

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

Interim Financial Report
30 June 2023

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Second Quarter and 6-Month Period Ended 30 June 2023

	2nd Quarter Ended		6-Month Period Ended		
	30.6.2023	30.6.2022	30.6.2023	30.6.2022	
	RM'000	RM'000	RM'000	RM'000	
Revenue	325,653	331,865	673,006	604,249	
Cost of sales	(188,559)	(189,357)	(414,779)	(342,973)	
Gross profit	137,094	142,508	258,227	261,276	
Other income	22,296	13,990	40,620	20,976	
Other operating expenses	(12,491)	(15,864)	(37,589)	(26,279)	
Administrative and distribution expenses	(15,480)	(13,858)	(31,017)	(27,500)	
Profit from operations	131,419	126,776	230,241	228,473	
Finance costs	(8,882)	(5,835)	(18,012)	(11,215)	
Share of results in equity accounted investments, net of tax	(8,057)	5,309	(5,746)	9,450	
Profit before tax	114,480	126,250	206,483	226,708	
Income tax expense	(5,461)	(4,525)	(20,289)	(8,500)	
Profit after tax for the period	109,019	121,725	186,194	218,208	
Other comprehensive income	106,529	63,576	117,114	40,444	
Total comprehensive income for the period	215,548	185,301	303,308	258,652	
Profit after tax attributable to:					
Owners of the Company	88,609	100,840	159,157	182,178	
Non-controlling interests	20,410	20,885	27,037	36,030	
	109,019	121,725	186,194	218,208	
Total comprehensive income attributable to:					
Owners of the Company	176,982	153,018	256,208	209,058	
Non-controlling interests	38,566	32,283	47,100	49,594	
	215,548	185,301	303,308	258,652	
EPS - Basic (sen)	B11	9.38	10.67	16.84	19.27

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2023

	Unaudited As At 30.6.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS		
Non-Current Assets		
Service concession asset	2,017,073	1,940,823
Property, plant and equipment	510,730	481,679
Investment properties	165,203	165,203
Right of use assets	116,736	119,021
Investment in quoted shares	134,070	152,305
Inventories	40,167	43,443
Joint Ventures and Associates	174,527	174,561
Development Expenditures	122,837	74,574
Goodwill on consolidation	54,673	54,673
Other assets	353	353
	3,336,369	3,206,635
Current Assets		
Inventories	129,638	147,882
Receivables and prepayments	435,395	437,252
Short-term investments	15,000	5,000
Bank balances and deposits	581,649	492,254
	1,161,682	1,082,388
TOTAL ASSETS	4,498,051	4,289,023
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	743,121	743,121
Treasury shares	(42,831)	(37,261)
Reserves	2,264,601	2,044,787
	2,964,891	2,750,647
Non-Controlling Interests	474,756	440,379
Total Equity	3,439,647	3,191,026
Non-Current Liabilities		
Long-term borrowings	334,907	396,749
Deferred tax liabilities	129,363	124,320
Put option liability	86,743	84,702
Lease and hire purchase liabilities	4,374	4,155
Payables	8,663	9,149
	564,050	619,075
Current Liabilities		
Payables and accruals	155,168	155,726
Short-term borrowings	335,068	316,204
Lease and hire purchase liabilities	4,118	6,992
	494,354	478,922
Total Liabilities	1,058,404	1,097,997
TOTAL EQUITY AND LIABILITIES	4,498,051	4,289,023
Net Assets Per Ordinary Share (RM)	3.14	2.91

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 6-month period ended 30 June 2022

	← Non-Distributable				→ Distributable					
	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	Total Equity 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	-	-	88,475	(61,595)	-	-	182,178	209,058	49,594	258,652
Total transactions with owners										
- Dividends to shareholders of the Company	-	-	-	-	-	-	(33,086)	(33,086)	-	(33,086)
- Purchase of treasury shares		(392)	-	-	-	-	-	(392)	-	(392)
	-	(392)	-	-	-	-	(33,086)	(33,478)	-	(33,478)
Subscription of shares in subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	2,000	2,000
Balance at 30.6.2022	743,121	(37,261)	89,322	78,729	27,394	(88,556)	1,755,935	2,568,684	398,066	2,966,750

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 6-month period ended 30 June 2023

	← Non-Distributable				→ Distributable					
	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	Total Equity RM'000
Balance at 1.1.2023	743,121	(37,261)	77,088	92,331	27,394	(88,556)	1,936,530	2,750,647	440,379	3,191,026
Total comprehensive income for the period	-	-	115,286	(18,235)	-	-	159,157	256,208	47,100	303,308
Total transactions with owners:										
- Dividends to shareholders of the Company	-	-	-	-	-	-	(36,394)	(36,394)	-	(36,394)
- Distribution by a subsidiary	-	-	-	-	-	-	-	-	(7,576)	(7,576)
- Purchase of treasury shares	-	(5,570)	-	-	-	-	-	(5,570)	-	(5,570)
	-	(5,570)	-	-	-	-	(36,394)	(41,964)	(7,576)	(49,540)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(5,147)	(5,147)
Balance at 30.6.2023	743,121	(42,831)	192,374	74,096	27,394	(88,556)	2,059,293	2,964,891	474,756	3,439,647

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 6-month period ended 30 June 2023

	6-Month Period Ended	
	30.6.2023	30.6.2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	206,483	226,708
Adjustments for non-cash flow - Non-cash items	95,845	62,092
- Non-operating items	(4,769)	9,608
Operating profit before working capital changes	297,559	298,408
Changes in working capital - Net change in assets	(2,454)	(3,854)
- Net change in liabilities	3,850	44,567
Cash from operations	298,955	339,121
Income tax paid	(5,590)	(2,131)
Net cash from operating activities	293,365	336,990
Cash flows for investing activities		
Cash outflow for Don Sahong Hydropower Project	(41,934)	(46,674)
Dividends received	743	712
Interest received	10,326	883
Investment in joint ventures and associates	(5,712)	(11,469)
Payments for purchase of:		
- property, plant and equipment	(47,025)	(35,930)
- right of use assets	(561)	(25,077)
- other intangible assets	-	(582)
- quoted shares	-	(26)
- short-term investment	(10,000)	-
Proceeds from disposal of:		
- property, plant and equipment	77	12
Net cash outflow from disposal of a subsidiary	(646)	-
Net cash for investing activities	(94,732)	(118,151)

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 6-month period ended 30 June 2023

	6-Month Period Ended	
	30.6.2023	30.6.2022
	RM'000	RM'000
Cash flows for financing activities		
Dividends paid to:		
- shareholders of the Company	(36,394)	(33,086)
- subsidiary's non-controlling interests	(7,576)	-
Finance costs paid	(18,012)	(11,215)
Net repayment of:		
- Revolving credits, trade financing and loans	(14,671)	9,012
- Lease and hire purchase liabilities	(3,515)	(2,612)
- Term loans	(53,654)	(34,047)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	-	2,000
Purchase of treasury shares	(5,570)	(392)
(Placement)/Withdrawal of deposits pledged with licensed banks or with original maturity period of more than 3 months	(7,637)	471
Net cash for financing activities	<u>(147,029)</u>	<u>(69,869)</u>
Effect of foreign exchange translation	<u>28,732</u>	<u>8,248</u>
Net increase in cash and cash equivalents	<u>80,336</u>	<u>157,218</u>
Cash and cash equivalents at beginning of the period	<u>482,773</u>	<u>251,937</u>
Cash and cash equivalents at end of the period	<u><u>563,109</u></u>	<u><u>409,155</u></u>

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

Bank balances and deposits	581,649	413,466
Bank overdrafts	(1,422)	-
	<u>580,227</u>	<u>413,466</u>
Less:		
- Deposits placed with licensed banks with original maturity period of more than 3 months	(14,277)	(2,069)
- Deposits pledged with licensed banks	(2,841)	(2,242)
	<u>563,109</u>	<u>409,155</u>

The notes set out on pages 7 to 28 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 2022.

- (a) 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 2022, except for the following new accounting standards and interpretations (including the consequential amendments) which were adopted at the beginning of the financial year ending 31 December 2023. These pronouncements are either not relevant or do not have any material impact on the Group’s financial statements for the current financial year.

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

MFRS 17 Insurance Contracts

Amendments to MFRS 17 - Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 financial year ending 31 December 2023:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
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 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

The above pronouncements are either not relevant or not expected to have any material impact to the Group's financial statements.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2022 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 and November during the wet season. More detailed commentary is set out in Notes 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 other than as disclosed in Note A10.

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 2023	988,352	(43,046)	743,121	(37,261)
Shares repurchased in current period	-	(1,717)	-	(5,570)
At 30 June 2023	<u>988,352</u>	<u>(44,763)</u>	<u>743,121</u>	<u>(42,831)</u>

Of the total 988,352,102 issued ordinary shares as at 30 June 2023, 44,763,200 ordinary shares were held as treasury shares by the Company. Accordingly, the number of outstanding ordinary shares in issue as at 30 June 2023 was 943,588,902.

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

6-Month Period Ended 30 June 2023	Renewable Energy RM'000	Resources RM'000	Packaging RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	273,326	108,173	203,896	87,611	-	673,006
Inter-segment revenue	-	-	-	1,133	(1,133)	-
Consolidated revenue	<u>273,326</u>	<u>108,173</u>	<u>203,896</u>	<u>88,744</u>	<u>(1,133)</u>	<u>673,006</u>
Results						
Profit from operations	<u>205,964</u>	<u>11,965</u>	<u>19,039</u>	<u>(4,559)</u>	<u>(2,168)</u>	<u>230,241</u>
Finance costs						(18,012)
Share of loss in equity accounted investments						(5,746)
Profit before tax						<u>206,483</u>
Income tax expense						(20,289)
Profit after tax						<u>186,194</u>
Total assets						
At 30 June 2023	<u>2,924,888</u>	<u>359,800</u>	<u>494,370</u>	<u>910,416</u>	<u>(191,423)</u>	<u>4,498,051</u>

A7. Segment information (Cont'd)

6-Month Period Ended 30 June 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	276,884	95,236	195,521	36,608	-	604,249
Inter-segment revenue	-	-	-	900	(900)	-
Consolidated revenue	276,884	95,236	195,521	37,508	(900)	604,249
Results						
Profit from operations	198,003	9,425	20,771	3,273	(1,637)	229,835
Finance costs						(12,577)
Share of profit in equity accounted investments						9,450
Profit before tax						226,708
Income tax expense						(8,500)
Profit after tax						218,208
Total assets						
At 31 December 2022	2,700,607	337,685	496,788	922,690	(168,747)	4,289,023

A8. Dividend paid

Details of dividend declared and paid during the current quarter and 6-month period ended 30 June 2023 are disclosed in B9 to these financial statements.

A9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 17 August 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A10. Significant event during the reporting period

Tax dispute between 65%-owned subsidiary, Idaman Harmoni Sdn. Bhd. (“IHSB”) and the Inland Revenue Board of Malaysia (“IRBM”) in relation to notices of additional tax assessment and penalties amounting to RM22,795,912 (before late payment penalty) served by IRBM to IHSB on 5 October 2016 for Year of Assessment (“YA”) 2009 and 2010.

On 2 March 2023, the Court of Appeal (the apex court for this case) allowed the IRBM’s appeal against the High Court’s decision. This effectively reinstates the decision of the Special Commissioners of Income tax (“SCIT”) made on 1 September 2021 which affirmed the assessments. Consequently, a one-off provision of RM11.4 million income tax and RM14.9 million penalties were made in the first quarter of 2023.

Other than as disclosed above, there was no other significant event during the reporting period.

A11. 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 17 August 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A12. Changes in composition of the Group

Change in the composition of the Group during the current quarter and 6-month period ended 30 June 2023 is disclosed as follows:

1. On 20 March 2023, the Company incorporated an indirect 99%-owned subsidiary, namely Mega First Solar (Maldives) Consortium Pvt Ltd (“MFSMC”) with an authorised capital of Maldivian Rufiyaa 100,000. The principal activity of MFSMC is to install solar photovoltaic system under design, build, finance, own, operate and transfer (“DBFOOT”) basis; and
2. On 30 May 2023, Mega First Power Industries Sdn Bhd (“MFPI”), a wholly-owned subsidiary of the Company has disposed of its 51% equity interest in its subsidiary, Serudong Power Sdn Bhd (“SPSB”) with net assets of approximately RM300,000, together with 49% minority shareholders for an aggregate cash consideration of RM2,300,000. Thereafter, SPSB has ceased to be a subsidiary of the Company.

A13. Changes in contingent liabilities and assets

(a) Contingent liability

The Group has no contingent liability as at 17 August 2023, 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 17 August 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A14. Capital commitments

As at 30 June 2023, the Group has the following capital commitments:

	RM'000
Property, plant and equipment	
Approved and contracted for	282,904
	<u>282,904</u>

A15. Significant related party transactions

There was no significant related party transaction during the current quarter and 6-month period ended 30 June 2023 other than the following commitment made by the Company:

	As at 30.6.2023 RM'000
Corporate guarantees given to lenders and supplier of joint ventures and associates	251,828
	<u>251,828</u>

A16. Derivative financial instruments

	30.6.2023	31.12.2022
	RM'000	RM'000
<u>Derivative liability</u>		
Put option liability over shares of a subsidiary held by non-controlling interest	86,743	84,702

The Company entered into a Put Option Agreement with the minority shareholders of Stenta Group 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 Stenta Group 's equity interest held by the minority shareholders 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.

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

B1. Performance review - Current quarter ended 30 June 2023 (“2Q2023”) versus (“vs”) the corresponding quarter ended 30 June 2022 (“2Q2022”)

	2Q2023 RM'000	2Q2022 RM'000	Changes	
			RM'000	%
Revenue	325,653	331,865	(6,212)	-1.9%
Other income/(loss), net	9,805	(1,192)	10,997	N.M.
Earning before interest, tax, depreciation and amortisation ("EBITDA")	152,025	153,863	(1,838)	-1.2%
Operating profit	131,419	127,458	3,961	3.1%
Profit before tax	114,480	126,250	(11,770)	-9.3%
Profit after tax	109,019	121,725	(12,706)	-10.4%
Profit after tax attributable to owners of the Company	88,609	100,840	(12,231)	-12.1%
Revenue				
Renewable Energy	144,859	151,526	(6,667)	-4.4%
Resources	52,362	49,916	2,446	4.9%
Packaging	100,371	100,731	(360)	-0.4%
Sub-total	297,592	302,173	(4,581)	-1.5%
Investment Holding & Others	28,061	29,692	(1,631)	-5.5%
Total revenue	325,653	331,865	(6,212)	-1.9%
Profit before tax				
Renewable Energy	105,558	108,089	(2,531)	-2.3%
Resources	5,802	3,800	2,002	52.7%
Packaging	8,104	9,313	(1,209)	-13.0%
Sub-total	119,464	121,202	(1,738)	-1.4%
Investment Holding & Others	(4,984)	5,048	(10,032)	N.M.
Total profit before tax	114,480	126,250	(11,770)	-9.3%
Additional Information:				
Share of (loss)/profit in equity accounted investments	(8,057)	5,309	(13,366)	N.M.
Inventories written off	(3,276)	-	(3,276)	N.M.
Plant and equipment written off	-	(4,499)	4,499	-100.0%
Gain on foreign exchange	8,516	7,194	1,322	18.4%

Group revenue in the current quarter registered a marginal 1.9% decline to RM325.7 million (2Q2022: RM331.9 million) primarily due to a 4.4% drop in revenue of Renewable Energy Division to RM144.9 million.

PBT before Investment Holding & Others fell slightly by 1.4% to RM119.5 million mainly due to a 2.3% decline in PBT of Renewable Energy Division to RM105.6 million and a 13.0% contraction in PBT of Packaging Division to RM8.1 million, partially offset by a 52.7% increase in Resources Division to RM5.8 million.

Investment Holding & Others swung from a pre-tax profit of RM5.0 million to a pre-tax loss of RM5.0 million mainly attributable to RM8.4 million share of loss in joint venture Edenor, compared to a share of profit of RM4.4 million in the same period last year.

B1. Performance review - 2Q2023 vs 2Q2022 (Cont'd)

Edenor suffered a significant loss in the current quarter due to substantial capacity loss from the three major plants' annual maintenance cum extensive upgrading works amidst a soft consumer market and intensified competition.

Renewable Energy Division

Revenue decreased 4.4% to RM144.9 million (2Q2022: RM151.5 million) due to a 9.5% drop in hydro energy sales volume, partly offset by a 4.1% currency gain, 1% hydro tariff adjustment (from 1 October 2022) and a 43.5% improvement in solar energy sales to RM2.1 million on higher installed C&I solar capacity at 20.5 MW (2Q2022: 14.5 MW).

Don Sahong experienced sub-normal dry season in the current quarter. In contrast, water level was exceptionally high in 2Q2022. Hence, when compared to the same period last year, Don Sahong recorded a 9.3%-point year-on-year drop in Equivalent Availability Factor ("EAF") to 88.7% (2Q2022: 98.0%).

Pre-tax profit however fell disproportionately less than the rate of revenue decline by 2.3% to RM105.6 million (2Q2022: RM108.1 million) mainly on lower net interest expense.

Resources Division

The Resources Division registered sales growth of 4.9% from RM49.9 million to RM52.4 million. Sales of lime products rose 4.5% to RM48.0 million (2Q2022: RM45.9 million), due mainly to export currency gain which more than offset a slight decline in sales volume amid an economic slowdown. Sales of non-lime products (including calcium carbonate powder, quarry by-products and cement bricks) grew 9.1% to RM4.4 million (2Q2022: RM4.0 million).

Pre-tax profit rose 52.7% to RM5.8 million (2Q2022: RM3.8 million) on higher revenue and a favourable change in the sales mix.

Packaging Division

Despite a softening consumer spending, revenue came in flat year-on-year at RM100.4 million. Pre-tax profit however decreased 13.0% to RM8.1 million (2Q2022: RM9.3 million) on keener price competition.

B2. Performance review - Year-to-date 30 June 2023 (“1H2023”) versus (“vs”) corresponding Year-to-date 30 June 2022 (“1H2022”) (Cont’d)

	1H2023 RM'000	1H2022 RM'000	Changes	
			RM'000	%
Revenue	673,006	604,249	68,757	11.4%
Other income/(loss), net	3,031	(3,941)	6,972	N.M.
Earning before interest, tax, depreciation and amortisation ("EBITDA")	271,171	282,714	(11,543)	-4.1%
Operating profit	230,241	229,835	406	0.2%
Profit before tax	206,483	226,708	(20,225)	-8.9%
Profit after tax	186,194	218,208	(32,014)	-14.7%
Profit after tax attributable to owners of the Company	159,157	182,178	(23,021)	-12.6%
Revenue				
Renewable Energy	273,326	276,884	(3,558)	-1.3%
Resources	108,173	95,236	12,937	13.6%
Packaging	203,896	195,521	8,375	4.3%
Sub-total	585,395 ▲	567,641	17,754	3.1%
Investment Holding & Others	87,611	36,608	51,003	139.3%
Total revenue	673,006	604,249	68,757	11.4%
Profit before tax				
Renewable Energy	194,097	191,080	3,017	1.6%
Resources	11,571	9,099	2,472	27.2%
Packaging	15,415	18,159	(2,744)	-15.1%
Sub-total	221,083 ▲	218,338	2,745	1.3%
Investment Holding & Others	(14,600)	8,370	(22,970)	-274.4%
Total profit before tax	206,483	226,708	(20,225)	-8.9%
Additional Information:				
Share of (loss)/profit in equity accounted investments	(5,746)	9,450	(15,196)	N.M.
Inventories written off	(3,276)	-	(3,276)	N.M.
Plant and equipment written off	(3)	(4,500)	4,497	-99.9%
Gain on foreign exchange	14,302	9,462	4,840	51.2%
Income tax penalties	(14,929)	-	(14,929)	N.M.

In the first 6-months of 2023, the Group registered a 11.4% growth in revenue to RM673.0 million (1H2022: RM604.2 million). The increase was mainly attributable to a RM71.0 million sales contribution from Tawau power plant recorded under “Investment Holding and Others” (1H2022: RM26.5 million). The Tawau power plant was recommissioned in May 2022 and was subsequently disposed on 30 May 2023 (Note A12).

The Group’s core divisions posted a 3.1% increase in revenue to RM585.4 million driven by a 13.6% increase in Resources Division to RM108.2 million and a 4.3% improvement in the Packaging Division to RM203.9 million, which more than offset a marginal 1.3% decline in Renewable Energy Division to RM273.3 million.

Excluding the share of earnings in joint ventures/associates and RM14.9 million tax penalties (further explained in Note A10), pre-tax profit increased 4.6% to RM227.2 million, underpinned by a 1.6% increase in Renewable Energy Division to RM194.1 million, a 27.2% increase in Resources Division to RM11.6 million and higher forex gain, partially set off by a 15.1% decline in Packaging Division to RM15.4 million.

B2. Performance review – 1H2023 vs 1H2022 (Cont'd)

Associates and joint ventures posted a share of loss of RM5.7 million, compared to RM9.5 million share of profit in the same period last year. During the first half of this year, the Group recorded a RM5.7 million share of loss from Edenor (1H2022: RM8.4 million share of profit). As explained earlier, Edenor suffered a significant capacity loss during the period from major maintenance cum extensive upgrading works amid a weak consumer market and intensified competition.

Renewable Energy Division

Don Sahong hydro energy sales volume was 6.7% lower in the first 6 months of this year when compared to the previous year. The decline in energy volume was attributable to scheduled turbine maintenance in 1Q 2023 (none in 2022) and sub-normal dry season in 2Q2023 (versus unusually high water level in the same period last year). Consequently, Don Sahong registered a 6.1%-point decrease in the average EAF from 91.4% in 1H2022 to 85.3% in the current period.

Lower hydro energy volume was however largely offset by 4.4% currency gain, a 1% tariff adjustment on 1 October 2022 and a 34.9% increase in solar revenue to RM3.9 million, resulting in only a marginal 1.3% decline in overall revenue for the division to RM273.3 million (1H2022: RM276.9 million)

Despite marginally lower revenue, pre-tax profit improved 1.6% from RM191.1 million to RM194.1 million on lower net interest expense.

Resources Division

Revenue of the Resources Division posted a growth rate of 13.6% from RM95.2 million in 1H2022 to RM108.2 million in 1H2023, bolstered by stronger demand for lime products and export currency gain.

Pre-tax profit expanded 27.2% to RM11.6 million in 1H2023 (1H2022: RM9.1 million), on higher revenue and a favourable change in the sales mix.

Packaging Division

Despite a challenging operating environment, the Packaging Division registered a 4.3% increase in revenue to RM203.9 million (1H2022: RM195.5 million), bolstered by improved sales performance of both paper and flexible plastic packing products.

Pre-tax profit however contracted 15.1% year-on-year from RM18.2 million in 1H2022 to RM15.4 million in the current period on margin erosion from stiffer price competition.

B2. Performance review - 1H2023 vs 1H2022 (Cont'd)

(a) Assets and Liabilities as at 30 June 2023

Changes in key assets and liabilities since 31 December 2022 are explained below:

Asset/Liability Items	As At 30.6.2023 RM'000	As At 31.12.2022 RM'000	Changes RM'000	Explanation
Service concession asset	2,017,073	1,940,823	76,250	The increase was due to translation gain of RM119.6 million, partially offset by RM43.3 million amortisation charge.
Property, plant and equipment ("PPE")	510,730	481,679	29,051	The increase was due to RM47.0 million CAPEX comprising mainly the followings: (a) RM21.2 million for plantation development; (b) RM14.9 million by Packaging Division for plant expansion; and (c) RM8.8 million for C&I solar power development. partially offset by RM17.1 million depreciation charge for the period.
Investment properties	165,203	165,203	-	No movement in the current year.
Right-Of-Use ("ROU") assets	116,736	119,021	(2,285)	The decrease was largely due to depreciation charge for the period.
Development expenditures	122,837	74,574	48,263	The increase was attributable to progressive development of Don Sahong 5 th turbine expansion project.
Joint ventures and associates	174,527	174,561	(34)	The decrease was due to RM5.7 million share of loss for the period, offset by RM5.7 million new investment.
Investment in quoted shares	134,070	152,305	(18,235)	The decrease was due to fair value loss of quoted securities.

B2. Performance review - 1H2023 vs 1H2022 (Cont'd)

(a) Assets and Liabilities as at 30 June 2023 (Cont'd)

Changes in key assets and liabilities since 31 December 2022 are explained below: (Cont'd)

Asset/Liability Items	As At 30.6.2023 RM'000	As At 31.12.2022 RM'000	Changes RM'000	Explanation
Inventories (non-current)	40,167	43,443	(3,276)	The decrease was due to write-off of non-qualifying expenses previously capitalised.
Inventories (current)	129,638	147,882	(18,244)	The decrease was mainly due to lower stock level recorded by the Packaging Division.
Receivables and prepayments	435,395	437,252	(1,857)	The marginal decrease was mainly due to decrease in amount owing from Électricité du Laos ("EDL") and de-consolidation of Serudong Power, largely offset by higher receivables recorded by the Resources and Packaging divisions.
Deferred tax liabilities	129,363	124,320	5,043	The increase was mainly due to translation difference arising from the strengthening of the USD against RM.
Payables and accruals (current)	155,168	155,726	(558)	The marginal decrease was mainly due to RM26.3 million provision for additional income tax and penalties as explained in Note A10, equalised by de-consolidation of Serudong Power and lower payables of the Renewable Energy Division.

B2. Performance review – 1H2023 vs 1H2022 (Cont'd)

(a) 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 30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Trade financing and loans	-	-	-	41,689	41,689
Term loans	-	101,657	-	24,352	126,009
Bank overdrafts	-	-	-	1,422	1,422
Revolving credit	-	-	-	95,000	95,000
	-	101,657	-	162,463	264,120
Unsecured Loan					
Term loan	233,250	-	172,605	-	405,855
Total Borrowings	<u>233,250</u>	<u>101,657</u>	<u>172,605</u>	<u>162,463</u>	<u>669,975</u>

At 30 June 2023, total borrowings (excluding lease and hire purchase liabilities) amounted to RM670.0 million, a decrease of RM43.0 million from RM713.0 million at the end of 2022. The decrease was mainly due to RM66.9 million net loan repayment, partially offset by RM23.9 million translation difference on USD-denominated loan.

Interest rates on the Group's bank borrowings are floating in nature. The Group has no debt securities as at 30 June 2023.

(b) Cash flow analysis for the 6-month period ended 30 June 2023

During the 6-month period ended 30 June 2023, the Group generated RM293.4 million after tax cash from its operating activities and RM11.1 million investment income, of which RM172.8 million was deployed for the followings:

1. RM89.5 million for Capex (as explained above);
2. RM15.7 million for strategic investments;
3. RM44.0 million dividends were paid;
4. RM18.0 million for financing costs paid to lenders;
5. RM5.6 million for shares buy back.

The balance was retained by the Group resulting in a 60.0% improvement in net debt position from RM220.6 million at the beginning of the year to RM88.3 million at 30 June 2023.

B3. Variation of Current Quarter (“2Q2023”) versus (“vs”) Preceding Quarter (“1Q2023”)

	2Q2023	1Q2023	Changes	
	RM'000	RM'000	RM'000	%
Revenue	325,653	347,353	(21,700)	-6.2%
Other income/(loss), net	9,805	(6,774)	16,579	N.M.
Earning before interest, tax, depreciation and amortisation ("EBITDA")	152,025	119,146	32,879	27.6%
Operating profit	131,419	98,822	32,597	33.0%
Profit before tax	114,480	92,003	22,477	24.4%
Profit after tax	109,019	77,175	31,844	41.3%
Profit after tax attributable to owners of the Company	88,609	70,548	18,061	25.6%
Revenue				
Renewable Energy	144,859	128,467	16,392	12.8%
Resources	52,362	55,811	(3,449)	-6.2%
Packaging	100,371	103,525	(3,154)	-3.0%
Sub-total	297,592	287,803	9,789	3.4%
Investment Holding & Others	28,061	59,550	(31,489)	-52.9%
Total revenue	325,653	347,353	(21,700)	-6.2%
Profit before tax				
Renewable Energy	105,558	88,539	17,019	19.2%
Resources	5,802	5,769	33	0.6%
Packaging	8,104	7,311	793	10.8%
Sub-total	119,464	101,619	17,845	17.6%
Investment Holding & Others	(4,984)	(9,616)	4,632	-48.2%
Total profit before tax	114,480	92,003	22,477	24.4%
Additional Information:				
Share of (loss)/profit in equity accounted investments	(8,057)	2,311	(10,368)	N.M.
Inventories written off	(3,276)	-	(3,276)	N.M.
Gain on foreign exchange	8,516	5,786	2,730	47.2%
Income tax penalties	(29)	(14,900)	14,871	-99.8%

Excluding revenue of Tawau power plant which was disposed on 30 May 2023 from both periods, Group revenue rose 2.8% from RM296.8 million in the preceding quarter to RM305.2 million in the current quarter, underpinned mainly by a 12.8% increase in Renewable Energy Division to RM144.9 million, partially offset by a 6.2% decrease in Resources Division to RM52.4 million and 3.0% decline in Packaging Division to RM100.4 million. Including Tawau operations, Group revenue posted a 6.2% decrease to RM325.7 million.

Group PBT before joint ventures/associates' contribution and one-off items (development property inventory write-off and income tax penalties as explained in Notes A10 and B2) registered a 20.3% increase from RM104.6 million to RM125.8 million, bolstered by higher earnings from all core divisions. Notably, PBT of the Renewable Energy Division rose 19.2% to RM105.6 million, while that of Packaging Division increased 10.8% to RM8.1 million.

B3. Variation of 2Q2023 vs 1Q2023 (Cont'd)

Joint ventures and associates recorded a RM8.1 million share of loss in the current quarter compared to a RM2.3 million share of profit in the preceding quarter. As explained earlier, the share of loss in the current quarter arose primarily from Edenor, which suffered significant loss of plant capacity for maintenance and major upgrading works while facing intensified competition in a slowing consumer market.

Renewable Energy Division

The Don Sahong hydropower plant registered an average EAF of 88.7%, a 6.8%-point sequential improvement from 81.9% in 1Q2023 as we progressively exit the dry season. The improvement was also the result of a low base effect arising from turbine maintenance in the preceding quarter. Together with 3% currency gain and a 17.1% increase in C&I solar revenue to RM2.1 million (on 2.7MW solar capacity energised in Feb/Mar 2023), total divisional revenue came in 12.8% higher at RM144.9 million (1Q2023: RM128.5 million).

Pre-tax profit expanded 19.2% to RM105.6 million (1Q2023: RM88.5 million) in the current quarter mainly on higher revenue.

Resources Division

Revenue contracted 6.2% in the current quarter to RM52.4 million (1Q2023: RM55.8 million) mainly on lower export sales volume of lime products. Regional demand for lime products during the current quarter was negatively impacted by slower mining activities in the region.

Pre-tax profit however was maintained at RM5.8 million on a favourable change in the sales mix.

Packaging Division

Divisional revenue fell 3.0% sequentially to RM100.4 million (1Q2023: RM103.5 million) due to slowing consumer demand in a competitive market. Both paper and flexible plastic packing products reported lower sales.

Pre-tax profit however improved 10.8% to RM8.1 million (1Q2023: RM7.3 million) on lower material cost and improvements in production efficiency.

B4. Prospects

Since the last quarter, the Group has been operating under a challenging business environment that is marked by a complex and rapidly evolving landscape. The challenges faced include economic challenges such as demand downturn, cost inflation, currency fluctuations and interest rate hikes, supply chain disruptions, as well as sustainability and environmental concerns. We expect that these challenges will persist throughout the remaining part of financial year 2023.

Despite these challenging circumstances, the Group's earnings have proved resilient, largely due to our strong business foundation, unleveraged balance sheet, high cash generation and prudent capital deployment strategy. We are confident that our proactive management teams will continue to navigate these challenges successfully.

Renewable Energy Division

Hydropower - Don Sahong

We estimate that the average EAF for FYE2023 will be around 91%. There has been no change from the guidance issued on 24 May 2023 when we announced our 1Q2023 results. This EAF is higher than the estimated long-term simulation average of 89%, but lower than the 94.6% recorded in FYE2022. The higher EAF in FYE2022 compared to the current year was due to the absence of annual turbine maintenance as well as exceptionally high water levels during last year's dry season.

Don Sahong's earnings are denominated in USD. Assuming there is no significant change in the RM:USD exchange rate from current levels of about RM4.65/USD, we expect that the lower projected energy sales volume will be offset by currency gain, 1% tariff adjustment and lower net interest expense.

Construction of the 5th turbine is about 60% completed. There has been no change to the target completion date of 3Q2024.

B4. Prospects (Cont'd)

Solar - Commercial & Industrial ("C&I") Projects

Solar energy earnings are expected to continue to improve progressively in tandem with the Group's expanding solar portfolio. As at 30 June 2023, a total of 20.5 MWp C&I solar projects (at 31 Dec 2022: 17.8 MWp) have been completed and energised. At the date of this report, the Group has secured an additional 68.7 MWp solar projects. These projects, as summarised below, will bring the Group's total solar portfolio to 89.2 MWp.

- a) 10.8 MWp C&I solar projects, which are expected to be progressively energised over the next 12 months;
- b) 11.4 MWp solar farm project with Fenaka Corporation Limited, a state utility company in the Republic of Maldives. This project is expected to be completed in 3Q2024; and
- c) 46.5 MWp solar farm project in Malaysia under the Corporate Green Power Programme ("CGPPA") of the Energy Commission. We expect that the project will achieve commercial operation in 2025.

The Ministry of Natural Resources, Environment and Climate Change ("NRECC") recently announced plans to further expand new renewable energy ("RE") initiatives and programs to drive the development of Malaysia's RE industry. We hope that the implementation of these initiatives will open more RE investment opportunities to the Group.

Resources Division

Demand for lime products has softened recently, in line with slowing economic and mining activities in the region. With continued uncertainties surrounding global demand, geopolitical developments and China's domestic challenges, demand for lime products will likely remain soft in the second half of this year.

Management will continue to proactively manage the business, and make necessary adjustments to its sales and marketing strategy to defend its volume and margins.

Overall, we expect that FYE2023's earnings will be better than FYE2022.

B4. Prospects (Cont'd)

Packaging Division

The challenges faced by the Packaging Division in the first half of this year arising from slowing consumer demand and intensified price competition are expected to spillover to the remaining months of financial year 2023.

Amid these challenges, management will strive to broaden its customer base to grow sales, raise production efficiency and reduce wastage to cushion their impact on margins. Barring unforeseen circumstances, we expect the results of Packaging Division in FYE2023 to be satisfactory.

Construction of the two new factory buildings in Melaka (Hexachase) and Bangi (Stenta) remains on track for completion by the end of 2023. Upon completion, production capacity will be progressively added according to the prevailing demand and market conditions.

Joint Venture Investment, Edenor Technology

Management expects progressive margin improvement in the next two quarters following extensive upgrading works and a new facility installation in 1H2023. The process of fine-tuning the upgraded plants and the commissioning of the new facility is expected to continue throughout the 3Q2023. We foresee that plant operations will continue to stabilise and as a result, capacity will rise to new levels. Barring any unforeseen developments, we expect plant capacity to peak only in 4Q2023. Meanwhile, the overall oleochemical industry is expected to remain subdued in line with weak consumer demand.

B5. Profit forecast

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

B6. Income tax expense

	2nd Quarter Ended		6-Month Period Ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Tax expense in Malaysia:				
- current period	5,461	4,525	8,889	8,500
- additional assessment (Note A10)	-	-	11,400	-
	<u>5,461</u>	<u>4,525</u>	<u>20,289</u>	<u>8,500</u>

Excluding additional tax assessment explained in Note A10, the Group's effective tax rate for the current quarter and 6-month period ended 30 June 2023 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 17 August 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations

The Group has no material litigation as at 17 August 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividends

The aforesaid dividend has been included as a liability in these financial statements.

- (a) A final single-tier dividend of 3.85 sen per ordinary share for the financial year ended 31 December 2022 was declared on 27 February 2023 and paid to entitled shareholders on 25 April 2023; and
- (b) The Board has declared an interim single-tier dividend of 4.0 sen per ordinary share for the financial year ending 31 December 2023, of which the entitlement and payment dates will be announced at a later date. Accordingly, total dividend declared to-date for the current financial year is 4.0 sen (30.6.2022: 3.60 sen) per ordinary share.

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

	2nd Quarter Ended 30 June		6-Month Period Ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
After crediting:				
Dividend income	514	694	743	712
Gain on disposal of:				
- a subsidiary	1,020	-	1,020	-
- property, plant and equipment	20	4	77	12
Gain on foreign exchange:				
- realised	7,842	1,307	11,733	1,228
- unrealised	674	5,887	2,569	8,234
Interest income	11,712	4,403	22,982	7,636
Write-back of:				
- impairment loss on receivables	459	-	470	77
After charging:				
Impairment losses on:				
- receivables, net	(6,791)	(7,206)	(13,378)	(13,496)
Amortisation of:				
- service concession asset	(21,992)	(21,145)	(43,328)	(41,516)
- other intangible asset	(89)	(79)	(254)	(158)
Depreciation of:				
- property, plant and equipment	(8,149)	(7,607)	(17,139)	(14,939)
- right-of-use assets	(2,088)	(1,977)	(3,191)	(3,902)
Finance costs	(8,882)	(5,835)	(18,012)	(11,215)
Fair value loss on put option liability	(1,020)	-	(2,041)	-
Write-down in value of inventories	(6)	(16)	(9)	(16)
Inventories written off	(3,276)	-	(3,276)	-
Plant and equipment written off	-	(4,499)	(3)	(4,500)
Tax penalties	(29)	-	(14,929)	-
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations				
- changes in current period	127,328	85,581	135,349	102,039
Fair value changes of equity investments	(20,799)	(22,005)	(18,235)	(61,595)

B11. Earnings per share

	2nd Quarter Ended 30 June		6-Month Period Ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit after tax attributable to owners of the Company	88,609	100,840	159,157	182,178
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	(43,524)	(43,046)	(43,286)	(43,004)
	944,828	945,306	945,066	945,348
Basic earnings per share (sen)	9.38	10.67	16.84	19.27

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 6-month period ended 30 June 2023, excluding treasury shares held by the Company.

The diluted earnings per share is equal to the basic earnings per share as there are no outstanding potentially dilutive equity instruments issued by the Company as at 30 June 2023.

B12. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 24 August 2023.