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

# Interim Financial Report
30 September 2015

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

## Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
## For the 3rd quarter and 9-month period ended 30 September 2015

| | Note | INDIVIDUAL PERIOD Current Year 3rd Quarter 30.9.2015 RM'000 | INDIVIDUAL PERIOD Preceding Year Corresponding 3rd Quarter 30.9.2014 RM'000 | CUMULATIVE PERIOD Current Year To Date 30.9.2015 RM'000 | CUMULATIVE PERIOD Preceding Year Corresponding Period 30.9.2014 RM'000 |
|---|---|---|---|---|---|
| Revenue | A8 | 145,766 | 164,331 | 429,490 | 512,186 |
| Cost of sales | | (108,274) | (117,094) | (319,064) | (374,652) |
| Gross profit | | 37,492 | 47,237 | 110,426 | 137,534 |
| Other income, net | | 18,935 | 5,765 | 34,135 | 6,093 |
| Operating expenses | | (9,850) | (9,203) | (27,776) | (25,364) |
| Profit from operations | | 46,577 | 43,799 | 116,785 | 118,263 |
| Finance costs | | (1,435) | (1,070) | (3,846) | (2,811) |
| Share of profit/(loss) in associate, net of tax | | - | 68 | - | (161) |
| Profit before tax | A8 | 45,142 | 42,797 | 112,939 | 115,291 |
| Income tax expense | | (10,540) | (10,646) | (27,355) | (31,369) |
| Profit after tax for the period | | 34,602 | 32,151 | 85,584 | 83,922 |
| Other comprehensive income /(expenses) | | 33,389 | 6,594 | 37,854 | (5,690) |
| Total comprehensive income for the period | B10 | 67,991 | 38,745 | 123,438 | 78,232 |
| | | | | | |
| Profit after tax attributable to: | | | | | |
| Owners of the Company | | 26,536 | 22,485 | 62,803 | 55,629 |
| Non-controlling interests | | 8,066 | 9,666 | 22,781 | 28,293 |
| | | 34,602 | 32,151 | 85,584 | 83,922 |
| | | | | | |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 48,168 | 26,709 | 82,974 | 50,904 |
| Non-controlling interests | | 19,823 | 12,036 | 40,464 | 27,328 |
| | | 67,991 | 38,745 | 123,438 | 78,232 |
| | | | | | |
| EPS - Basic (sen) | B11 | 11.92 | 10.10 | 28.20 | 24.98 |
| EPS - Diluted (sen) | B11 | 11.89 | 10.07 | 28.04 | 24.93 |

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

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

## Unaudited Condensed Consolidated Statement of Financial Position
## As at 30 September 2015

| | Unaudited As At 30.9.2015 RM'000 | Audited As At 31.12.2014 RM'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-Current Assets** | | |
| Property, plant and equipment | 340,570 | 311,540 |
| Associate | - | 27,628 |
| Investment in quoted shares | 40,630 | 37,329 |
| Investment in unquoted shares | 335 | 335 |
| Land use rights | 6,138 | 6,198 |
| Investment properties | 140,740 | 128,433 |
| Land held for property development | 49,609 | 50,287 |
| Project development expenditure | 101,798 | 72,459 |
| Deferred tax asset | 3,144 | 448 |
| Goodwill on consolidation | 10,812 | 10,812 |
| Long-term prepayment | 641 | 711 |
| | 694,417 | 646,180 |
| **Current Assets** | | |
| Inventories | 75,855 | 69,678 |
| Property development | 8,361 | 15,060 |
| Receivables | 122,188 | 113,637 |
| Bank balances and deposits | 286,939 | 235,473 |
| | 493,343 | 433,848 |
| **TOTAL ASSETS** | 1,187,760 | 1,080,028 |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity Attributable To Owners Of The Company** | | |
| Share capital | 243,345 | 243,002 |
| Treasury shares | (30,046) | (30,025) |
| Reserves | 599,096 | 525,971 |
| | 812,395 | 738,948 |
| **Non-Controlling Interests** | 167,420 | 146,669 |
| **Total Equity** | 979,815 | 885,617 |
| | | |
| **Non-Current Liabilities** | | |
| Payables | 1,033 | 812 |
| Long-term borrowings | 33,964 | 21,395 |
| Deferred taxation | 20,877 | 21,035 |
| | 55,874 | 43,242 |
| **Current Liabilities** | | |
| Payables | 69,809 | 66,495 |
| Short-term borrowings | 68,475 | 71,379 |
| Taxation | 13,787 | 13,295 |
| | 152,071 | 151,169 |
| **Total Liabilities** | 207,945 | 194,411 |
| **TOTAL EQUITY AND LIABILITIES** | 1,187,760 | 1,080,028 |
| | | |
| **Net Assets Per Ordinary Share (RM)** | 3.65 | 3.32 |

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

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

## Unaudited Condensed Consolidated Statement of Changes in Equity
## For the 9-month period ended 30 September 2015

| | ← | | Non-Distributable | | | | → | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Retained Profits RM'000 | Attributable To Owners Of The Parent RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| Balance at 1.1.2014 | 242,455 | (28,669) | 33,505 | 732 | 28,696 | 9,659 | 15,077 | 378,116 | 679,571 | 143,272 | 822,843 |
| Total comprehensive income for the period | - | - | - | - | (1,119) | (3,606) | - | 55,629 | 50,904 | 27,328 | 78,232 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | - | - | (10,026) | (10,026) | - | (10,026) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (17,564) | (17,564) |
| Purchase of treasury shares | - | (1,356) | - | - | - | - | - | - | (1,356) | - | (1,356) |
| Issuance of ordinary shares pursuant to ESOS | 547 | - | 274 | - | - | - | - | - | 821 | - | 821 |
| Total transactions with owners of the Company | 547 | (1,356) | 274 | - | - | - | - | (10,026) | (10,561) | (17,564) | (28,125) |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | 350 | 350 |
| Realisation of capital reserves | - | - | - | - | - | - | 86 | (187) | (101) | (67) | (168) |
| Balance at 30.9.2014 | 243,002 | (30,025) | 33,779 | 732 | 27,577 | 6,053 | 15,163 | 423,532 | 719,813 | 153,319 | 873,132 |

The notes set out on pages 7 to 25 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 (Cont'd)**
**For the 9-month period ended 30 September 2015**

| | Non-Distributable | | | | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Retained Profits RM'000 | Attributable To Owners Of The Parent RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| Balance at 1.1.2015 | 243,002 | (30,025) | 33,940 | 599 | 36,635 | 8,447 | 15,208 | 431,142 | 738,948 | 146,669 | 885,617 |
| Total comprehensive income for the period | - | - | - | - | 29,764 | (9,593) | - | 62,803 | 82,974 | 40,464 | 123,438 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | - | - | (11,142) | (11,142) | - | (11,142) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (20,026) | (20,026) |
| Share option | - | - | - | 952 | - | - | - | - | 952 | - | 952 |
| Purchase of treasury shares | - | (21) | - | - | - | - | - | - | (21) | - | (21) |
| Issuance of ordinary shares pursuant to ESOS | 343 | - | 239 | (61) | - | - | - | - | 521 | - | 521 |
| Total transactions with owners of the Company | 343 | (21) | 239 | 891 | - | - | - | (11,142) | (9,690) | (20,026) | (29,716) |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | 205 | 205 |
| Realisation of capital reserves | - | - | - | - | - | - | 328 | (165) | 163 | 108 | 271 |
| Balance at 30.9.2015 | 243,345 | (30,046) | 34,179 | 1,490 | 66,399 | (1,146) | 15,536 | 482,638 | 812,395 | 167,420 | 979,815 |

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

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

**Unaudited Condensed Consolidated Statement of Cash Flows**
**For the 9-month period ended 30 September 2015**

| | Current Year To Date 30.9.2015 RM'000 | Preceding Year Corresponding Period 30.9.2014 RM'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 112,939 | 115,291 |
| Adjustments for non-cash flow - Non-cash items | 3,619 | 24,492 |
| - Non-operating items | (1,167) | (1,717) |
| Operating profit before changes in working capital | 115,391 | 138,066 |
| Changes in working capital - Net change in current assets | (11,626) | (7,091) |
| - Net change in current liabilities | 3,127 | (5,495) |
| Cash from operations | 106,892 | 125,480 |
| Income tax paid | (30,064) | (30,987) |
| **Net cash from operating activities** | 76,828 | 94,493 |
| | | |
| **Cash flows for investing activities** | | |
| Interest received | 4,387 | 2,363 |
| Dividend received | 310 | 684 |
| Decrease/(Increase) in: | | |
| - Land held for property development | 678 | (281) |
| - Investment properties | (8,045) | - |
| - Project development expenditure | (31,422) | (13,732) |
| Proceeds from disposal of property, plant and equipment | 1,312 | 410 |
| Purchase of property, plant and equipment | (38,076) | (33,263) |
| Proceeds from disposal of quoted shares | 7,069 | 30,414 |
| Purchase of quoted shares | - | (25,568) |
| Net cash inflow from acquisition of subsidiaries | 205 | 350 |
| Proceeds from disposal of interest in associate | 3,792 | - |
| Acquisition of additional equity interest in associate | - | (419) |
| Government subsidy received on purchase of plant and equipment | 9,408 | - |
| **Net cash for investing activities** | (50,382) | (39,042) |

The notes set out on pages 7 to 25 form an integral part and should be read in conjunction with this interim financial report.

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

**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)**
**For the 9-month period ended 30 September 2015**

| | Current Year To Date 30.9.2015 RM'000 | Preceding Year Corresponding Period 30.9.2014 RM'000 |
|---|---|---|
| **Cash flows for financing activities** | | |
| Interest paid | (3,478) | (2,486) |
| Dividends paid to shareholders of the Company | (11,142) | (10,026) |
| Dividends paid to subsidiaries' non-controlling interests | (20,026) | (17,564) |
| Net drawdown/(repayment) of: | | |
| - Revolving credits and trust receipts | 2,061 | 1,896 |
| - Hire purchase payables | 390 | 26 |
| - Term loans | 2,061 | (8,054) |
| Proceeds from issuance of shares pursuant to ESOS | 521 | 821 |
| Purchase of treasury shares | (21) | (1,356) |
| Placement of fixed deposits pledged to licensed banks | (36) | - |
| **Net cash for financing activities** | (29,670) | (36,743) |
| | | |
| **Effect of foreign exchange translation** | 49,111 | (381) |
| **Net increase in cash and cash equivalents** | 45,887 | 18,327 |
| **Cash and cash equivalents at beginning of the period** | 231,295 | 155,593 |
| **Cash and cash equivalents at end of the period** | 277,182 | 173,920 |

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

| | | |
|---|---|---|
| Bank balances and deposits | 286,939 | 184,461 |
| Bank overdrafts | (5,543) | (10,541) |
| | 281,396 | 173,920 |
| Deposits pledged to licensed banks | (4,214) | - |
| | 277,182 | 173,920 |

The notes set out on pages 7 to 25 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 Financial Reporting Standard ("FRS") 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

(a) During the 9-month period ended 30 September 2015, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

| FRSs and IC Interpretations (including the Consequential Amendments) | Effective Date |
|---|---|
| Amendments to FRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Annual Improvements to FRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to FRSs 2011 – 2013 Cycle | 1 July 2014 |

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

**A1. Basis of preparation (Cont'd)**

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the 9-month period ended 30 September 2015:

| **FRSs and IC Interpretations (including the Consequential Amendments)** | **Effective Date** |
|---|---|
| FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to FRSs 2012 – 2014 Cycle | 1 January 2016 |

(c) MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and/or IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2017. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

## A1. Basis of preparation (Cont'd)

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 2014.

## A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2014 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 of RM1 Each | | Amount | |
|---|---|---|---|---|
| | Share Capital (Issued and Fully Paid) '000 | Treasury Shares '000 | Share Capital (Issued and Fully Paid) RM'000 | Treasury Shares RM'000 |
| At 1.1.2015 | 243,002 | (20,489) | 243,002 | (30,025) |
| Issue of shares pursuant to ESOS | 343 | - | 343 | - |
| Purchase of treasury shares | - | (8) | - | (21) |
| At 30.9.2015 | 243,345 | (20,497) | 243,345 | (30,046) |

## A6. Debt and equity securities (Cont'd)

During the 9-month period ended 30 September 2015, the Company:-

(a) Issued 343,000 new ordinary shares of RM1.00 each for cash at the price of RM1.52 per share, arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.

(b) Purchased 8,700 of its issued ordinary shares of RM1.00 each from the open market at an average price of approximately RM2.33 per share. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 243,345,000 (31.12.2014 : 243,002,000) issued and fully paid-up ordinary shares of RM1.00 each as at 30 September 2015, 20,497,200 (31.12.2014 : 20,488,500) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up was therefore 222,847,800 (31.12.2014 : 222,513,500).

(c) Granted 12,600,000 options over new shares ("Options") to the eligible Directors and employees of the Group under the Company's ESOS. The first 50% of the Options are to be vested on 30 June 2018, and the remaining 50% of the Options are to be vested on 1 July 2019. The ESOS expires on 31 July 2020.

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. Dividend paid

Save as disclosed under Note B9, no dividend was declared for the current quarter ended 30 September 2015.

**A8. Segment information for the 9-month period ended 30 September 2015**

| **GROUP 2015** | **Power RM'000** | **Resources RM'000** | **Property RM'000** | **Investment Holding & Others RM'000** | **Eliminations RM'000** | **Consolidated RM'000** |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External revenue | 318,425 | 68,479 | 19,665 | 22,921 | - | 429,490 |
| Inter-segment revenue | - | - | - | 2,016 | (2,016) | - |
| Consolidated revenue | 318,425 | 68,479 | 19,665 | 24,937 | (2,016) | 429,490 |
| **Results** | | | | | | |
| Profit from operations | 98,896 | 14,948 | 6,292 | (2,530) | (821) | 116,785 |
| Finance costs | | | | | | (3,846) |
| Share of loss in associate | | | | | | - |
| Profit before tax | | | | | | 112,939 |
| Income tax expense | | | | | | (27,355) |
| Profit after tax | | | | | | 85,584 |
| **Total assets** | | | | | | |
| At 30.9.2015 | 507,004 | 241,914 | 308,924 | 341,621 | (211,703) | 1,187,760 |

**A8. Segment information for the 9-month period ended 30 September 2015 (Cont'd)**

| **GROUP 2014** | **Power RM'000** | **Resources RM'000** | **Property RM'000** | **Investment Holding & Others RM'000** | **Eliminations RM'000** | **Consolidated RM'000** |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External revenue | 358,701 | 83,832 | 45,710 | 23,943 | - | 512,186 |
| Inter-segment revenue | - | - | - | 2,951 | (2,951) | - |
| Consolidated revenue | 358,701 | 83,832 | 45,710 | 26,894 | (2,951) | 512,186 |
| **Results** | | | | | | |
| Profit from operations | 84,774 | 17,364 | 15,298 | 2,108 | (1,281) | 118,263 |
| Finance costs | | | | | | (2,811) |
| Share of loss in associate | | | | | | (161) |
| Profit before tax | | | | | | 115,291 |
| Income tax expense | | | | | | (31,369) |
| Profit after tax | | | | | | 83,922 |
| **Total assets** | | | | | | |
| At 30.9.2014 | 398,411 | 204,739 | 308,243 | 408,877 | (272,844) | 1,047,426 |

## A9. Valuation of property, plant and equipment

There has been no revaluation of property, plant and equipment in these financial statements.

## A10. Significant event during the reporting period

On 15 September 2015, Don Sahong Power Company Ltd ("DSPC"), a 80% owned indirect subsidiary of the Company entered into a Concession Agreement with the Government of the Lao People's Democratic Republic ("GOL") whereby the GOL has granted on a build, operate and transfer basis, the concession rights to DSPC for the development of a hydropower project commonly referred to as the Don Sahong Hydropower Project to be located in the Hou Sahong Channel of the Mekong River, in Khong District, Champasak Province, Lao PDR ("the Project").

The Project, which is a 260MW run-of-river hydropower project capable of generating about 2,000 GWh of electricity per year, is expected to commence commercial operation in early 2020. The concession period shall end on the date occurring 25 years after the commercial operation date. Electricity generated by the Project shall be sold to Electricité Du Laos ("EDL") under a Power Purchase Agreement ("PPA"). The total Project cost is estimated to be approximately US$500 million.

## A11. Events subsequent to the end of the reporting period

(a) On 1 October 2015, DSPC entered into a PPA with EDL for the sale by DSPC and the purchase by EDL of all electricity generated by the Project on a take-or-pay basis.

The PPA shall be for a period of 25 years from the commercial operation date of the Project. DSPC shall construct a 230kV transmission line from the Project's switchyard to interconnect with the existing EDL Grid System.

(b) On 15 October 2015, DSPC entered into an Engineering, Procurement, Construction and Commissioning Contract ("EPC Contract") with Sinohydro Corporation Ltd for the development, construction and commissioning of the Project over a period of 50 months for the contract sum of approximately USD320 million.

Other than as disclosed above, there was no event subsequent to the end of the period reported up to 16 November 2015, 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

(a) On 16 February 2015, Jadi Imaging Holdings Berhad ("Jadi") ceased to be an associate of the Group following the open market disposal of Jadi shares, which resulted in the Group's equity interest in Jadi falling below 20%. Consequently, the Group's remaining investment in Jadi will henceforth be reclassified as "investment in quoted shares" under non-current assets.

(b) On 13 May 2015, the following subsidiaries were dissolved upon expiration of 3 months from the date of lodgement of the Return by Liquidator relating to the Final Meeting with the Companies Commission of Malaysia:

(i) Mega First Corporate Services Sdn Bhd.
(ii) Mega First Development Sdn Bhd.
(iii) Mega First Properties Sdn Bhd.
(iv) Mega First Ventures Sdn Bhd.
(v) Empayar Permai Sdn Bhd.
(vi) MFCB Marketing Sdn Bhd.
(vii) Hexachase Labels (Kuala Lumpur) Sdn Bhd.
(viii) Hexachase Paper Products Sdn Bhd.

(c) On 2 June 2015, Highland Resources Sdn. Bhd. was dissolved upon expiration of 3 months from the date of lodgement of the Return by Liquidator relating to the Final Meeting with the Companies Commission of Malaysia.

(d) On 19 June 2015, Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI") subscribed for 210,000 new ordinary shares of RM1.00 each representing 51.22% equity interest in the enlarged issued and paid-up share capital of Melewar Jutamas Sdn. Bhd. ("MJSB") for the cash consideration of RM12,690,000.00. MJSB is the registered owner of a piece of land measuring approximately 34.398 hectares held under H.S. (D) 13091, PT 9796 in Mukim Teja, District of Kampar, State of Perak with a leasehold period expiring on 6 May 2073.

Concurrent with the execution of this subscription, RCI has entered into a Call and Put Option Agreement ("Option Agreement") for RCI to acquire from the remaining shareholders ("Call Option") or for the remaining shareholders to require RCI to acquire ("Put Option") the remaining 48.78% equity interest in the enlarged issued and paid-up share capital of MJSB at the price of RM63.45 per share or an aggregate cash consideration of RM12,690,000.00 at any time the Call Option Period (which is the period within 21 days after 1 June 2018) or within the Put Option Period (which is the period within 21 days after the Call Option Period), respectively.

(e) On 6 July 2015, Mega First Investments (L) Limited ("MFIL") was incorporated and registered under the Labuan Companies Act, 1990 of Malaysia. MFIL has a paid-up capital of USD10,000 comprising 10,000 shares and is wholly-owned by the Company. MFIL will be principally involved in investment related activities.

## A12. Changes in composition of the Group (Cont'd)

(f) On 7 July 2015, DSPC was incorporated as a limited company upon issuance of the Investment Certificate under the laws of the Lao People's Democratic Republic ("Lao PDR"). DSPC will have an initial registered and paid-up capital of USD3,000,000 and the eventual registered and paid-up capital is currently estimated at USD53,790,000. DSPC is 79%, 1% and 20% owned by Ground Roses Limited ("GRL"), Silver Acreage Limited ("SAL") and EDL respectively. GRL and SAL are wholly-owned subsidiaries of the Company.

Other than as disclosed above, there was no change in the composition of the Group for the current quarter and 9-month period ended 30 September 2015.

## A13. Changes in contingent liabilities and assets

(a) Contingent liabilities

The Group's contingent liabilities as at 30 September 2015 are as follows:

(i) The sum of RM678,000 in relation to the disputed interest on assessment on the power plant of a subsidiary levied by the local authority in the State of Sabah.

(ii) A claim has been made against a subsidiary by a third party in the Malacca High Court for breach of contract, related to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the High Court ordered the subsidiary to pay damages to the third party. The damages claimed by the third party have yet to be proven in Court. The claim is expected to be immaterial and therefore no provision has been made.

Other than as disclosed above, there was no material contingent liability as at 16 November 2015, 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 16 November 2015, 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 September 2015, the Group has the following commitments:

| | RM'000 |
|---|---|
| **Property, plant and equipment** | |
| Authorised but not provided for: | |
| Contracted | 10,362 |
| Not contracted | 5,472 |
| | 15,834 |
| **Project development expenditure** | |
| Authorised but not provided for: | |
| Contracted | 6,886 |
| | 22,720 |

## A15. Significant related party transactions

There was no significant related party transaction during the current quarter and 9-month period ended 30 September 2015.

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

### B1. Review of performance

(a) Current quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|---|---|---|---|---|---|---|
| | 3Q 2015 | 3Q 2014 | % Chg | 3Q 2015 | 3Q 2014 | % Chg |
| Power | 111,634 | 115,166 | -3.1% | 39,696 | 31,768 | 25.0% |
| Resources | 23,759 | 28,373 | -16.3% | 6,414 | 6,692 | -4.2% |
| Property | 3,139 | 12,843 | -75.6% | 831 | 5,044 | -83.5% |
| Sub-total | 138,532 | 156,382 | -11.4% | 46,941 | 43,504 | 7.9% |
| Investment holding and others | 7,234 | 7,949 | -9.0% | (1,799) | (707) | n.m. |
| | 145,766 | 164,331 | -11.3% | 45,142 | 42,797 | 5.5% |
| Profit after tax | | | | 34,602 | 32,151 | 7.6% |

Group pre-tax profit in the third quarter rose 5.5% to RM45.1 million, compared with RM42.8 million in the corresponding period last year. The current quarter results were bolstered by a strengthening Renminbi and US Dollar against the Malaysia Ringgit, which more than offset weaker operational performances across its three core operating divisions.

**Power Division**

Power revenue declined 3.1% to RM111.6 million, mainly due to lower sales in both China and Tawau operations, partially offset by a positive foreign currency translation impact on revenue from China. The drop in revenue at the China plant, excluding foreign exchange impact, was attributed to slower take-up rate for steam and lower unit prices. Slower industrial output resulted in lower sales volume of steam (-4%) and energy (-5.9%) in China. Average steam price and energy tariff were also lower by 10.4% and 4.3% respectively as a result of lower fuel costs and downward tariff adjustments. The revenue decline at the Tawau plant was due to shorter operating hours (-7.7%) and lower fuel oil prices (-35.5%).

Power pre-tax profit however rose 25% to RM39.7 million as slower demand was more than compensated by foreign exchange gains from Renminbi fixed deposits and translation of the results of the China operations.

**B1. Review of performance (Cont'd)**

(a) Current quarter (Cont'd)

**Resources and Property Divisions**

Resources revenue for the third quarter was RM23.8 million, a decline of 16.3% from the previous corresponding period due to lower sales volume of lime products, calcium carbonate powder and bricks.

Sales volume of lime products declined 15.9% due mainly to slower export sales. This was mitigated by higher average selling prices as a result of a stronger US Dollar (from export sales). Sales of calcium carbonate powder dropped mainly due to lower average selling prices. Brick sales were sluggish as weak demand for properties continued to plague the construction sector. Despite the impact of the appreciation of US Dollar, Resources pre-tax profit was 4.2% lower at RM6.4 million, mainly due to lower margins, particularly from the limestone segment which was adversely affected by the temporary decommissioning of 2 lime kilns for repair and maintenance, and higher production costs and borrowing costs associated with capacity expansion.

The Property Division posted a pre-tax profit of RM831,000 on a revenue of RM3.1 million. The weak performance was attributable to lower unit sales due to the soft market conditions and lower recognition of revenue in the development segment. On the other hand, results of the investment segment remained fairly constant.

(b) For the 9-month period ended 30 September 2015

| | **Revenue (RM'000)** | | | **Pre-tax Profit (RM'000)** | | |
|---|---|---|---|---|---|---|
| | **YTD 2015** | **YTD 2014** | **% Chg** | **YTD 2015** | **YTD 2014** | **% Chg** |
| Power | 318,425 | 358,701 | -11.2% | 98,864 | 84,691 | 16.7% |
| Resources | 68,479 | 83,832 | -18.3% | 14,116 | 17,151 | -17.7% |
| Property | 19,665 | 45,710 | -57.0% | 6,174 | 15,155 | -59.3% |
| Sub-total | 406,569 | 488,243 | -16.7% | 119,154 | 116,997 | 1.8% |
| Investment holding and others | 22,921 | 23,943 | -4.3% | (6,215) | (1,706) | n.m. |
| | 429,490 | 512,186 | -16.1% | 112,939 | 115,291 | -2.0% |
| Profit after tax | | | | 85,584 | 83,922 | 2.0% |

Group pre-tax profit came in marginally lower at RM112.9 million (-2%) on weaker performances from our core businesses and a RM2.3 million loss from the de-recognition of an associate company (included under Investment holding and others). These were largely offset by foreign currency exchange gains resulting from the continued appreciation of the Renminbi against the Malaysia Ringgit.

**B1. Review of performance (Cont'd)**

(b) For the 9-month period ended 30 September 2015 (Cont'd)

**Power Division**

Power revenue declined 11.2% to RM318.4 million, mainly due to lower contribution from both the China and Tawau operations, partially offset by a positive foreign currency translation impact on revenue from China. The drop in revenue at the China plant was due to lower sales volume and lower steam prices (as a result of lower fuel costs) and energy tariffs (due to downward tariff adjustments in September 2014 and April 2015). Industrial demand for steam dipped resulting in lower sales volume of steam (-7.7%) and energy (-8.5%) in China. The revenue decline at the Tawau plant was due to shorter operating hours (-7%) and lower fuel oil prices (-33.8%).

Power pre-tax profit however rose 16.7% to RM98.9 million as a result of the forex translation gain of the China operations' results and a foreign exchange gain from Renminbi fixed deposits due to the strengthening of the Renminbi against the Malaysia Ringgit.

**Resources and Property Divisions**

Resources revenue dropped 18.3% to RM68.5 million. Lime products recorded a 18.1% decline in sales to RM51.2 million largely due to lower demand from export markets (-39.5%), while domestic sales volume remained steady. The other products also registered varying rates of contraction in revenue. Hence, Resources pre-tax profit declined 17.7% to RM14.1 million as higher costs (due to shutdowns for scheduled major maintenance, and higher operating expenses and borrowing costs arising from the limestone segment's capacity expansion) was offset by higher average selling prices and foreign exchange gain from US Dollar sale proceeds.

Property revenue declined 57% to RM19.7 million compared to the corresponding period last year, largely due to a 65.6% decrease in development revenue resulting from lower unit sales and lower contribution from several completed projects. There were no new property launches in 2015. Consequently, Property pre-tax profit dropped 59.3% to RM6.2 million.

## B2. Variation of results against preceding quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|---|---|---|---|---|---|---|
| | 3Q 2015 | 2Q 2015 | % Chg | 3Q 2015 | 2Q 2015 | % Chg |
| Power | 111,634 | 114,834 | -2.8% | 39,696 | 31,967 | 24.2% |
| Resources | 23,759 | 21,374 | 11.2% | 6,414 | 2,479 | 158.7% |
| Property | 3,139 | 3,502 | -10.4% | 831 | 745 | 11.5% |
| Sub-total | 138,532 | 139,710 | -0.8% | 46,941 | 35,191 | 33.4% |
| Investment holding and others | 7,234 | 8,174 | -11.5% | (1,799) | (815) | n.m. |
| | 145,766 | 147,884 | -1.4% | 45,142 | 34,376 | 31.3% |
| Profit after tax | | | | 34,602 | 26,247 | 31.8% |

Compared to the preceding quarter, revenue decreased marginally by 1.4% to RM145.8 million, while pre-tax profit rose 31.3% to RM45.1 million largely due to the effects of the stronger Renminbi and US Dollar. Excluding these effects, Group pre-tax profit would be lower as a result of the weaker performances by the Power and Resources divisions.

**Power Division**

Power revenue decreased 2.8% to RM111.6 million on lower contribution from both China and Tawau operations, partially offset by a positive foreign currency translation impact from China. The drop in revenue at the China plant was due to lower sales volume and lower steam prices (as a result of lower fuel costs) and energy tariffs (due to downward tariff adjustments in April 2015). Steam sales volume dropped due to decelerating demand and slower production activities during the summer months in China, which in turn generated lower energy sales volume. The revenue decline at the Tawau plant was due to shorter operating hours (-17.1%) and lower fuel oil prices (-10.1%).

Power pre-tax profit however rose 24.2% to RM39.7 million as a result of gain on foreign currency translation into the Malaysia Ringgit and foreign exchange gain from Renminbi fixed deposits, offset partially by lower sales volume and higher production costs.

**Resources and Property Divisions**

Resources revenue rose 11.2% to RM23.8 million mainly on higher sales of lime products. Sales volume of lime products increased 11.9% mainly due to higher export sales. Resources pre-tax profit jumped 158.7% to RM6.4 million due to higher sales volume and foreign exchange gain.

Property revenue fell 10.4% to RM3.1 million mainly due to lower revenue recognition in the development segment. Pre-tax profit rose marginally from higher contribution from the investment segment.

## B3. Prospects

Barring any unforeseen circumstances, the Group expects to sustain its performance achieved in the first nine months in the last quarter of this year.

Construction of the Don Sahong Hydropower Project has recently commenced with the award of EPC Contract to Sinohydro in October 2015. Under the IFRIC Interpretation 12 (Service Concession Agreements) and IAS 111 (Construction Contract), the Group is expected to recognise construction profits over the construction period of about four years from 2016.

On the Resource Division, the commissioning of a new 400 ton/day quicklime capacity in August 2015 is expected to translate into long term earnings growth for the division.

Given the weak property and economic outlook, the Property Division has decided to suspend new property development launches until the market condition improves to conserve cash and lower operating overheads.

## B4. Profit forecast

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

## B5. Income tax expense

| | Current quarter ended 30.9.2015 RM'000 | Period ended 30.9.2015 RM'000 |
|---|---|---|
| Current tax expense: | | |
| - Malaysian | 3,952 | 7,156 |
| - Overseas | 6,588 | 20,199 |
| | 10,540 | 27,355 |

The effective tax rate of the Group for the current quarter was lower than the Malaysian statutory tax rate of 25% mainly due to foreign exchange translation gains, which are non-taxable, partially offset by non-deductible expenses.

The effective tax rate of the Group for the 9-month period ended 30 September 2015 was slightly lower than 25% mainly due to foreign exchange translation gains, which are non-taxable, after setting off the impact from withholding tax of 10% for dividends repatriated from China, additional income tax relating to the reclassification of a long-term asset and non-deductible expenses.

## B6. Status of corporate proposal

There was no corporate proposal announced but not completed at 16 November 2015, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

## B7. Borrowing and debt securities

The Group's borrowings as at 30 September 2015:

| | | RM'000 |
|---|---|---|
| **Long-term borrowings** | | |
| *Secured denominated in:* | | |
| Ringgit Malaysia | | 33,964 |
| **Short-term borrowings** | | |
| *Secured denominated in:* | | |
| Ringgit Malaysia | 47,932 | |
| *Unsecured denominated in:* | | |
| Ringgit Malaysia | 20,543 | |
| | | 68,475 |
| | | 102,439 |

The Group has no debt securities as at 30 September 2015.

## B8. Material litigation

There was no change in material litigation since the date of the last audited financial statements up to the date of this report.

## B9. Dividend

(a) A final tax-exempt dividend of 5.0 sen per ordinary share for the financial year ended 31 December 2014 amounted to RM11,142,575 was paid on 9 July 2015.

(b) An interim tax-exempt dividend of 3.0 sen per ordinary share in respect of the financial year ending 31 December 2015 (31 December 2014 : interim tax-exempt dividend of 3.0 sen) was paid on 9 October 2015.

(c) The total dividend declared to-date for the current financial year is a tax-exempt dividend of 3.0 sen (30 September 2014 : 3.0 sen) per ordinary share of RM1.00 each.

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

The total comprehensive income is arrived at:

| | Current quarter ended 30.9.2015 RM'000 | Period ended 30.9.2015 RM'000 |
|---|---|---|
| **After crediting:** | | |
| Interest income | 1,422 | 4,387 |
| Dividend income | 290 | 310 |
| Gain on disposal of property, plant and equipment | 25 | 272 |
| Gain on foreign exchange: | | |
| - realised | 327 | 888 |
| - unrealised | 22,940 | 33,584 |
| **After debiting:** | | |
| Amortisation | (58) | (162) |
| Depreciation of property, plant and equipment | (8,852) | (26,830) |
| Impairment loss on project development expenditure | (2,083) | (2,083) |
| Interest expense | (1,313) | (3,478) |
| Loss on derecognition of associate | - | (2,256) |
| Loss on disposal of quoted shares | - | (324) |
| Loss on foreign exchange: | | |
| - realised | (72) | (79) |
| - unrealised | (4,397) | (4,490) |
| Provision for and write-off of inventories | - | (180) |
| Write-off of property, plant and equipment | (6) | (232) |
| **After other comprehensive income:** | | |
| Foreign currency translation difference for foreign operations | 32,992 | 48,740 |
| Reversal of share of associate's foreign currency translation | - | (1,293) |
| Fair value changes of available-for-sale financial assets | 397 | (9,593) |

## B11. Earnings per share

| | Quarter ended 30 September | | Period ended 30 September | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Basic earnings per share** | | | | |
| Profit after tax attributable to owners of the Company | 26,536 | 22,485 | 62,803 | 55,629 |
| Weighted average number of ordinary shares ('000):- | | | | |
| Issued ordinary shares at 1 January | 243,002 | 242,455 | 243,002 | 242,455 |
| Effect of new ordinary shares issued | 186 | 257 | 186 | 257 |
| Effect of treasury shares held | (20,493) | (20,038) | (20,493) | (20,038) |
| | 222,695 | 222,674 | 222,695 | 222,674 |
| Basic earnings per share (sen) | 11.92 | 10.10 | 28.20 | 24.98 |
| **Diluted earnings per share** | | | | |
| Profit after tax attributable to owners of the Company | 26,536 | 22,485 | 62,803 | 55,629 |
| Weighted average number of ordinary shares ('000) | 222,695 | 222,674 | 222,695 | 222,674 |
| Weighted average number of shares under option ('000) | 14,330 | 2,123 | 14,330 | 2,123 |
| Weighted average number of shares that would have been issued at average market price ('000) | (13,867) | (1,454) | (13,047) | (1,638) |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000) | 223,158 | 223,343 | 223,978 | 223,159 |
| Diluted earnings per share (sen) | 11.89 | 10.07 | 28.04 | 24.93 |

(a) 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 period ended 30 September 2015 excluding treasury shares held by the Company.

(b) 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 outstanding options granted pursuant to the ESOS are exercised.

## B12. Retained profits

| | At 30.9.2015 RM'000 | At 31.12.2014 RM'000 |
|---|---|---|
| Total retained profits: | | |
| - realised | 306,268 | 279,642 |
| - unrealised | 96,287 | 59,229 |
| | 402,555 | 338,871 |
| Total share of retained profits from associated company: | | |
| - realised | - | (89) |
| - unrealised | - | 1,085 |
| | 402,555 | 339,867 |
| Consolidation adjustments | 80,083 | 91,275 |
| Total Group retained profits | 482,638 | 431,142 |

## B13. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 23 November 2015.