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

Interim Financial Report
30 September 2017

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 2017

	Note	INDIVIDUAL PERIOD Current Year 3rd Quarter 30.9.2017 RM'000	INDIVIDUAL PERIOD Preceding Year Corresponding 3rd Quarter 30.9.2016 RM'000	CUMULATIVE PERIOD Current Year To Date 30.9.2017 RM'000	CUMULATIVE PERIOD Preceding Year Corresponding Period 30.9.2016 RM'000
Revenue	A7	298,169	215,021	910,390	630,503
Cost of sales		(233,007)	(158,814)	(695,671)	(466,239)
Gross profit		65,162	56,207	214,719	164,264
Other income, net		3,405	6,825	13,012	9,424
Operating expenses		(11,715)	(10,226)	(45,261)	(29,203)
Profit from operations		56,852	52,806	182,470	144,485
Finance costs		(1,897)	(1,355)	(4,942)	(4,732)
Profit before tax	A7	54,955	51,451	177,528	139,753
Income tax expense		(8,653)	(7,109)	(35,593)	(27,594)
Profit after tax for the period		46,302	44,342	141,935	112,159
Other comprehensive (expenses)/ income		(11,660)	11,525	(21,724)	(18,882)
Total comprehensive income for the period	B10	34,642	55,867	120,211	93,277
Profit after tax attributable to:					
Owners of the Company		40,071	35,908	116,838	86,156
Non-controlling interests		6,231	8,434	25,097	26,003
		46,302	44,342	141,935	112,159
Total comprehensive income attributable to:					
Owners of the Company		28,850	46,320	97,265	72,880
Non-controlling interests		5,792	9,547	22,946	20,397
		34,642	55,867	120,211	93,277
EPS - Basic (sen)	B11	10.47	9.41	30.59	25.76
EPS - Diluted (sen)	B11	9.64	9.41	28.65	25.75

The notes set out on pages 7 to 36 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 2017

	Unaudited As At 30.9.2017 RM'000	Audited As At 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	323,684	315,511
Investment in quoted shares	49,902	40,315
Investment in unquoted shares	335	335
Land use rights	7,495	6,712
Investment properties	161,355	149,356
Land held for property development	44,438	44,438
Project development expenditure	28,683	169,049
Intangible asset	813,385	370,391
Deferred tax asset	1,835	2,690
Goodwill on consolidation	10,812	10,812
	1,441,924	1,109,609
Current Assets		
Inventories	57,872	59,874
Receivables	133,852	127,046
Bank balances and deposits	119,188	291,326
	310,912	478,246
TOTAL ASSETS	1,752,836	1,587,855
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	523,992	401,900
Treasury shares	(30,046)	(30,046)
Reserves	783,311	794,131
	1,277,257	1,165,985
Non-Controlling Interests	161,904	156,688
Total Equity	1,439,161	1,322,673
Non-Current Liabilities		
Payables	6,210	1,223
Long-term borrowings	23,241	22,642
Deferred taxation	49,368	33,054
	78,819	56,919
Current Liabilities		
Payables	130,628	133,283
Short-term borrowings	101,095	65,989
Taxation	3,133	8,991
	234,856	208,263
Total Liabilities	313,675	265,182
TOTAL EQUITY AND LIABILITIES	1,752,836	1,587,855
Net Assets Per Ordinary Share (RM)	3.27	3.06

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 9-month period ended 30 September 2017

	← 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**	**Warrant 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 1.1.2016	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633
Total comprehensive income for the period	-	-	-	-	(12,984)	(292)	-	-	86,156	72,880	20,397	93,277
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(26,698)	(26,698)	-	(26,698)
- subsidiaries' non-controlling	-	-	-	-	-	-	-	-	-	-		-
interests	-	-	-	-	-	-	-	-	-	-	(20,610)	(20,610)
ESOS options granted	-	-	-	2,126	-	-	-	-	-	2,126	-	2,126
ESOS options lapsed	-	-	-	(109)	-	-	-	-	103	(6)	-	(6)
Issuance of ordinary shares										-		-
pursuant to:										-		-
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	-	18,846	-	243,735	-	243,735
- ESOS options	1,507	-	1,195	(437)	-	-	-	-	-	2,265	-	2,265
Expenses in relation to										-		-
Rights Issue with Warrants	-	-	(3,120)	-	-	-	-	(255)	-	(3,375)	-	(3,375)
Total transactions with owners of the Company	158,555	-	65,916	1,580	-	-	-	18,591	(26,595)	218,047	(20,610)	197,437
Realisation of capital reserve	-	-	-	-	-	-	17	-	(136)	(119)	(78)	(197)
Balance at 30.9.2016	401,900	(30,046)	100,095	3,475	43,772	4,804	15,500	18,591	546,834	1,104,925	156,225	1,261,150

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 9-month period ended 30 September 2017

	←		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	Warrant 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 1.1.2017	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	156,688	1,322,673
Total comprehensive income for the period	-	-	-	-	(27,981)	8,408		-	116,838	97,265	22,946	120,211
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(19,252)	(19,252)	-	(19,252)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,297)	(18,297)
Transfer to share capital upon implementation of the Companies Act 2016	99,856	-	(99,856)	-	-	-	-	-	-	-	-	-
ESOS options granted	-	-	-	13,982	-	-	-	-	-	13,982	-	13,982
ESOS options lapsed	-	-	-	(103)	-	-	-	-	103	-	-	-
Issuance of ordinary shares pursuant to:												
- exercise of warrants	21,292	-		-	-	-	-	(2,385)	-	18,907	-	18,907
- ESOS options	944	-		(238)	-	-	-	-	-	706	-	706
Total transactions with owners of the Company	122,092	-	(99,856)	13,641	-	-	-	(2,385)	(19,149)	14,343	(18,297)	(3,954)
Increase in equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(281)	(281)
Dilution of interest in subsidiaries	-	-	-	-	-	-	-	-	(276)	(276)	136	(140)
Issuance of shares by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	750	750
Realisation of capital reserve	-	-	-	-	-	-	56	-	(116)	(60)	(38)	(98)
Balance at 30.9.2017	523,992	(30,046)	-	17,761	41,523	14,089	15,606	16,186	678,146	1,277,257	161,904	1,439,161

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 9-month period ended 30 September 2017

		Current Year To Date 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Cash flows from operating activities			
Profit before tax		177,528	139,753
Adjustments for non-cash flow	- Non-cash items	(83,137)	(37,494)
	- Non-operating items	314	(1,316)
Operating profit before working capital changes		94,705	100,943
Changes in working capital	- Net change in assets	(13,294)	11,586
	- Net change in liabilities	(12,787)	(1,706)
Cash from operations		68,624	110,823
Income tax paid		(25,919)	(26,367)
Retirement benefits paid		-	(200)
Net cash from operating activities		42,705	84,256
Cash flows for investing activities			
Interest received		3,393	3,604
Dividend received		1,153	297
Increase in land held for property development		-	70
Cash outflow for projects development		(213,696)	(97,523)
Proceeds from disposal of property, plant and equipment		-	2,489
Purchase of property, plant and equipment		(28,312)	(23,851)
Purchase of land use rights		(1,040)	-
Proceeds from disposal of quoted shares		569	3,775
Purchase of quoted shares		(1,632)	(140)
Net cash outflow for acquisition of subsidiaries		(9,999)	-
Net cash for investing activities		(249,564)	(111,279)

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 9-month period ended 30 September 2017

	Current Year To Date 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Cash flows from financing activities		
Interest paid	(4,942)	(4,732)
Dividends paid to shareholders of the Company	(11,447)	(19,070)
Dividends paid to subsidiaries' non-controlling interests	(18,297)	(20,610)
Net drawdown/(repayment) of:		
- Revolving credits and trust receipts	29,475	(44,580)
- Hire purchase payables	6,466	(587)
- Term loans	1,471	(5,267)
Proceeds from issuance of shares pursuant to exercise of ESOS options	706	2,265
Proceeds from issuance of shares pursuant to Rights Issue with Warrants	18,907	243,735
Proceeds from issuance of shares by a subsidiary to non-controlling interests	-	-
Withdrawal/(Placement) of deposits pledged to licensed banks	26,594	(2,160)
Net cash from financing activities	49,683	148,994
Effect of foreign exchange translation	6,873	(221)
Net (decrease)/increase in cash and cash equivalents	(150,303)	121,750
Cash and cash equivalents at beginning of the period	263,142	172,830
Cash and cash equivalents at end of the period	112,839	294,580

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

Bank balances and deposits	119,188	321,438
Bank overdrafts	(4,759)	-
	114,429	321,438
Deposits pledged to licensed banks	(1,590)	(26,858)
	112,839	294,580

The notes set out on pages 7 to 36 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"), Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Issuers Communication No. 1/2017 - Guidance on Disclosures in Notes to Quarterly Report issued by Bursa Securities.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

(a) During the 9-month period ended 30 September 2017, 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 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017

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 2017:

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
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until) further notice
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

A1. Basis of preparation (Cont'd)

(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 further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

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 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

As disclosed in (c) above, the Group will be applying the MFRSs Framework for annual periods beginning on or after 1 January 2018. The adoption of the other accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

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 2016.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. Unusual item

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

A5. Nature and amount of changes in estimates

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

A6. Debt and equity securities

	Number of Ordinary Shares		Amount	
	Share Capital (Issued and Fully Paid) '000	**Treasury Shares '000**	**Share Capital (Issued and Fully Paid) RM'000**	**Treasury Shares RM'000**
At 1.1.2017	401,900	(20,497)	401,900	(30,046)
Transfer from share premium (Note 1)	-	-	99,856	-
New shares issued pursuant to exercise of:				
- ESOS options	351	-	944	-
- Warrants	8,517	-	21,292	-
At 30.9.2017	410,768	(20,497)	523,992	(30,046)

Note 1
The share premium amount of RM99.856 million, which is classified under non-distributable reserves in this report, has been transferred to the share capital. Pursuant to Section 618(3) of the Companies Act 2016 (enforced on 31 January 2017), the Company may utilise the outstanding credit from share premium within 24 months from 31 January 2017. As at the date of this report, the share premium has not been utilised.

During the 9-month period ended 30 September 2017, the Company has -

(a) Issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS	RM1.34	25,000
Exercise of ESOS	RM2.00	276,110
Exercise of ESOS	RM2.41	50,000
Conversion of Warrants	RM2.22	8,516,784

As at 30 September 2017, the total number of warrants which remained unexercised was 58,789,626 (31.12.2016: 67,306,410).

A6. Debt and equity securities (Cont'd)

(b) Granted share options under the Company's ESOS as follows:-

No. of share options	Exercise Price	Vesting Date
10,870,000 options	RM2.41	31 March 2017
300,000 options	RM3.45	23 May 2017
160,000 options	RM3.40	7 July 2017

The ESOS will be expiring on 31 July 2020.

Of the total 410,768,184 (31.12.2016 : 401,900,290) issued ordinary shares as at 30 September 2017, 20,497,300 (31.12.2016 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 30 September 2017 was therefore 390,270,884 (31.12.2016 : 381,402,990).

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 for the 9-month period ended 30 September 2017

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	778,944	82,550	7,030	41,866	-	910,390
Inter-segment revenue	-	-	-	50,024	(50,024)	-
Consolidated revenue	778,944	82,550	7,030	91,890	(50,024)	910,390
Results						
Profit from operations	172,441	11,884	6,947	40,134	(48,936)	182,470
Finance costs						(4,942)
Profit before tax						177,528
Income tax expense						(35,593)
Profit after tax						141,935
Total assets						
At 30.9.2017	1,148,981	283,607	301,511	879,706	(860,969)	1,752,836

A7. Segment information for the 9-month period ended 30 September 2017 (Cont'd)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	512,643	72,446	13,519	31,895	-	630,503
Inter-segment revenue	-	-	-	12,185	(12,185)	-
Consolidated revenue	512,643	72,446	13,519	44,080	(12,185)	630,503
Results						
Profit from operations	123,902	11,331	6,756	13,488	(10,992)	144,485
Finance costs						(4,732)
Profit before tax						139,753
Income tax expense						(27,594)
Profit after tax						112,159
Total assets						
At 30.9.2016	641,297	262,568	301,890	700,086	(436,046)	1,469,795

A8. Dividend paid

The dividend paid in the current quarter and 9-month period ended 30 September 2017 is disclosed in Note B9.

A9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 20 November 2017, 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

There was no significant event during the reporting period.

A11. Significant event subsequent to the end of the reporting period

The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People's Republic of China, in relation to the power plant in China operated by Shaoxing Mega Heat & Power Co., Ltd has expired on 22 October 2017.

The estimated impact to the Group's earnings, earnings per share and net assets per share for the financial year ending 31 December 2017 is as follows:

(a) A gain of RM0.6 million as a result of deconsolidation of SMHP;

(b) An increase of 0.2 sen in earnings per share; and

(c) A reduction of RM62.9 million in net assets or 16 sen in net assets per share.

Other than as disclosed above, there was no other significant event subsequent to the end of the period reported up to 20 November 2017, 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) Hexachase Corporation Sdn Bhd ("HCSB"), a 52.4% owned subsidiary of the Company, increased its equity interest in its subsidiary, Hexachase Flexipack Sdn Bhd ("HFSB") from 65% to 80% as at 30 September 2017 through the acquisition of 100,000 existing shares and the subscription of 3,250,000 new shares in HFSB.

(b) On 30 June 2017, Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI"), a 100% owned subsidiary of the Company, increased its shareholding in Premier Capacity Sdn. Bhd. ("PCSB") through the purchase of 100,000 shares from two unrelated third parties. Consequently, RCI's shareholding (direct and indirect) in PCSB was increased from 1,000 shares to 101,000 shares representing 50.25% equity interest in PCSB.

(c) On 18 August 2017, Merchant Commodities Pty Ltd ("MCPL"), a joint venture company which is registered under the Corporations Act 2001 in Australia, was formed between RCI Lime Sdn Bhd. ("RCIL") and an Australian company for future lime supply in Australia. MCPL currently has 120 fully paid ordinary shares, of which 60 fully paid shares are issued to RCIL, a 100% owned subsidiary of RCI.

Other than as disclosed above, there was no change in the composition of the Group for the 9-month period ended 30 September 2017.

A13. 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 totalling 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 a late payment penalty imposition of up to 15.5% on the above unpaid taxes and penalties.

A13. Changes in contingent liabilities and assets

(a) Contingent liability (Cont'd)

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

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

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

On 16 February 2017, IHSB was served with a Notification of Civil Proceedings by the IRBM (Unit Pungutan Syarikat) under Section 106 of the Income Tax Act 1967. In the Notification, the IRBM has informed IHSB that IRBM has commenced civil proceedings against IHSB for an amount of RM26,329,278.35 (inclusive of late payment penalty of RM3,533,366.35 under Section 103/103A of the Income Tax Act 1967) as an income tax debt due to the Government for YAs 2009 to 2010.

On 20 September 2017, IHSB was served with a Writ of Summon and Statement of Claim by the Government of Malaysia ("GOM") (the "Main Suit"). The Writ of Summon was issued by the IRBM for and on behalf of the GOM. The claims are as follows:

(i) The amount of RM26,329,278.35 as an income tax debt due to the Government for YAs 2009 – 2010;

(ii) Interest of 5% per annum on RM26,329,278.35 from the date of judgement until the date or realisation;

(iii) Costs; and

(iv) Such further or other reliefs as the Court deems fit and proper to grant.

On 12 October 2017, IHSB filed its application for stay of proceedings. The hearing of such application is fixed on 14 December 2017.

A13. Changes in contingent liabilities and assets (Cont'd)

(a) Contingent liability (Cont'd)

On 1 November 2017, the Court has directed parties to commence trial preparations and to file the relevant cause papers for the Main Suit. The next case management has been fixed on the same day as the stay application, i.e. 14 December 2017.

On 7 November 2017, IHSB was served with GOM's application for summary judgment. The application has also been fixed for case management on 14 December 2017.

Other than as disclosed above, there was no material contingent liability as at 20 November 2017, 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 20 November 2017, 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 2017, the Group has the following commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	3,350
Not contracted	5,175
	8,525
Project development expenditure	
Authorised but not provided for:	
Contracted	810,812
Not contracted	207,768
	1,027,105

A15. Significant related party transactions

There was no significant related party transaction during the 9-month period ended 30 September 2017.

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

B1. Current quarter year-on-year earnings performance review

	3Q 2017 RM'000	3Q 2016 RM'000	Changes RM'000	%
Revenue	298,169	215,021	83,148	38.7%
Other income, net	3,405	6,825	(3,420)	-50.1%
Operating profit	66,761	61,725	5,036	8.2%
Profit before interest and tax	56,852	52,806	4,046	7.7%
Profit before tax	54,955	51,451	3,504	6.8%
Profit after tax	46,302	44,342	1,960	4.4%
Profit after tax attributable to owners of the Company	40,071	35,908	4,163	11.6%
Revenue				
Power	251,819	176,116	75,703	43.0%
Resources	27,902	24,493	3,409	13.9%
Property	2,164	2,059	105	5.1%
Sub-total	281,885	202,668	79,217	39.1%
Investment holding & others	16,284	12,353	3,931	31.8%
Total revenue	298,169	215,021	83,148	38.7%
Profit before tax				
Power	49,131	41,470	7,661	18.5%
Resources	3,562	3,880	(318)	-8.2%
Property	993	995	(2)	-0.2%
Sub-total	53,686	46,345	7,341	15.8%
Investment holding & others	1,269	5,106	(3,837)	-75.1%
Total profit before tax	54,955	51,451	3,504	6.8%
Significant income/(expense) items:				
Construction revenue	162,990	88,184	74,806	84.8%
Construction profit	43,223	23,382	19,841	84.9%
ESOS expense	3	(653)	656	-100.5%
Gain from quoted investments	870	91	779	856.0%
Gain/(Loss) on foreign exchange	3,630	4,499	(869)	-19.3%

The Group's revenue in 3Q 2017 was RM298.2 million, representing an increase of 38.7% from RM215 million in 3Q 2016. The increase was mainly attributable to higher recognition of construction revenue of RM163 million (3Q 2016: RM88.2 million) for the Don Sahong Hydropower Project. The construction revenue and profit recognition in this quarter was based on 7.6% (3Q 2016: 4.1%) physical completion. Cumulative physical completion up to 30 September 2017 has reached 38.5% (30 September 2016: 11.5%).

B1. Current quarter year-on-year earnings performance review (Cont'd)

Excluding the Don Sahong Hydropower Project, the Group's core revenue rose 3.9% to RM118.9 million (3Q 2016: RM114.5 million).

The Group's pre-tax profit rose 6.8% to RM55 million in 3Q 2017 (3Q 2016: RM51.5 million). The increase was mainly attributable to higher recognition of construction profit of RM43.2 million (3Q 2016: RM23.4 million), partially offset by lower contribution from the existing power operations and the Resources Division.

Power Division

Excluding construction revenue, the Power Division's revenue increased 1% to RM88.8 million (3Q 2016: RM87.9 million) mainly due to higher contribution from the Tawau plant.

Revenue contribution from the Tawau plant rose 12.4% to RM22.6 million on higher energy tariff attributable to fuel price increases, partially offset by lower energy sales volume (-5.8%) and lower capacity availability. Energy sales volume during the current quarter was adversely affected by scheduled overhaul of power generating equipment. Capacity availability which is measured in terms of 12-month rolling EAF (Equivalent Availability Factor), fell below 87% in 3Q 2017, resulting in a 4% decline in capacity charges.

In RMB terms, revenue contribution from the China operations slipped 7.3% to RMB103.7 million (3Q 2016: RMB111.8 million) on lower steam sales volume (-14.3%) and energy sales volume (-21.4%), partially offset by higher steam prices (+25.4% resulting from a 27.9% coal price increase pass-through) and higher energy tariff (+2.4% resulting from tariff adjustment in January 2017). Sales volume of steam has been on a downtrend due to the tightening environmental protection policies, which resulted in an overall decline in steam demand by customers.

Pre-tax profit, excluding construction profit of RM43.2 million, decreased 67.3% to RM5.9 million (3Q 2016: RM18.1 million). The decrease was mainly attributable to a 75% decline in China's pre-tax profit contribution to RM3.9 million and a 27.8% decline in pre-tax profit contribution from Tawau to RM1 million. Pre-tax profit of China operations was adversely affected by lower steam and energy sales volumes, lower plant efficiency on lower production volume and a RM3 million tariff incentive refund to the Chinese government. Tawau's pre-tax profit was negatively impacted by lower capacity charges.

B1. Current quarter year-on-year earnings performance review (Cont'd)

Resources Division

The Resources Division recorded a 13.9% increase in revenue to RM27.9 million (3Q 2016: RM24.5 million) mainly due to a 17.1% increase in sales revenue of lime products to RM24.4 million and a 8.8% increase in sales revenue of calcium carbonate powder to RM3.1 million. Lime products recorded a 15.9% increase in sales volume with marginal improvement in the average unit selling price. Sales volume of calcium carbonate powder declined 13% but was cushioned by higher average unit selling price on a favourable change in the sales mix. Contributions from the quarry and cement brick operations remained insignificant.

Pre-tax profit however fell 8.2% to RM3.6 million (3Q 2016: RM3.9 million) mainly due to lower capacity utilisation following the expansion of kiln capacity in 2Q 2017.

Property Division

The results were relatively flat year-on-year with no contribution from the property development segment. Rental income increased marginally to RM2.2 million (3Q 2016: RM2.1 million). Pre-tax profit, mainly driven by rental income, stood the same year-on-year at RM1 million.

B1. Current quarter year-on-year earnings performance review (Cont'd)

Assets and liabilities

Significant changes in key asset and liability items during the 9-month period ended 30 September 2017 are as follows:

Asset/Liability Items	**As At 30.9.2017** RM'000	**As At 31.12.2016** RM'000	**Changes** RM'000	**Explanation**
Property, plant and equipment	323,684	315,511	8,173	The Group invested RM39.1 million in capital assets during the period comprising mainly: • RM13.7 million for kiln capacity expansion by the Resources Division. • RM10.8 million for acquiring additional limestone reserves through the acquisition of 50.25% of Premier Capacity; and • RM11.1 million mainly to expand the flexible packaging production capacity of Hexachase. Depreciation for the period was RM29 million.
Investment in quoted shares	49,902	40,315	9,587	There were no significant transactions in quoted securities during the period. The increase in book value mainly represented changes in market values of quoted securities which were recognised in Other Comprehensive Income.
Investment properties	161,355	149,356	11,999	The increase was attributable to the reclassification of certain completed residential and commercial units from inventory to investment property and the consequential fair value adjustment (RM2.8 million) of these units.
Land held for property development	44,438	44,438	-	There was no change in land held for property development. There was no new property launches during the period.

B1. Current quarter year-on-year earnings performance review (Cont'd)

Assets and liabilities (Cont'd)

Asset/Liability Items	As At 30.9.2017 RM'000	As At 31.12.2016 RM'000	Changes RM'000	Explanation
Project development expenditure	28,683	169,049	(140,366)	Project development expenditure captures the costs incurred for both the Don Sahong Hydropower Project and the plantation development in Cambodia, less the amount recognised as cost of sales in the calculation of construction profit of the Don Sahong Hydropower Project. During the period, the Group spent RM213.7 million mainly for the Don Sahong Hydropower Project.
Intangible asset	813,385	370,391	442,994	Intangible asset represents cumulative construction revenue recognised for the Don Sahong Hydropower Project. During the period, the Group recognised RM479.3 million in construction revenue.
Inventories	57,872	59,874	(2,002)	There was no significant change in inventory balance.
Receivables	133,852	127,046	6,806	The increase mainly related to the advance payment made for raw materials purchases.
Deferred taxation	49,368	33,054	16,314	The increase mainly related to deferred tax provision for construction profit.
Payables – current	130,628	133,283	(2,655)	There was no significant change in payables.

B1. Current quarter year-on-year earnings performance review (Cont'd)

Cash flows for the 9-month period ended 30 September 2017

The Group generated RM42.7 million in positive cash flow after tax from its operating activities during the 9-month period ended 30 September 2017. In the same period, the Group spent RM249.6 million on investing activities, comprising mainly RM210.3 million on the Don Sahong Hydropower Project and RM38.3 million on capital expenditure stated in the Table above.

During the period, total dividends paid amounted to RM29.7 million, comprising RM11.4 million paid to shareholders of the Company and RM18.3 million paid to non-controlling interests in subsidiary companies.

The resulting negative outflow was funded by internal cash reserves and additional bank borrowings.

The Group has put in place sufficient banking facilities to support its working capital requirements. In addition, the Group currently has cash and cash equivalents (including marketable securities of RM49.9 million) of RM164.3 million as at 30 September 2017. These resources can be used for working capital requirements, capacity expansion and repayment of short-term borrowings.

In addition to the above, the Group has secured from various financial institutions a club deal facilities totaling USD150 million to part finance the construction of the Don Sahong Hydropower Project.

Group borrowings and debt securities

As at 30 September 2017, the total amount outstanding under long-term and short-term borrowings (excluding hire purchase payables) was RM124.3 million. The Table below sets out the salient information on our bank borrowings:

		Long-term		Short-term		Total Borrowings	
	Interest Rate	Foreign Currency	RM	Foreign Currency	RM	Foreign Currency	RM
Secured							
Trust receipts	Floating	-	-	-	6,057	-	6,057
Term loans	Floating	-	23,241	-	12,279	-	35,520
Bank overdrafts	Floating	-	-	-	7	-	7
Revolving credits	Floating	-	-	-	68,000	-	68,000
		-	23,241	-	86,343	-	109,584
Unsecured							
Bank overdrafts	Floating	-	-	-	4,752	-	4,752
Revolving credits	Floating	-	-	-	10,000	-	10,000
		-	-	-	14,752	-	14,752
		-	23,241	-	101,095	-	124,336

The Group has no debt securities as at 30 September 2017.

B2. Earnings performance review for the 9-month period ended 30 September 2017

	YTD 2017 RM'000	YTD 2016 RM'000	Changes RM'000	%
Revenue	910,390	630,503	279,887	44.4%
Other income, net	13,012	9,424	3,588	38.1%
Operating profit	211,439	171,257	40,182	23.5%
Profit before interest and tax	182,470	144,485	37,985	26.3%
Profit before tax	177,528	139,753	37,775	27.0%
Profit after tax	141,935	112,159	29,776	26.5%
Profit after tax attributable to owners of the Company	116,838	86,156	30,682	35.6%
Revenue				
Power	778,944	512,643	266,301	51.9%
Resources	82,550	72,446	10,104	13.9%
Property	7,030	13,519	(6,489)	-48.0%
Sub-total	868,524	598,608	269,916	45.1%
Investment holding & others	41,866	31,895	9,971	31.3%
Total revenue	910,390	630,503	279,887	44.4%
Profit before tax				
Power	169,711	123,887	45,824	37.0%
Resources	14,000	10,272	3,728	36.3%
Property	6,476	6,688	(212)	-3.2%
Sub-total	190,187	140,847	49,340	35.0%
Investment holding & others	(12,659)	(1,094)	(11,565)	1057.1%
Total profit before tax	177,528	139,753	37,775	27.0%
Significant income/(expense) items:				
Construction revenue	479,323	242,528	236,795	97.6%
Construction profit	127,119	64,315	62,804	97.7%
ESOS expense	(13,979)	(2,119)	(11,860)	559.7%
Fair value gain on investment properties	2,816	-	2,816	100.0%
Gain from quoted investments	1,267	1,164	103	8.8%
Gain/(Loss) on foreign exchange	6,201	2,142	4,059	189.5%

The Group's revenue was RM910.4 million, representing an increase of 44.4% as compared to RM630.5 million in 2016. The higher revenue was mainly due to the recognition of construction revenue of RM479.3 million (2016: RM242.5 million) for the Don Sahong Hydropower Project and higher contribution from the existing power operations and the Resources Division. The Property Division recorded weaker performance after suspending all new development projects since 2015.

The construction revenue and profit recognition in the first 9-month period were based on physical completion of 22% (2016: 11.5%). Cumulative physical completion up to 30 September 2017 has reached 38.5% (30 September 2016: 11.5%).

B2. Earnings performance review for the 9-month period ended 30 September 2017 (Cont'd)

The Group's pre-tax profit jumped 27% to RM177.5 million in 2017 from RM139.8 million in 2016. The improved pre-tax profit was mainly attributable to higher recognition of construction profit of RM127.1 million (2016: RM64.3 million), improved contribution from the Resources Division and higher foreign exchange gain but partially offset by higher employees' share options ("ESOS") expense and lower contributions from both the existing power operations and the Property Division.

Power Division

Revenue (excluding construction revenue) increased 10.9% to RM299.6 million (2016: RM270.1 million). Sales revenue from China increased 9.2% to RM235.9 million (2016: RM216.1 million) due to higher steam price (+33.4% resulting from a 38.7% coal price increase pass-through), higher energy tariff (+2.4% resulting from tariff adjustment in January 2017), a net one-off tariff incentive of RM4.1 million for environmental compliance and translation gain (average exchange rate +2.8% to RMB0.6386:RM1). These positive effects were partially offset by a 13.8% decline in steam volume to 1,901,616 tonnes due to tighter environmental protection policies causing significant decline in customer demand for steam. Consequently, energy volume correspondingly decreased 15.1% to 261,724 MWh.

Tawau's revenue rose 17.9% to RM63.7 million (2016: RM54 million) owing to an increase in energy tariff resulting from a 47.2% fuel price increase which cushioned the 14.5% slide in energy sales volume to 125,971 MWh. The decline in energy volume was mainly caused by lower capacity availability due to major scheduled and unscheduled machine and equipment repair works.

Excluding the construction profit for both periods (2017: RM127.1 million; 2016: RM64.3 million), the net one-off RM4.1 million tariff incentive received in 2017 for environmental compliance in China and a RM1 million partial arbitration award received in 2016 for the Tawau plant, the Division's pre-tax profit for the 9-month period ended 30 September 2017 fell 34.2% to RM38.5 million (2016: RM58.5 million). The decline in operational pre-tax profit was mainly due to lower sales volumes in China and Tawau, plant breakdown in Tawau and higher environmental compliance costs, partially offset by positive translation gain of the China operations.

Resources Division

Revenue from Resources Division was 13.9% higher at RM82.6 million (2016: RM72.4 million). The lime products segment recorded a 21.9% increase in sales volume to 222,707 tonnes mainly due to higher demand from customers in the domestic steel industry and increased penetration of the export markets. The average unit selling price of lime products was fairly stable. Export-to-domestic sales ratio increased to 46%:54% in 2017 (2016: 43%:57%). Revenue from calcium carbonate powder rose 5% to RM8.6 million (2016: RM8.2 million) on higher average unit selling price whilst volume fell 5% to 38,601 tonnes. Contributions from the quarry and cement brick operations were insignificant.

B2. Earnings performance review for the 6-month period ended 30 September 2017 (Cont'd)

Resources Division (Cont'd)

Margins improved on better operating efficiencies and higher capacity utilisation. Pre-tax profit increased 36.3% to RM14 million (2016: RM10.3 million) on higher sales volume and improved margins.

Property Division

Revenue from the Property Division of RM7 million (2016: RM13.5 million) was 48% lower as compared to the corresponding period last year, largely due to a 91% decrease in development revenue partially offset by an increased rental income of RM6.4 million (2016: RM6.2 million). Excluding a RM2.8 million fair value gain on certain reclassified residential and commercial units (previously inventory units), pre-tax profit fell 45.3% to RM3.7 million (2016: RM6.7 million) on lower development revenue.

B3. Variation of current quarter against preceding quarter

	3Q 2017 RM'000	2Q 2017 RM'000	Changes RM'000	%
Revenue	298,169	333,467	(35,298)	-10.6%
Other income, net	3,405	3,713	(308)	-8.3%
Operating profit	66,761	77,549	(10,788)	-13.9%
Profit before interest and tax	56,852	67,810	(10,958)	-16.2%
Profit before tax	54,955	66,076	(11,121)	-16.8%
Profit after tax	46,302	50,270	(3,968)	-7.9%
Profit after tax attributable to owners of the Company	40,071	39,390	681	1.7%
Revenue				
Power	251,819	287,749	(35,930)	-12.5%
Resources	27,902	29,701	(1,799)	-6.1%
Property	2,164	2,133	31	1.5%
Sub-total	281,885	319,583	(37,698)	-11.8%
Investment holding & others	16,284	13,884	2,400	17.3%
Total revenue	298,169	333,467	(35,298)	-10.6%
Profit before tax				
Power	49,131	67,125	(17,994)	-26.8%
Resources	3,562	5,860	(2,298)	-39.2%
Property	993	1,266	(273)	-21.6%
Sub-total	53,686	74,251	(20,565)	-27.7%
Investment holding & others	1,269	(8,175)	9,444	-115.5%
Total profit before tax	54,955	66,076	(11,121)	-16.8%
Significant income/(expense) items:				
Construction revenue	162,990	171,446	(8,456)	-4.9%
Construction profit	43,223	45,472	(2,249)	-4.9%
ESOS expense	3	(8,835)	8,838	-100.0%
Gain from quoted investments	870	277	593	214.1%
Gain/(Loss) on foreign exchange	3,630	1,648	1,982	120.3%

Compared to the preceding quarter, the Group's revenue in the current quarter decreased 10.6% to RM298.2 million from RM333.5 million in 2Q 2017. The lower revenue was mainly due to lower recognition of construction revenue of RM163 million (2Q 2017: RM171.4 million) on lower physical completion (7.6% in 3Q 2017 versus 7.9% in 2Q 2017) of the Don Sahong Hydropower Project as well as lower contribution from both the existing power operations and the Resources Division. Revenue from the Property Division remained fairly flat.

B3. Variation of current quarter against preceding quarter (Cont'd)

The Group's pre-tax profit decreased 16.8% to RM55 million (2Q 2017: RM66.1 million) mainly on lower recognition of construction profit of RM43.2 million (2Q 2017: RM45.5 million) and lower contribution from the existing power operations, largely offset by higher foreign exchange gain, higher gain from quoted investments and lower ESOS expense.

Power Division

Revenue (excluding construction revenue) fell 23.6% to RM88.8 million (2Q 2017: RM116.3 million) mainly on lower contribution from the China operations. Steam and energy sales volumes, which contracted 21.9% and 28.2% respectively, were adversely affected by significantly lower customers' industrial output due to tighter environmental protection policies. Steam price and energy tariff were flat quarter-on-quarter.

In Tawau, revenue increased 23.9% to RM22.6 million (2Q 2017: RM18.2 million) due to a 37.6% increase in energy sales volume. The lower energy volume in the preceding quarter was attributable to an unscheduled plant breakdown.

Pre-tax profit (excluding construction profit) fell 72.7% to RM5.9 million (2Q 2017: RM21.7 million) mainly due to lower steam and energy sales volumes in China, lower plant efficiencies due to lower production volume and a RM3 million tariff incentive refund to the Chinese government in the current quarter (of the RM7.1 million tariff incentive received and recognised in 2Q 2017).

Resources Division

The Resources Division's revenue slipped 6.1% to RM27.9 million (2Q 2017: RM29.7 million) mainly due to a 8.2% decrease in sales revenue of lime products. Lime products sales volume fell 7.2% to 74,485 tonnes on a 1.1% reduction in average unit selling price.

Pre-tax profit decreased 39.2% to RM3.6 million (2Q 2017: RM5.9 million) mainly on lower sales volume of lime products and lower capacity utilisation rate. Sale volume of lime products in the current quarter was momentarily affected by lower demand by a major domestic customer.

Property Division

Property revenue remained flat at RM2.2 million, but pre-tax profit slipped 21.6% to RM1 million (2Q 2017: RM1.3 million). There were no property unit sales in both periods. Pre-tax profit fell on higher administrative expenses.

B4. Prospects

Power Division

Don Sahong Hydropower Project

Construction of the powerhouse is progressing well and is slightly ahead of schedule. The erection bay structure (for turbine assembly) is up and the powerhouse main crane installation is currently underway. With the onset of the dry season, underwater exaction will resume end of November and embankment concreting works will be speeded up.

Manufacturing of the main turbine and generator equipment are also progressing well. The first unit turbine and generator components are progressively being completed and factory tested for acceptance. The completed and factory accepted components are expected to be ready for trial assembly at General Electric's factory in Tianjin in early 2018, before their final shipment to the powerhouse site for installation by the middle of 2018.

The contract for the construction of the 28.5 km transmission line from the powerhouse to Ban Hat substation has been awarded to Sinohydro on 28 July 2017. Preliminary survey and design works are currently underway with physical construction expected to commence in the first quarter of 2018.

Physical completion has reached 38.5% as at 30 September 2017 and is on track to reach 45-50% at the end of this financial year. The estimated progress of physical completion will result in continuous recognition of construction revenue and profit in the final quarter of 2017.

On 9 October 2017, Mega First Investments (L) Limited, a wholly owned subsidiary of the Company, has entered into facility agreements with various financial institutions for club deal facilities totaling USD150.0 million, to part finance the construction of the Don Sahong Hydropower Project. Together with proceeds from the April 2016 Rights Issue and internal cash reserves, the Company estimates it will have sufficient financial resources to complete the project by end 2019.

China Power Plant

On 17 October 2017, the Company announced it would not extend the sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd ("JV Agreement") beyond the expiry date of 22 October 2017 owing to the deteriorating operating conditions and the Chinese government's increasingly tough environmental policy stance. The Board was of the opinion that it would not make commercial and economic sense to extend the term of the JV Agreement given the rapidly declining steam demand and expected future capital investments needed to comply with new emission standards.

B4. Prospects (Cont'd)

Power Division (Cont'd)

China Power Plant (Cont'd)

The expiry of the JV Agreement will result in the future loss of earnings contribution from the 60%-owned subsidiary, Shaoxing Mega Heat & Power Co., Ltd ("SMHP"), after 22 October 2017. In the current quarter, SHMP accounted for 22.2% or RM66.23 million of Group revenue, 7.2% or RM3.93 million of Group pre-tax profit and 3.0% or RM1.22 million of net profit attributable to shareholders. For the nine-month period ended 30 September 2017, SMHP accounted for 25.9% or RM235.89 million of Group revenue, 20.1% or RM35.63 million of Group pre-tax profit and 13.1% or RM15.30 million of net profit attributable to shareholders. Earnings contribution of SMHP is expected to be immaterial to Group earnings in the final quarter of this year.

The deconsolidation of SMHP on 22 October 2017 is however expected to result in the recognition of a one-off net gain of about RM0.6 million in the final quarter, and a reduction of RM62.9 million in net assets.

The expiry of the JV Agreement is not expected to have a material effect on the Group's ability to finance the construction of the Don Sahong Hydropower Project.

Tawau Power Plant

The existing Power Purchase Agreement ("PPA") between Serudong Power Sdn Bhd ("SPSB"), a 51%-owned subsidiary of the Company, and Sabah Electricity Sdn Bhd ("SESB") is due to expire on 2 December 2017. The Energy Commission ("EC") has vide its letter dated 21 November 2017 proposed new commercial terms for the PPA extension that are acceptable to SPSB. The proposed new terms are however subject to the Minister of Energy, Green Technology and Water and the SESB's board approval.

While the Board remains optimistic the PPA will be extended, the aforesaid approvals and the subsequent extension agreement, are unlikely to be obtained and inked respectively before the expiry date of the existing PPA. In the absence of any eleventh hour interim arrangement with SESB, SPSB will have to stop supplying energy on 2 December 2017 until such time the PPA extension is executed.

Earnings contribution from SPSB in the final quarter will be adversely affected if SPSB stops supplying energy on 2 December 2017 and for the remaining part of the month.

Resources Division

The sales volume growth momentum of lime product was momentarily interrupted in the current third quarter by a sudden unexpected drop in demand by a large domestic customer. Demand from this customer has since normalised. Together with increased export penetration, the Resources Division in on track to register record sales volume of lime products in the final quarter of 2017.

B4. Prospects (Cont'd)

Resources Division (Cont'd)

Production efficiency gains arising from the projected higher sales volume is however expected to be partially offset by higher cost of petcoke fuel and lower export margin due to the recent strength of the Malaysia Ringgit against the US Dollar.

The Resources Division remains on track to fill up the added 400 tonne daily capacity in March 2017 by 2018. To support further growth, planning for Kiln 8 is underway and the division is expected to add another 400-600 tonne daily kiln capacity by the end of 2018.

Property Division

The Property Division is expected to generate continuous stable rental income to the Group in the last quarter of 2017.

Foreign Currency Exposure

The Group's major exposure to foreign currency exchange fluctuation is as follows:

<u>Don Sahong Hydropower Project (the "Project")</u>

Investment in the Project is primarily denominated in the US Dollar. Total project cost including interest during construction is estimated at USD417 million. The cumulative investment made up to 30 September 2017 is about USD140 million.

The remaining sources of funds will be mainly in the US Dollar, including the club deal banking facilities of USD150 million.

Foreign exchange fluctuation will not have a material impact to the commercial merits and viability of the project given the investment costs and the future income stream and operating costs are denominated primarily in the same US Dollar currency.

The fluctuation of Malaysia Ringgit and the US Dollar will however have an impact on the reported quarterly construction revenue and profit in Malaysia Ringgit term. The translation of the US Dollar denominated subsidiary for consolidation will also result in forex gain/loss under "other comprehensive income".

<u>China Power Plant</u>

The Group will no longer be exposed following the expiry of the JV Agreement on 22 October 2017.

<u>Resources Division</u>

Export sales which accounted for 46% of revenue in the nine-month period ended 2017 were denominated primarily in US Dollar and Australian Dollar. The recent strengthening of Malaysia Ringgit against the export currencies will have a negative impact on export margin. To mitigate the impact of forex loss and higher petcoke fuel cost, management has increased selling prices for selective export customers.

B5. Profit forecast

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

B6. Income tax expense

	Quarter Ended 30 September		Year Ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
- Malaysian	2,423	268	8,283	3,867
- Overseas	6,230	6,841	27,310	23,727
	8,653	7,109	35,593	27,594

The effective tax rate of the Group for the current quarter was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate for construction profit from the Don Sahong Hydropower Project and foreign exchange translation gains which are non-taxable.

The effective tax rate of the Group for the 9-month period ended 30 September 2017 was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate for construction profit from the Don Sahong Hydropower Project and foreign exchange translation gains which are non-taxable. The lower effective tax rate of the Group was partially offset by the withholding tax of 10% for dividends repatriated from China.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 20 November 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigation

SPSB vs SESB

On 15 November 2013, Serudong Power Sdn Bhd ("SPSB") commenced arbitration proceedings against Sabah Electricity Sdn Bhd ("SESB") at the Kuala Lumpur Regional Centre for Arbitration. SPSB's claim in the arbitration is in relation to the recovery of the inflationary adjustments to the capacity and energy payments pursuant to the Power Purchase Agreement dated 13 April 1995 entered into between SPSB and SESB.

On 5 June 2015, SPSB submitted the statement of claim for the outstanding capacity and energy payments ranging from RM24.1 million to RM25.8 million due to the adjustment of the Fixed Operating Rate ("FOR") and Variable Operating Rate ("VOR") for the period from December 2000 to March 2015, as well as interest at 1.5% above the base lending rate as provided for in the Power Purchase Agreement.

On 21 April 2016, SPSB received the Partial Award from the Tribunal declaring that SESB shall pay SPSB the sum of RM7.7 million in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015, without prejudice to SPSB's claims in the Arbitration. The remaining claim remains in dispute in the arbitration.

The final oral arguments were heard before the Tribunal on 3 July 2017. On 24 October 2017, both parties were informed that the Tribunal has deferred the delivery of the award on liability to end January/early February 2018.

Other than as disclosed above, there was no material litigation at 20 November 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

GOM vs IHSB

On 20 September 2017, IHSB was served with a Writ of Summon and Statement of Claim by the Government of Malaysia ("GOM"), details of which is disclosed in Note A13.

B9. Dividend

(a) A final tax-exempt dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2016 amounting to RM11,446,473.45 was paid on 7 July 2017.

(b) An interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2017 (31 December 2016 : interim tax-exempt dividend of 2.0 sen) amounting to RM7,805,418 was paid on 13 October 2017 and has been included as a liability in these financial statements.

(c) The total dividend declared to-date for the current financial year is a tax-exempt dividend of 2.0 sen (30 September 2016 : 2.0 sen) per ordinary share.

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

The total comprehensive income is arrived at:

	Quarter Ended 30 September		Period Ended 30 September	
	2017	2016	2,017	2,016
	RM'000	RM'000	RM'000	RM'000
After crediting:				
Dividend income	870	91	1,153	297
Fair value adjustment on investement properties	-	-	2,816	-
Gain on disposal of:				
- property, plant and equipment	-	1,052	43	1,280
- quoted shares	-	-	102	867
Gain on foreign exchange:				
- realised	3,039	162	8,098	-
- unrealised	591	4,337	-	2,365
Interest income	840	1,722	3,393	3,604
Write-back of:				
- impairment loss on quoted shares	-	-	12	-
- inventories written down/off	-	6	-	181
After charging:				
Amortisation of land use rights	(57)	(54)	(171)	(166)
Depreciation of property, plant and equipment	(9,909)	(8,919)	(28,969)	(26,772)
Interest expense	(1,897)	(1,355)	(4,942)	(4,732)
Loss on foreign exchange:				
- realised	-	-	-	(223)
- unrealised	-	-	(1,897)	-
Write-down/write-off of inventories	(76)	(60)	(84)	(65)
Write-off of receivables	(5)	-	(5)	(2)
Write-off of plant and equipment	-	3	(37)	(226)
After other comprehensive (expenses)/income				
Foreign currency translation difference for foreign operations	(8,534)	8,235	(30,132)	(18,590)
Fair value changes of available-for-sale financial assets	(3,126)	3,290	8,408	(292)

B11. Earnings per share

	Quarter ended 30 September		Period ended 30 September	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Profit after tax attributable to owners of the Company	40,071	35,908	116,838	86,156
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares outstanding at beginning of the period	402,046	243,345	401,900	243,345
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	106	1,507	103	1,213
- Warrants	1,203	-	411	-
- Rights Issue	-	157,048	-	100,878
- Bonus element in Rights Issue	-	-	-	9,533
	382,858	381,403	381,917	334,472
Basic earnings per share (sen)	10.47	9.41	30.59	25.76

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 9-month period ended 30 September 2017 excluding treasury shares held by the Company.

(b) Diluted earnings per share

	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit after tax attributable to owners of the Company	40,071	35,908	116,838	86,156
Weighted average number of ordinary shares ('000)	382,858	381,403	381,917	334,472
Weighted average number of shares under options and warrants ('000)	83,505	311	83,554	311
Weighted average number of shares that would have been issued at average market price ('000)	(50,740)	(212)	(57,693)	(212)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	415,623	381,502	407,778	334,571
Diluted earnings per share (sen)	9.64	9.41	28.65	25.75

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

B12. Retained profits

	At 30.9.2017 RM'000	At 31.12.2016 RM'000
Total retained profits:		
- realised	448,184	373,149
- unrealised	61,160	77,612
	509,344	450,761
Consolidation adjustments	168,802	130,088
Total Group retained profits	678,146	580,849

B13. Status of Utilisation of Rights Issue Proceeds

As at 30 September 2017, the status of the utilisation of the gross proceeds raised from the Rights Issue with Warrants which was completed on 15 April 2016, amounting to RM243.7 million is as follows:

Purpose	Proposed Utilisation RM'000		Actual Utilisation RM'000		Balance Unutilised RM'000	Intended Timeframe for Utilisation from Completion Date
Don Sahong Hydropower Project	150,000		150,000		-	Within 36 months
Working capital and other general corporate purposes	25,035	(3)	25,035		-	Within 36 months
Repayment of short-term bank borrowings	65,000		65,000		-	Within 12 months
Estimated expenses in relation to the Corporate Exercises	3,700		3,700	(4)	-	Within 3 months
	243,735	(1)(2)	243,735		-	

(1) The total gross proceeds of RM243.7 million was raised from the Rights Issue with Warrants, before the exercise of the Warrants.
(2) The amount raised in USD was translated at an average exchange rate of USD1.00 to RM3.90.
(3) The exchange difference arising from the translation of USD proceeds has been adjusted against the amount proposed for working capital and other general corporate purposes.
(4) The variation in the amount of estimated expenses has been adjusted against the amount proposed for working capital and other general corporate purposes.

B14. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 27 November 2017.