to RM8.8 million from RM2.6 million posted a year ago mainly on profit contribution from Stenta. Hexachase profit was declined 11.7% year-on-year as margins were negatively impacted by higher raw material costs. Despite some price adjustments, Hexachase was not able to fully pass on the cost increases to end customers due to the highly competitive nature of the converting business.

B2. Performance Review of Assets, Liabilities and Cash Flow as at 31 March 2022

(a) Assets and Liabilities

Changes in key assets and liabilities since 31 December 2021 are explained below:

Asset/Liability Items	As At 31.3.2022 RM'000	As At 31.12.2021 RM'000	Changes RM'000	Explanation
Service concession asset	1,920,778	1,922,289	(1,511)	The decrease was due to RM20.4 million amortisation charge, partially offset by RM18.9 million translation gain.
Property, plant and equipment ("PPE")	427,540	410,393	17,147	The increase was due to RM23.8 million CAPEX and RM0.6 million translation gain, partially offset by RM7.3 million depreciation charge. CAPEX for the period comprised mainly the following: (a) RM17.2 million to expand the production capacity of Packaging Division; (b) RM2.5 million on plantation development in Cambodia; and (c) RM1.6 million on expansion of automotive parts production facility.
Investment properties	165,203	165,203	-	No movement in the current quarter.
Right-Of-Use ("ROU") assets	128,304	129,325	(1,021)	No significant movement in the current quarter
Investment in quoted shares	160,476	200,067	(39,591)	The decrease was due to fair value loss of quoted securities during the current quarter.
Inventories (non-current)	43,443	43,443	-	No movement in the current quarter.

B2. Performance Review of Assets, Liabilities and Cash Flow as at 31 March 2022 (Cont'd)

(a) Assets and Liabilities (Cont'd)

Changes in key assets and liabilities since 31 December 2021 are explained below: (Cont'd)

Asset/Liability Items	As At 31.3.2022 RM'000	As At 31.12.2021 RM'000	Changes RM'000	Explanation
Inventories (current)	141,306	128,858	12,448	The increase was in line with higher revenue base in the Resources and Packaging Divisions.
Receivables	391,917	408,666	(16,749)	The decrease was mainly due improved trade receivable collection from EDL.
Deferred tax liabilities	120,239	119,508	731	No significant movement in the current quarter
Payables (current)	174,817	118,515	56,302	The increase was mainly due to RM33.1 million interim dividend provision and higher payable recorded at the Resources and Packaging Divisions on higher purchases.

B2. Performance Review of Assets, Liabilities and Cash Flow as at 31 March 2022 (Cont'd)

(b) Group borrowings and debt securities

The Table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD	RM	USD	RM	As at 31.03.2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Trade financing and loans	-	-	-	49,835	49,835
Term loans	-	83,118	-	23,475	106,593
Bank overdrafts	-	-	-	637	637
Revolving credit	-	-	-	95,000	95,000
	-	83,118	-	168,947	252,065
Unsecured Loan					
Term loan	395,364	-	109,356	-	504,720
Total Borrowings	395,364	83,118	109,356	168,947	756,785

At 31 March 2022, total borrowings (exclude lease liabilities) amounted to RM756.8 million, a RM21.1 million decrease from RM777.9 million at the beginning of the year. The decrease was mainly due RM25.7 million loan repayment (exclude lease payments), partly offset by RM4.9 million translation loss of USD-denominated loan.

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

The Group has no debt securities as at 31 March 2022.

(c) Cash flow analysis for the current quarter ended 31 March 2022

The Group generated RM161.8 million (1Q2021: RM158.2 million) after-tax cash from its operating activities during the 3-month period ended 31 March 2022, primarily from collection of hydropower energy sale in Laos.

During the period, the Group spent RM33.2 million on investing activities, comprising mainly:

1. RM23.6 million on CAPEX, as explained above; and
2. RM9.9 million for Don Sahong, being partial payment of project cost and prepayments for the 5th turbine expansion.

In the same period, RM7.1 million finance costs (including lease payments) were paid to the Group's lenders.

After factoring in translation loss of USD-denominated bank balance and loan, Group net debt declined 23% or RM119.5 million from RM520.2 million at the beginning of the year to RM400.7 million at the end of the reporting period.

B3. Variation of Current Quarter (“1Q2022”) versus (“vs”) Preceding Quarter (“4Q2021”)

	1Q2022	4Q2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue	272,384	280,619	(8,235)	-2.9%
Other (expense)/income, net	(2,749)	1,900	(4,649)	-244.7%
Earning before interest, tax, depreciation and amortisation ("EBITDA")	128,851	153,672	(24,821)	-16.2%
Operating profit	102,377	125,627	(23,250)	-18.5%
Profit before tax	100,458	240,988	(140,530)	-58.3%
Profit after tax	96,483	236,582	(140,099)	-59.2%
Profit after tax attributable to owners of the Company	81,338	212,806	(131,468)	-61.8%
Revenue				
Renewable Energy	125,358	146,641	(21,283)	-14.5%
Resources	45,320	43,329	1,991	4.6%
Packaging	94,790	84,105	10,685	12.7%
Sub-total	265,468	274,075	(8,607)	-3.1%
Investment holding & others	6,916	6,544	372	5.7%
Total revenue	272,384	280,619	(8,235)	-2.9%
Profit before tax				
Renewable Energy	82,991	109,901	(26,910)	-24.5%
Resources	5,299	4,385	914	20.8%
Packaging	8,846	10,671	(1,825)	-17.1%
Sub-total	97,136	124,957	(27,821)	-22.3%
Investment holding & others	3,322	116,031	(112,709)	-97.1%
Total profit before tax	100,458	240,988	(140,530)	-58.3%
Additional Information:				
Share of profit in joint ventures and associates	4,141	122,026	(117,885)	-96.6%
Gain/(Loss) on foreign exchange	2,268	(2,814)	5,082	180.6%

Group turnover declined 2.9% quarter-to-quarter from RM280.6 million to RM272.4 million, attributable mainly to a 14.5% decline of renewable energy sales, mitigated by higher revenue contribution from the Packaging Division (up 12.7%) and the Resources Division (up 4.6%). The lower hydro energy generation resulted from the onset of dry season in December 2021.

Group pre-tax profit before share of profit in joint ventures and associate fell 19.0% to RM96.3 million (4Q2021: RM119.0 million) mainly due to a 24.5% decline in profit contribution from the Renewable Energy Division to RM83.0 million and a 17.1% decline in the Packaging Division to RM8.8 million, partially offset by a 20.8% increase in PBT of the Resources Division to RM5.3 million.

B3. Variation of 1Q2022 vs 4Q2021 (Cont'd)

Share of profit in joint venture and associate in the preceding quarter was boosted by a RM125.1 million one-off unallocated bargain gain from the acquisition of Emery's oleochemical business in Malaysia by Edenor Group on 1 November 2021. Excluding this one-off gain, the share of earnings in joint venture and associate swung from a RM3.2 million loss in 4Q2021 to a profit of RM4.1 million in the current quarter. The sharp operational turnaround of Edenor Group was the result of successful revamp of the business by the new management team since 1 November 2021 amidst a favorable market environment.

Renewable Energy Division

Following the onset of the dry season in December 2021, the EAF of Don Sahong registered a sequential decline from 97.5% in 4Q2021 to 84.7% in 1Q2022. Consequently, revenue fell 14.5% quarter-on-quarter to RM125.4 million (4Q2021: RM146.6 million). C&I solar revenue in the two periods were stable at RM1.4 million.

Pre-tax profit decreased 24.5% to RM83.0 million (4Q2021: RM109.9 million) in the current quarter on lower revenue and stable fixed operation and maintenance costs.

Resources Division

Revenue registered a 4.6% sequential growth in the current quarter to RM45.3 million (4Q2021: RM43.3 million) on improved sales performance of lime products. Sales volume of lime products expanded 2.2% while the average selling price rose 3.7% as the division progressively adjusted selling price to help defray sharp increases in fuel and energy costs.

Pre-tax profit expanded 20.8% sequentially to RM5.3 million on higher sales revenue and improved capacity utilisation.

Packaging Division

The Packaging Division posted a 12.7% sequential growth in revenue to RM94.8 million (4Q2021: RM84.1 million) as demand across its product range remained robust.

However, pre-tax profit declined 17.1% quarter-to-quarter to RM8.8 million as margins of the converting business were squeezed by higher cost of key raw materials and lower capacity utilisation post expansion.

B4. Prospects

The ongoing global supply chain disruptions, escalating inflationary cost pressures, rapidly rising interest rate environment and tight labour market are several key challenges the Group will need to manage in the coming year.

The Group has so far navigated these challenging times by exercising prudence, proactiveness and decisiveness in all our management decisions. The first quarter performance is testament to a combined management effort across all our businesses.

Overall, excluding the RM125.1 million one-off bargain gain from the acquisition of Emery's oleochemical business in 2021, we expect the Group to deliver another year of healthy earnings growth in 2022, driven primarily by expected improved earnings performance of the Renewable Energy Division and the Packaging Division, and a sustainable turnaround of the Group's joint venture company, Edenor Group, as further described below.

The Board does not expect the minimum wage hike in Malaysia to RM1,500 per month from 1 May 2022 to have a material impact to Group earnings.

Renewable Energy Division

Hydropower - Don Sahong

With sustained higher water levels during this year's dry season that will extend to May 2022, we expect the EAF in 2Q2022 to come in higher than the 95.2% registered in the same period last year. The EAF during the wet season in the 2H2022 is expected to be similar to that in 2H2021.

The functional currency of Don Sahong is the US Dollar. As such, the recent strengthening of the US Dollar ("USD") against the Malaysia Ringgit ("MYR") if sustained, will contribute positively on the Division's earnings in MYR terms when compared to a year ago. The average USD:MYR exchange rate is 4.400 at the present time, 6% higher than the average rate in 2021 of 4.144.

The increase in the Fed's benchmark interest rate (YTD +0.75%) and an expected further rate hike(s) later this year to rein in inflation means higher interest expense in 2H2022. At 31 March 2022, the Group's outstanding USD denominated borrowing for Don Sahong stood at approximately US\$120 million.

Overall, we expect Don Sahong earnings in Malaysia Ringgit to improve year-on-year in 2022 as higher energy sales volume, a 1% annual tariff adjustment on 1 October and currency gains are expected to more than offset higher interest expense.

Construction of the 5th turbine, which commenced in December 2021, is progressing according to schedule. Management expects the expansion to be completed in 3Q2024.

B4. Prospects (Cont'd)

Solar - Commercial & Industrial (“C&I”) Projects

Solar energy earnings are expected to improve progressively in 2022 in tandem with the Group’s expanding C&I solar portfolio. Currently, projects amounting to 14.5 MW are already operational and 6.3 MW are under construction with estimated completion dates in July/August 2022. The Group has further secured another 21.2 MW, including an 11.4 MW with the Maldivian state utility company. These newly secured projects are expected to be progressively completed and energized over the next 24 months.

As an on-going effort, management will continue to selectively explore and seize new solar business opportunities.

Resources Division

The operating environment of the Resources Division is expected to remain fluid and challenging. Cost pressures arising mainly from higher fuel and energy costs are mounting. While domestic and regional demand is projected to remain firm, margins are under pressure. Management is proactively and progressively engaging with customers to review and adjust selling prices to defray production cost increases. Barring any unforeseen circumstances, the Board expects earnings of the Resources Division to be satisfactory.

Packaging Division

We expect the top line demand growth momentum of Hexachase to continue in the remaining quarters of 2022 on increasing demand for its paper bags and flexible packaging products from new and existing customers, both locally and overseas. Nonetheless, continuous supply chain issues and a tight labour market could pose risk to this growth assumption.

The impact of higher raw material costs and other inflationary pressure remain a concern. Management is however optimistic of recovering some lost margin through production efficiency gains on higher volumes.

Construction of a new factory on a 10.4-acre land in Melaka is proceeding as planned. We expect the new factory building to be completed by end 2Q2023, followed by progressive fitting out of machinery capacity starting from 2H2023.

Earnings contribution from Stenta, which is currently operating at near full capacity, is expected to remain stable for the remaining part of the year. To support its future growth, plans are underway to construct a new factory cum office building in the adjacent 6.7-acre empty land in Bangi. We expect construction of the factory to complete by June 2023. In phase one of the expansion, we intend to install two new blown film lines and another two lines a year later.

B5. Profit forecast

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

B6. Income tax expense

	1st Quarter Ended		3-Month Period Ended	
	31 March		31 March	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	3,975	1,282	3,975	1,282
Overseas	-	-	-	-
	<u>3,975</u>	<u>1,282</u>	<u>3,975</u>	<u>1,282</u>

The Group's effective tax rate for the current quarter ended 31 March 2022 was significantly lower than the Malaysia's statutory tax rate of 24% mainly because the profit derived from energy sales in the Lao People's Democratic Republic ("Lao PDR") is exempted from income tax during the period until the end of the 5th anniversary of Don Sahong Plant's commercial operation date ("COD").

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 18 May 2022, 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 18 May 2022, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividends

A final single-tier dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2021 was declared on 25 February 2022, and paid to entitled shareholders on 18 April 2022. The aforesaid dividend has been included as a liability in these financial statements.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
After crediting:				
Dividend income	18	27	18	27
Gain on disposal of:				
- property, plant and equipment	8	17	8	17
Gain on foreign exchange:				
- unrealised	2,347	1,807	2,347	1,807
Interest income	3,233	1,943	3,233	1,943
After charging:				
Impairment losses on:				
- receivables, net	(6,290)	(749)	(6,290)	(749)
Amortisation of:				
- service concession asset	(20,371)	(19,746)	(20,371)	(19,746)
- other intangible asset	(79)	-	(79)	-
Depreciation of:				
- property, plant and equipment	(7,332)	(4,011)	(7,332)	(4,011)
- right-of-use assets	(1,925)	(1,384)	(1,925)	(1,384)
Finance costs	(6,060)	(4,883)	(6,060)	(4,883)
Loss on foreign exchange:				
- realised	(79)	(23)	(79)	(23)
Plant and equipment written off	(1)	-	(1)	-
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	16,458	50,396	16,458	50,396
Fair value changes of equity investments	(39,590)	54,085	(39,590)	54,085

B11. Earnings per share

	1st Quarter Ended		3-Month Period Ended	
	31 March		31 March	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit after tax attributable to owners of the Company	81,338	73,343	81,338	73,343
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	988,352	988,352	988,352	988,352
Effect of treasury shares held	(42,961)	(40,994)	(42,961)	(40,994)
	945,391	947,358	945,391	947,358
Basic earnings per share (sen)	8.60	7.74	8.60	7.74

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 ended 31 March 2022, excluding treasury shares held by the Company.

The diluted earnings per share is equal to the basic earnings per share as there is no outstanding potentially dilutive equity instruments issued by the Company as at 31 March 2022.

B12. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 25 May 2022.