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

Interim Financial Report
30 September 2018

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 3rd quarter and 9-month period ended 30 September 2018

	Note	3rd Quarter Ended 30.9.2018 RM'000	3rd Quarter Ended 30.9.2017 RM'000	9-Month Period Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2017 RM'000
Continuing operations					
Revenue		219,062	209,340	653,191	610,769
Cost of sales		(165,356)	(154,788)	(490,810)	(448,484)
Gross profit		53,706	54,552	162,381	162,285
Other income, net		5,895	2,928	7,645	10,911
Operating expenses		(6,694)	(6,643)	(16,609)	(33,100)
Profit from operations		52,907	50,837	153,417	140,096
Finance costs		(1,238)	(1,752)	(6,810)	(4,557)
Share of results in joint venture, net of tax		(104)	-	-	-
Profit before tax		51,565	49,085	146,607	135,539
Income tax expense		(8,342)	(6,558)	(23,254)	(23,529)
Profit after tax from continuing operations		43,223	42,527	123,353	112,010
Discontinued operations					
(Loss)/Profit after tax from discontinued operations	A7	(1,258)	3,775	(13,323)	29,925
Profit after tax for the period		41,965	46,302	110,030	141,935
Other comprehensive income/(expenses)		40,832	(11,660)	46,293	(21,724)
Total comprehensive income for the period		82,797	34,642	156,323	120,211
Profit after tax attributable to:					
Owners of the Company		38,159	40,071	98,100	116,838
Non-controlling interests		3,806	6,231	11,930	25,097
		41,965	46,302	110,030	141,935
Total comprehensive income attributable to:					
Owners of the Company		77,455	28,850	142,967	97,265
Non-controlling interests		5,342	5,792	13,356	22,946
		82,797	34,642	156,323	120,211
EPS - Basic (sen)	B11				
- Continuing operations		9.87	9.86	27.83	25.70
- Discontinued operations		(0.09)	0.65	(2.71)	4.93
		9.78	10.51	25.12	30.63
EPS - Diluted (sen)	B11				
- Continuing operations		9.11	9.43	25.77	24.58
- Discontinued operations		(0.09)	0.62	(2.51)	4.71
		9.02	10.05	23.26	29.29

The notes set out on pages 7 to 39 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 2018

	Unaudited As At 30.9.2018 RM'000	Audited As At 31.12.2017 RM'000 Restated
ASSETS		
Non-Current Assets		
Property, plant and equipment	272,844	260,495
Investment in joint venture	4,000	-
Investment in quoted shares	53,944	56,909
Investment in unquoted shares	335	335
Land use rights	21,223	17,327
Investment properties	174,757	167,662
Inventories	44,044	45,696
Intangible asset	1,469,632	941,796
Deferred tax asset	2,086	170
Goodwill on consolidation	10,812	10,812
	2,053,677	1,501,202
Current Assets		
Inventories	52,194	42,280
Derivative asset	4,069	-
Receivables	135,767	152,040
Bank balances and deposits	124,515	138,750
	316,545	333,070
TOTAL ASSETS	2,370,222	1,834,272
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	525,076	524,005
Treasury shares	(30,046)	(30,046)
Reserves	847,682	732,733
	1,342,712	1,226,692
Non-Controlling Interests	172,153	133,757
Total Equity	1,514,865	1,360,449
Non-Current Liabilities		
Payables	6,418	7,083
Long-term borrowings	385,054	112,741
Deferred tax liabilities	74,911	54,145
	466,383	173,969
Current Liabilities		
Payables	254,614	188,708
Short-term borrowings	131,197	108,436
Derivative liability	-	2,351
Taxation	3,163	359
	388,974	299,854
Total Liabilities	855,357	473,823
TOTAL EQUITY AND LIABILITIES	2,370,222	1,834,272
Net Assets Per Ordinary Share (RM)	3.44	3.14

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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 2018

	← 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	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2017	401,900	(30,046)	99,856	4,120	90,571	5,681	15,550	18,571	-	580,849	1,187,052	156,688	1,343,740
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 arising from:													
- conversion of Warrants	21,292	-	-	-	-	-	-	(2,385)	-	-	18,907	-	18,907
- exercise of 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	62,590	14,089	15,606	16,186	-	678,146	1,298,324	161,904	1,460,228

The notes set out on pages 7 to 39 form an integral part and should be read in conjunction with this interim 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 2018

	Non-Distributable									Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Hedge Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2018, previously reported	524,005	(30,046)	-	17,746	(27,490)	22,255	475	16,221	(2,351)	715,132	1,235,947	133,757	1,369,704
Effects of MFRS adoption	-	-	-	-	-	-	(475)	-	-	(8,780)	(9,255)	-	(9,255)
Balance at 1.1.2018, restated	524,005	(30,046)	-	17,746	(27,490)	22,255	-	16,221	(2,351)	706,352	1,226,692	133,757	1,360,449
Total comprehensive income for the period	-	-	-	-	39,144	(697)	-	-	6,420	98,100	142,967	13,356	156,323
Contributions by and distributions to owners of the Company:-													
Dividends paid to:													
- shareholders of the Company	-	-	-	-	-	-	-	-	-	(15,621)	(15,621)	-	(15,621)
ESOS options granted	-	-	-	388	-	-	-	-	-	-	388	-	388
ESOS options lapsed	-	-	-	(73)	-	-	-	-	-	73	-	-	-
Issuance of ordinary shares arising from:													
- conversion of Warrants	8	-	-	-	-	-	-	#	-	-	8	-	8
- exercise of ESOS options	1,063	-	-	(265)	-	-	-	-	-	-	798	-	798
Total transactions with owners of the Company	1,071	-	-	50	-	-	-	-	-	(15,548)	(14,427)	-	(14,427)
Effect of increase in issued and paid-up capital of a subsidiary	-	-	-	-	-	-	-	-		(12,520)	(12,520)	25,040	12,520
Balance at 30.9.2018	525,076	(30,046)	-	17,796	11,654	21,558	-	16,221	4,069	776,384	1,342,712	172,153	1,514,865

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The notes set out on pages 7 to 39 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 9-month period ended 30 September 2018

		9-Month Period Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2017 RM'000
Cash flows (for)/from operating activities			
Profit before tax			
- Continuing operations		146,607	135,539
- Discontinued operations		(10,632)	41,989
Adjustments for non-cash flow	- Non-cash items	(111,702)	(83,137)
	- Non-operating items	2,157	314
Operating profit before working capital changes		26,430	94,705
Changes in working capital	- Net change in assets	(4,979)	(13,294)
	- Net change in liabilities	(5,271)	(12,787)
Cash from operations		16,180	68,624
Income tax paid		(5,401)	(25,919)
Retirement benefits paid		(1,141)	-
Net cash from operating activities		9,638	42,705
Cash flows for investing activities			
Interest received		1,903	3,393
Dividend received		804	1,153
Cash outflow for development project		(272,616)	(213,696)
Proceeds from disposal of property, plant and equipment		4,520	-
Purchase of property, plant and equipment		(37,097)	(28,312)
Purchase of land use rights		(127)	(1,040)
Proceeds from disposal of quoted shares		-	569
Purchase of quoted shares		-	(1,632)
Net cash outflow for acquisition of a subsidiary		-	(9,999)
Investment in joint venture		(4,000)	-
Net cash for investing activities		(306,613)	(249,564)

The notes set out on pages 7 to 39 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 2018

	9-Month Period Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2017 RM'000
Cash flows from financing activities		
Interest paid	(6,811)	(4,942)
Dividends paid to shareholders of the Company	(7,808)	(11,447)
Dividends paid to subsidiaries' non-controlling interests	-	(18,297)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	11,369	29,475
- Hire purchase payables	658	6,466
- Term loans	267,459	1,471
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	798	706
- Exercise of Warrants	8	18,907
Proceeds from issuance of shares by a subsidiary to non-controlling interests	12,520	750
Withdrawal of deposits pledged to licensed banks or with original maturity period of more than three months	2,001	26,594
Net cash from financing activities	280,194	49,683
Effect of foreign exchange translation	396	6,873
Net decrease in cash and cash equivalents	(16,384)	(150,303)
Cash and cash equivalents at beginning of the period	129,348	263,142
Cash and cash equivalents at end of the period	112,964	112,839

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

Continuing operations		
Bank balances and deposits	105,932	79,337
Bank overdrafts	(10,352)	(4,759)
Discontinued operations		
Bank balances and deposits	18,583	39,851
	114,163	114,429
Deposits pledged to licensed banks or with original maturity period of more than three months	(1,199)	(1,590)
	112,964	112,839

The notes set out on pages 7 to 39 form an integral part and should be read in conjunction with this interim financial report.

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

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

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

This is the first year the Group has prepared its financial statements in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board. In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", with 1 January 2017 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note A1(c) below. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. The financial impacts on the transition from FRSs to MFRSs are disclosed below:

(a) Adoption of MFRS 9 - Financial Instruments

MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

MFRS 9 simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are measured at FVPL with the irrevocable option at inception to present changes in FVOCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

A1. Basis of preparation (Cont'd)

(a) Adoption of MFRS 9 - Financial Instruments (Cont'd)

The Group applied the simplified approach and calculated expected credit losses based on life time expected losses on its trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors (whichever applicable) specific to the category of debtors and the economic environment.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities, except that receivables which has decreased by RM10.34 million and deferred tax has decreased by RM2.03 million as at 1 January 2018 as a result of applying the ECL model on trade and other receivables. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus these adjustments were recognised in the opening retained earnings of the current period.

(b) Adoption of MFRS 15 - Revenue from Contracts with Customers

The Group has adopted MFRS 15 in the current period. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

MFRS15 establishes a new five-step model that will apply to revenue arising from contracts with customers under which an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

In adopting MFRS 15, the Group has adopted the standard using partial retrospective (with practical expedient) approach where the cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

The Group has assessed the effects of applying the new standards on the financial statements and the impacts of adopting MFRS 15 is detailed in Note A1(c) below.

A1. Basis of preparation (Cont'd)

(c) Restatement of Comparatives - Opening statement of financial position

In summary, the impacts of adopting MFRS 9 and MFRS 15 to opening balances are as follows:

Statement of financial position (Extract)

	As previously reported RM'000	After adjustments for MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
1 January 2018				
Non-current assets				
Property, plant and equipment	262,151	-	(1,656)	260,495
Land held for property development	45,095	-	(45,095)	-
Project development expenditure	601	-	(601)	-
Inventories	-	-	45,696	45,696
Current assets				
Receivables	161,787	(10,338)	591	152,040
Equity				
Reserves	741,988	(8,307)	(948)	732,733
Non-current liabilities				
Deferred tax liabilities	56,176	(2,031)	-	54,145
Current liabilities				
Payables	188,825	-	(117)	188,708

A1. Basis of preparation (Cont'd)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ending 31 December 2018:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020

A1. Basis of preparation (Cont'd)

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until) further notice
Annual Improvements to MFRS standards 2015 – 2017 Cycles	1 January 2019

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 2017.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2017 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 1.1.2018	410,786	(20,497)	524,005	(30,046)
New ordinary shares issued arising from:				
- Exercise of ESOS options	374	-	1,063	-
- Conversion of Warrants	3	-	8	-
At 30.9.2018	411,163	(20,497)	525,076	(30,046)

During the 9-month period ended 30 September 2018, the Company has:

(a) Issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS options	2.00	254,057
Exercise of ESOS options	2.41	120,000
Conversion of Warrants	2.22	3,342

As at 30 September 2018, the total number of warrants which remained unexercised was 58,785,342 (31.12.2017: 58,788,684).

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

No. of Share Options	Exercise Price	Vesting Date
600,000	RM2.89	5 April 2018

Of the total 411,163,025 (31.12.2017 : 410,785,626) issued ordinary shares as at 30 September 2018, 20,497,300 (31.12.2017: 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 2018 was therefore 390,665,725 (31.12.2017 : 390,288,326).

Other than as disclosed above, there was no issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares in these financial statements.

A7. Discontinued operations

The discontinued operations comprised the following: -

a) Power plant in China operated by 60%-owned Shaoxing Mega Heat & Power Co., Ltd ("SMHP"). The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People's Republic of China ("QHP") expired on 22 October 2017 and was not extended by the Group; and

b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd ("SPSB"). The Power Purchase Agreement ("PPA") expired on 2 December 2017. Efforts by SPSB to extend the PPA was not successful. Sabah Electricity Sdn Bhd ("SESB") has disagreed on the proposed new commercial terms approved by the Energy Commission and the Ministry of Energy, Green Technology and Water.

Accordingly, the Group has presented and disclosed in these financial statements the effects of discontinued operations for both SMHP (which was effected in 2017) and SPSB in accordance to FRS 5 (Non-current Assets Held for Sale and Discontinued Operations) and the comparative consolidated statement of profit or loss and other comprehensive income have been reclassified to show the discontinued operations separately from continuing operations.

A7. Discontinued operations (Cont'd)

An analysis of the results of the discontinued operations for the current quarter and 9-month period ended 30 September 2018 is as follow:-

	3rd Quarter Ended 30.9.2018 RM'000	3rd Quarter Ended 30.9.2017 RM'000	9-Month Period Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2017 RM'000
Revenue	-	88,829	-	299,621
Cost of sales	(238)	(78,219)	(1,956)	(247,187)
Gross (loss)/profit	(238)	10,610	(1,956)	52,434
Other income/(expenses), net	705	477	(7,451)	2,101
Operating expenses	(447)	(5,072)	(1,224)	(12,161)
Profit/(Loss) from operations	20	6,015	(10,631)	42,374
Finance costs	-	(145)	(1)	(385)
Profit/(Loss) before tax	20	5,870	(10,632)	41,989
Income tax expense	(1,278)	(2,095)	(2,691)	(12,064)
(Loss)/Profit after tax for the period	(1,258)	3,775	(13,323)	29,925
Other comprehensive expenses	-	(77)	-	(2,569)
Total comprehensive (expenses)/income for the period	(1,258)	3,698	(13,323)	27,356
(Loss)/Profit after tax attributable to:				
Owners of the Company	(370)	2,478	(10,563)	18,802
Non-controlling interests	(888)	1,297	(2,760)	11,123
	(1,258)	3,775	(13,323)	29,925
Total comprehensive (expenses)/income attributable to:				
Owners of the Company	(370)	2,432	(10,563)	17,261
Non-controlling interests	(888)	1,266	(2,760)	10,095
	(1,258)	3,698	(13,323)	27,356

No revenue was generated in the current quarter and 9-month period ended 30 September 2018 as operations have ceased since 22 October 2017 in respect of SMHP and since 2 December 2017 in respect of SPSB.

A7. Discontinued operations (Cont'd)

Included in other expense of RM7.45 million for the 9-month period ended 30 September 2018 mainly comprised the following items:

(i) RM9.8 million impairment loss on amount receivable from QHP; and

(ii) RM28.3 million loss on asset impairment (plant and equipment and spare part inventory of Tawau plant), retrenchment costs and provision for decommissioning of the Tawau power plant.

Partially offset by:

(iii) RM28.8 million gain in respect of the second partial final award issued by the Arbitral Tribunal in relation to arbitration proceedings initiated by SPSB against SESB.

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

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After crediting:				
Interest income:				
- External parties	115	30	369	379
- Intra-group of companies	218	-	635	281
Arbitral Tribunal's award	420	-	28,792	-
After charging:				
Allowance for impairment loss on receivables	(103)	-	(9,778)	-
Amortisation of land use rights	-	(57)	-	(171)
Depreciation of property, plant and equipment	-	(4,800)	(35)	(17,224)
Impairment loss on plant and equipment	2	-	(10,471)	-
Interest expense	-	(145)	(1)	(385)
Loss on foreign exchange:				
- realised	-	(11)	-	(20)
Provision for staff retrenchment, plant decommissioning and other expenses	(25)	-	(14,401)	-
Writeback/(Writedown) in value of inventories	6	-	(3,452)	-
Write-off of plant and equipment	-	-	-	(37)
After other comprehensive expenses:				
Foreign currency translation difference for foreign operations	-	(77)	-	(2,569)

A8. Segment information

9-Month Period Ended 30 September 2018	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	489,105	110,673	6,868	46,905	-	653,551
- Discontinued operations	-	-	-	-	-	-
	489,105	110,673	6,868	46,905	-	653,551
Inter-segment revenue	-	-	-	55,682	(55,682)	-
Consolidated revenue	489,105	110,673	6,868	102,587	(55,682)	653,551
Results						
Profit from operations						
- Continuing operations	129,630	16,417	12,484	51,704	(56,296)	153,939
- Discontinued operations	(10,631)	-	-	-	-	(10,631)
	118,999	16,417	12,484	51,704	(56,296)	143,308
Finance costs						(6,811)
Profit before tax						136,497
Income tax expense						(25,945)
Profit after tax						110,552
Total assets						
At 30 September 2018						
- Continuing operations	1,578,094	313,042	304,207	1,235,293	(1,110,298)	2,320,338
- Discontinued operations	49,884	-	-	-	-	49,884
	1,627,978	313,042	304,207	1,235,293	(1,110,298)	2,370,222

A8. Segment information (Cont'd)

9-Month Period Ended 30 September 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	479,323	82,550	7,030	41,866	-	610,769
- Discontinued operations	299,621	-	-	-	-	299,621
	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						
- Continuing operations	130,067	11,884	6,947	40,134	(48,936)	140,096
- Discontinued operations	42,374	-	-	-	-	42,374
	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 31 December 2017						
- Continuing operations	1,093,780	295,120	295,982	927,426	(817,576)	1,794,732
- Discontinued operations	39,540	-	-	-	-	39,540
	1,133,320	295,120	295,982	927,426	(817,576)	1,834,272

A9. Dividend paid

The dividend paid in the current quarter and 9-month period ended 30 September 2018 is disclosed in Note B9.

A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment during the period reported up to 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Significant events during the reporting period

(a) Option agreement to develop and/or purchase all or any part of 4 parcels of land

Teratai ANR Sdn Bhd ("TASB") was set up as a joint venture company between Teratai Kembara Sdn Bhd ("TKSB")(90%), a 77.8% indirect subsidiary of the Company, and Amanjaya Natural Resources Sdn Bhd ("ANR")(10%).

TASB is a 70% indirect subsidiary of the Company. ANR is an indirect wholly owned subsidiary of Menteri Besar Incorporated (Perak) ("MBI").

TASB was intended to undertake mining activities on a piece of land located in in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan pursuant to a Joint Venture Agreement dated 31 December 2012 ("JVA 2012") and a Supplementary Agreement dated 15 December 2014 ("SA I") between TKSB, ANR and MBI, and a Mining Agreement ("MA") dated 16 December 2014 between TASB and MBI.

However, after exploration of the land, the land was found not to be commercially viable for mining. TASB and MBI wished to explore to develop the land instead.

On 8 May 2018, the following agreements were entered into:-

1. A Second Supplementary Agreement ("SA II") between TKSB, ANR and MBI to vary the terms of the JVA 2012 to change the purpose of the joint venture from mining activities to mixed development.

2. A Memorandum of Rescission and Revocation between TASB and MBI to rescind the MA.

A11. Significant events during the reporting period (Cont'd)

(a) Option agreement to develop and/or purchase all or any part of 4 parcels of land (Cont'd)

3. An Option Agreement between TASB and MBI (hereinafter referred to as "the Parties") whereby:

   (i) TASB is appointed to carry out feasibility studies on the proposed development of a 99-year leasehold land measuring a total of approximately 772 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan for a period of not more than 2 years from the date of the Option Agreement;

   (ii) MBI shall grant to TASB an irrevocable Option for a period of 15 years ("Option Period") from the completion of variation of the Land to either 1) enter into Development Rights Agreement ("DRA") and/or 2) enter into sale and purchase agreements for the acquisition of the land or any part thereof;

   (iii) TKSB shall cause and procure that MBI be issued with such number of shares in TASB such that MBI's shareholdings in TASB shall be increased to comprise 15% of the total shareholdings in TASB with TKSB holding the remaining 85% of shareholdings in TASB; and

   (iv) The aggregate value of the Land is agreed at RM63,300,000 based on the agreed value per square feet for each development category as guided by the existing housing policies of the relevant authorities.

(b) Arbitration proceedings - Second Partial Final Award and Final Award from Arbitral Tribunal

On 31 May 2018, SPSB received a Second Partial Final Award from the Tribunal in relation to arbitration proceedings that SPSB initiated against SESB. The Award provided that:

(i) SESB was liable for inflation adjusted FOR and VOR shortfall payments claimed by SPSB from 1 December 2007 (allowing for invoicing after 15 November 2007);

(ii) SPSB was permitted to invoice SESB for any shortfall in energy and capacity payments, calculated using the adjusted FOR and VOR, within ten (10) days from 31 May 2018;

(iii) SPSB was entitled to simple interest rate at the rate of 1.5% above the base lending rate in effect at Malayan Banking Berhad on any shortfall in capacity and energy payments calculated using the adjusted FOR and VOR, starting from 30 days after the date each capacity payment or energy payment would have become due, if no dispute had arisen between the parties, until the date of actual payment; and

(iv) The parties were to bear their own one-half shares on the arbitration costs and SESB was to bear one-half of SPSB's total representation costs.

A11. Significant events during the reporting period (Cont'd)

(b) Arbitration proceedings - Second Partial Final Award and Final Award from Arbitral Tribunal (Cont'd)

Subsequently on 28 September 2018, Arbitral Tribunal has issued the Final Award where the pertinent details are summarised as follows:

(i) RM19.237 million being the principal shortfall in Energy Payment ("EP") and Capacity Payment ("CP") for the period from 15 November 2007 to 1 December 2016;

(ii) RM9.135 million being the interest on the above principal shortfall calculated up to 31 May 2018; and

(iii) RM420,000 being the Claimant's representation cost to be reimbursed by SESB.

At the date of issue of these financial statements, subsequent to the end of the reporting period, both Parties have further reached an agreement on the principal shortfall in EP and CP for the period from 2 December 2016 to the expiry of the Power Purchase Agreement on 1 December 2017 amounting to RM2.823 million. The interest on the said shortfall has not yet been agreed by the Parties. Both the shortfall and interest thereon have not been recognised in these financial statements.

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

A12. Significant events subsequent to the end of the reporting period

Other than disclosed in A11(b) and A14(a), there was no significant event subsequent to the end of the period reported up to 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A13. Changes in composition of the Group

There was no change in the composition of the Group for the 9-month period ended 30 September 2018.

A14. Changes in contingent liabilities and assets

(a) Contingent liability

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

(i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").

(ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM ("Form JR").

(iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

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

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

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

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

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.

A14. Changes in contingent liabilities and assets

(a) Contingent liability (Cont'd)

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 7 November 2017, IHSB was served with GOM's application for summary judgment. Subsequently, after attended several case management, the Court gave directions for both parties to file written submissions on 23 February 2018. The hearing of the application was heard on 5 March 2018.

On 14 May 2018, the High Court dismissed GOM's application for summary judgement and ordered RM3,000 cost to be paid by GOM to IHSB.

On 7 June 2018, GOM filed an appeal to the Court of Appeal against the High Court's decision to dismiss the application for summary judgment. On 6 July 2018, the High Court directed both parties to file all pre-trial documents for the Main Suit before 28 September 2018 and has set 28 September 2018 as the next case management date.

On 5 October 2018, IHSB entered into a consent judgment ("Consent Judgment") with IRBM, which was sealed by the Shah Alam High Court ("High Court") on 12 October 2018 and received by IHSB on 15 October 2018, to settle the civil suit filed by the IRBM at the High Court for the recovery of taxes for the Years of Assessment 2009 and 2010 only upon the final determination of the same by the Special Commissioners of Income Tax and any appeal to the Courts therefrom for the Main Suit.

This means that the taxes for the Years of Assessment 2009 and 2010 will not be due and payable until the appeal by IHSB to the Special Commissioners of Income Tax on the validity of the assessments have been properly and finally determined. There will no longer be a trial at the High Court.

As a consequence, on 8 October 2018, IRBM withdrew its appeal to the Court of Appeal against the decision of the High Court on 14 May 2018 to dismiss its application for summary judgment.

Other than as disclosed above, there was no material contingent liability as at 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

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

(b) Contingent asset

The Group has no contingent asset as at 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A15. Capital commitments

As at 30 September 2018, the Group has the following commitments:

	30.9.2018 RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	19,415
Not contracted	961
	20,376
Don Sahong Hydropower Project	
Authorised but not provided for:	
Contracted	486,953
Not contracted	58,819
	545,772
Total	566,148

A16. Significant related party transactions

	3rd Quarter Ended 30.9.2018 RM'000	9-Month Period Ended 30.9.2018 RM'000
Sales of lime products to a joint venture company	4,859	10,355

Other than as disclosed above, there was no other significant related party transaction during the current quarter and 9-month period ended 30 September 2018.

A17. Derivative financial instruments

	30.9.2018 RM'000	31.12.2017 RM'000
Derivative financial assets/(liabilities)		
Interest rate swap	4,069	(2,351)

The Interest Rate Swap ("IRS") is executed with credit-worthy financial institution in order to partially hedge against potential increases in the LIBOR arising from the club deal facilities ("Facilities), which are obtained for the purpose of financing the construction of the Don Sahong Hydropower Project. With the IRS, it effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

As at the end of the reporting period, the Group has utilised IRS of USD47.77 million (31.12.2017: USD13.3 million). The IRS has the same maturity terms as the Facilities and is settled every 3 months which is consistent to Facilities' interest repayment schedule.

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

a) The critical terms of the IRS and the hedged item (i.e. the Facilities) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly matched; and

b) The fair value of the hedging instrument at inception is nil.

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

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

During the 9-month period ended 30 September 2018, a gain of RM6.4 million is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

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

B1. Performance review - Current quarter 30 September 2018 ("3Q 2018") versus ("vs") the corresponding quarter 30 September 2017 ("3Q 2017")

Continuing Operations

	3Q 2018 RM'000	3Q 2017 RM'000	Changes RM'000	%
Revenue	219,062	209,340	9,722	4.6%
Other income, net	5,895	2,928	2,967	101.3%
Profit before interest and tax	52,803	50,837	1,966	3.9%
Profit before tax	51,565	49,085	2,480	5.1%
Profit after tax	43,223	42,527	696	1.6%
Profit after tax attributable to owners of the Company	38,529	37,593	936	2.5%
Revenue				
Power	164,026	162,990	1,036	0.6%
Resources	36,377	27,902	8,475	30.4%
Property	2,116	2,164	(48)	-2.2%
Sub-total	202,519	193,056	9,463	4.9%
Investment holding & others	16,543	16,284	259	1.6%
Total revenue	219,062	209,340	9,722	4.6%
Profit before tax				
Power	43,353	43,261	92	0.2%
Resources	4,571	3,562	1,009	28.3%
Property	8,219	993	7,226	727.7%
Sub-total	56,143	47,816	8,327	17.4%
Investment holding & others	(4,578)	1,269	(5,847)	-460.8%
Total profit before tax	51,565	49,085	2,480	5.1%
Significant income/(expense) items:				
Construction revenue	164,026	162,990	1,036	0.6%
Construction profit	43,727	43,223	504	1.2%
ESOS expense	-	3	(3)	-100.0%
Fair value gain on investment properties	6,375	-	6,375	na
(Loss)/Gain from quoted investments	(1,968)	870	(2,838)	-326.2%
Gain on foreign exchange	561	3,630	(3,069)	-84.5%

B1. Performance review - 3Q 2018 vs 3Q 2017 (Cont'd)

Group revenue from continuing operations improved by 4.6% in 3Q 2018 to RM219.1 million in 3Q 2018 from RM209.3 million a year ago. The increase was mainly attributable to improved performance in the Resources Division which posted an RM8.5 million increase in revenue to RM36.4 million, and a marginal increase of RM1.0 million to RM164.0 million in construction revenue from Don Sahong Hydropower Project ("Don Sahong") .

Pre-tax profit from continuing operations increased 5.1% or RM2.5 million to RM51.6 million mainly due to a RM7.2 million increase in profit contribution from the Property Division to RM8.2 million and a RM1.0 million increase in profit contribution from the Resources Division to RM4.6 million, partially offset by lower foreign exchange gain of RM0.6 million as compared to a RM3.6 million gain in 3Q 2017 and a RM2.0 million loss from quoted investments as compared to a RM0.9 million gain in the same period last year.

Power Division (Don Sahong)

Physical completion of Don Sahong for the quarter under review was 8% as compared to 7.6% in 3Q 2017. This brought the cumulative physical completion to 71% at 30 September 2018. Despite a higher percentage of physical completion, construction revenue in Malaysia Ringgit term improved marginally by 0.6% to RM164.0 million as a result of an 8.4% appreciation of the Malaysia Ringgit against the US Dollar. Consequently, construction profit rose only marginally by 1.2% to RM43.7 million.

Resources Division

The Resources Division recorded a 30.4% increase in revenue to RM36.4 million, bolstered by a 37.4% or RM9.1 million increase in sales of lime products to RM33.6 million. Revenue contribution from other products declined marginally by RM0.7 million mainly as a result of lower sales of calcium carbonate powder.

Sales volume of lime products grew 37.8% year-on-year on stronger demand from both export and domestic markets. The average selling price was stable year-on-year.

Pre-tax profit rose at slower pace of 28.3% to RM4.6 million as higher sales volume and lower production cost (resulting mainly from higher plant capacity utilisation) were offset by higher packaging and transportation costs.

Property Division

Revenue from rental income was stable year-on-year at RM2.1 million. There was no development revenue for both periods.

Pre-tax profit however increased significantly by RM7.2 million to RM8.2 million due to a RM6.5 million fair value gain on investment property and writeback of development cost.

B2. Performance review - Year-to-date 30 September 2018 (“YTD 30.9.2018) versus (“vs”) corresponding Year-to-date 30 September 2017 (“YTD 30.9.2017”)

	YTD 30.9.2018 RM'000	YTD 30.9.2017 RM'000	Changes RM'000	%
Revenue	653,191	610,769	42,422	6.9%
Other income, net	7,645	10,911	(3,266)	-29.9%
Profit before interest and tax	153,417	140,096	13,321	9.5%
Profit before tax	146,607	135,539	11,068	8.2%
Profit after tax	123,353	112,010	11,343	10.1%
Profit after tax attributable to owners of the Company	108,663	98,036	10,627	10.8%
Revenue				
Power	489,105	479,323	9,782	2.0%
Resources	110,673	82,550	28,123	34.1%
Property	6,868	7,030	(162)	-2.3%
Sub-total	606,646	568,903	37,743	6.6%
Investment holding & others	46,545	41,866	4,679	11.2%
Total revenue	653,191	610,769	42,422	6.9%
Profit before tax				
Power	129,625	127,714	1,911	1.5%
Resources	15,332	14,000	1,332	9.5%
Property	10,999	6,476	4,523	69.8%
Sub-total	155,956	148,190	7,766	5.2%
Investment holding & others	(9,349)	(12,651)	3,302	-26.1%
Total profit before tax	146,607	135,539	11,068	8.2%
Significant income/(expense) items:				
Construction revenue	489,105	479,323	9,782	2.0%
Construction profit	130,388	127,119	3,269	2.6%
ESOS expense	(388)	(13,979)	13,591	-97.2%
Fair value gain on investment properties	6,375	2,816	3,559	126.4%
(Loss)/Gain from quoted investments	(1,464)	1,267	(2,731)	-215.5%
(Loss)/Gain on foreign exchange	(476)	6,208	(6,684)	-107.7%

Excluding discontinued operations, Group revenue increased by RM42.4 million or 6.9% year-on-year to RM653.2 million for the 9-month period ended 30 September 2018. The increase was mainly attributable to a 34.1% increase in Resources Division’s revenue to RM110.7 million (9M2017: RM82.5 million) and higher revenue from Don Sahong (+RM9.8 million to RM489.1 million).

Group pre-tax profit from continuing operations expanded 8.2% from RM135.5 million to RM146.6 million. The combined pre-tax profit of the Group’s three divisions grew 5.2% to RM156.0 million. Specifically, construction profit rose 1.5% to RM129.6 million, Resources Division improved 9.5% to RM15.3 million and Property Division posted a 70% increase in profit to RM11.0 million. Loss from “Investment Holding and Others” declined 26.1% to RM9.3 million mainly as a result of lower ESOS expense of RM0.4 million (9M2017: RM14 million), and higher fair value gain on investment property (RM6.4 million versus RM2.8 million), partially offset by loss from quoted investments of RM1.5 million as compared to a RM1.3 million gain in 9M2017 and a RM0.5 million forex loss as compared to a RM6.2 million forex gain in the corresponding period last year.

B2. Performance review - YTD 30.9.2018 vs YTD 30.9.2017 (Cont'd)

Power Division (Don Sahong)

During the 9-month period ended 30 September 2018, Don Sahong achieved a 24.5% physical completion, compared to 22% in the previous period. This brought the cumulative physical completion to 71.0%, which was in line with management's guidance. The higher percentage completion during the period was however partially offset by a stronger Malaysia Ringgit. The average RM:USD exchange rate in the first nine month of 2018 was 8.4% lower than the same period last year. Consequently, construction revenue and pre-tax profit rose marginally by 2.0% to RM489.1 million and by 2.6% to RM130.4 million, respectively.

Resources Division

The Resources Division posted a 34.1% increase in revenue to RM110.7 million (9M2017: RM82.5 million), bolstered by a 39.1% growth in sales revenue of lime products to RM101.6 million (9M2017: RM73.0 million). Revenue contribution from other products came in at RM9.1 million and is slightly lower when compared to RM9.5 million achieved a year ago mainly due to lower sales of calcium carbonate powder.

Sales volume of lime products grew 41.5% on both higher export and domestic demand. The average selling price of lime products however was 1.8% lower due mainly to a stronger Malaysia Ringgit against the US Dollar.

Division's pre-tax profit however rose at a slower pace of 9.5% to RM15.3 million as margin was adversely affected by a stronger Malaysia Ringgit versus the US Dollar, higher packaging material and transportation costs, and higher production cost resulting from high fuel and repair and maintenance costs.

Property Division

Property Division's revenue was stable at RM6.9 million (9M2017: RM7.0 million). Pre-tax profit was however RM4.5 million higher at RM11.0 million (9M2017: 6.5 million) mainly due to RM6.4 million (9M2017: 2.8 million) fair value gain of investment property and writeback of development cost in current period.

B2. Performance review - YTD 30.9.2018 vs YTD 30.9.2017 (Cont'd)

(a) Assets and Liabilities

Significant changes in key assets and liabilities during the 9-month period ended 30 September 2018 are explained below:

Asset/Liability Items	**As At 30.9.2018** RM'000	**As At 31.12.2017** RM'000	**Changes** RM'000	**Explanation**
Property, plant and equipment ("PPE")	272,844	260,495	12,349	PPE increased by RM12.3 million primarily due to capital expenditures of 37.1 million for the following purposes: - RM27.2 million incurred by Resources Division mainly for kiln expansion; - RM5.5 million utilised for plantation development activities in Cambodia; and - RM3.3 million spent on expanding flexible packaging production capacity. Partially offset by: - Depreciation and amorisation charges of RM12.0 million for the period; - Impairment loss of RM10.5 million on Tawau power plant; and - Asset disposal of RM2.5 million.
Investment in quoted shares	53,944	56,909	(2,965)	The decrease was due to decline in market values of quoted securities.
Investment properties	174,757	167,662	7,095	Investment properties increased due to gain on change in fair value of investment property and reclassification of account from/to inventories.
Inventories (non-current) ^	44,044	45,696	(1,652)	Change during the period relates to reclassification of a property item to investment properties.
Intangible asset	1,469,632	941,796	527,836	Intangible asset represented the cumulative construction revenue recognised for the Don Sahong Hydropower Project.

^ - *represents assets previously classified under land held for property development and project development expenditure in accordance with MFRS 15.*

B2. Performance review - YTD 30.9.2018 vs YTD 30.9.2017 (Cont'd)

(a) Assets and Liabilities (Cont'd)

Significant changes in key assets and liabilities during the 9-month period ended 30 September 2018 are explained below:

Asset/Liability Items	**As At 30.9.2018** RM'000	**As At 31.12.2017** RM'000	**Changes** RM'000	**Explanation**
Inventories (current)	52,194	42,280	9,914	The increase in inventories was mainly attributable to an increase in stockholding of raw materials by Resources Division in anticipation of higher sales volume.
Receivables	135,767	152,040	16,273	Receivables decreased mainly attributed to the followings: - Realisation of RM29.7 million advance payment (recorded as prepayment) paid to EPC contractor, Sinohydro in the form of deduction from progressive billing issued by Sinohydro during the 9-month period ended 30 September 2018; and - Decrease in RM14.4 million owing by QHP after the Group impaired non-recoverable sum and collected remaining unimpaired debt in current period. Partially offset by a RM28.8 million owing by SESB to SPSB following Final Award issued by the Arbitral Tribunal in current quarter.
Deferred tax liabilities (net)	72,825	53,975	18,850	The increase mainly related to deferred tax liabilities provided for construction profit.
Payables – current	254,616	188,708	65,908	The increase was mainly due to accruals associated with the construction of the Don Sahong Hydropower Project, provisional costs made by SPSB for plant decommissioning & other related costs and RM7.8 million dividend payable by MFCB to its shareholders.

B2. Performance review - YTD 30.9.2018 vs YTD 30.9.2017 (Cont'd)

(b) Group borrowings and debt securities

As at 30 September 2018, total borrowings (exclude hire purchase) amounted to RM516.25 million (31 December 2017: RM221.2 million). The Table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD	RM	USD	RM	Borrowings
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Bankers' acceptance	-	-	-	13,771	13,771
Term loans	371,824	13,230	-	21,074	406,128
Bank overdrafts	-	-	-	2,484	2,484
Revolving credits	-	-	-	76,000	76,000
	371,824	13,230	-	113,329	498,383
Unsecured					
Bank overdrafts	-	-	-	7,868	7,868
Revolving credits	-	-	-	10,000	10,000
	-	-	-	17,868	17,868
Total bank borrowings	371,824	13,230	-	131,197	516,251

The increase in total borrowings (since 31 December 2017) was mainly attributable to the US$72.5 million drawdown of the US$150 million syndicated loan facility to fund the construction of Don Sahong.

The Group's bank borrowings are wholly floating in nature.

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

The Group has no debt securities as at 30 September 2018.

(c) Cash flow analysis for the 9-month period ended 30 September 2018

The Group generated RM9.6 million cash from its operating activities during the 9-month period ended 30 September 2018.

In the same period, the Group spent RM306.6 million on investing activities comprising mainly RM272.6 million on Don Sahong Hydropower Project and RM37.1 million capex on plant expansion. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM290.9 million to RM505.9 million (31.12.2017: RM215.0 million) while cash and cash equivalents decreased RM16.4 million to RM113.0 million (31.12.2017: RM129.3 million).

B3. Variation of Current Quarter ("3Q 2018") versus ("vs") Preceding Quarter ("2Q 2018")

Continuing Operations

	3Q 2018 RM'000	2Q 2018 RM'000	Changes RM'000	%
Revenue	219,062	218,941	121	0.1%
Other income/(expenses), net	5,895	3,477	2,418	69.5%
Profit before interest and tax	52,803	53,318	(515)	-1.0%
Profit before tax	51,565	51,361	204	0.4%
Profit after tax	43,223	43,187	36	0.1%
Profit after tax attributable to owners of the Company	38,529	38,467	62	0.2%
Revenue				
Power	164,026	164,042	(16)	0.0%
Resources	36,377	36,689	(312)	-0.9%
Property	2,116	2,653	(537)	-20.2%
Sub-total	202,519	203,384	(865)	-0.4%
Investment holding & others	16,543	15,557	986	6.3%
Total revenue	219,062	218,941	121	0.1%
Profit before tax				
Power	43,353	43,662	(309)	-0.7%
Resources	4,571	3,972	599	15.1%
Property	8,219	1,751	6,468	369.4%
Sub-total	56,143	49,385	6,758	13.7%
Investment holding & others	(4,578)	1,976	(6,554)	-331.7%
Total profit before tax	51,565	51,361	204	0.4%
Significant income/(expense) items:				
Construction revenue	164,026	164,042	(16)	0.0%
Construction profit	43,727	43,730	(3)	0.0%
ESOS expense	-	(388)	388	na
Fair value gain on investment properties	6,375	-	6,375	na
(Loss)/Gain from quoted investments	(1,968)	495	(2,463)	-497.6%
Gain on foreign exchange	561	948	(387)	-40.8%

B3. Variation of 3Q 2018 vs 2Q 2018 (Cont'd)

Excluding continuing operations, Group revenue was stable quarter-on-quarter at RM219 million, while the combined revenue contribution from the Group's three core divisions was marginally lower at RM202.5 million (2Q2018: RM203.4 million).

The combined pre-tax profit contribution from the Group's three divisions rose 13.7% to RM56.1 million. The increase was attributable to a 15.1% increase in profit contribution from the Resources Division to RM4.6 million and a 369% increase in profit contribution from the Property Division to RM8.2 million. Group pre-tax profit was however flat at RM51. 6 million, weighed down by RM2.0 million loss from quoted investments compared to RM0.5 million gain in the preceding quarter, lower gain on disposal of property, plant and equipment (RM0.5 million versus RM1.4 million in 2Q 2018) and lower forex gain.

Power Division (Don Sahong)

When compared to the preceding quarter, physical completion for the current period was 0.3% lower at 8.0%. Nonetheless, both construction revenue and profit were flat quarter-on-quarter at RM164.0 million and RM43.7 million respectively, on translation gain resulting from a weaker Malaysia Ringgit versus the US Dollar.

Resources Division

Resources Division's revenue was 0.9% lower at RM36.4 million (2Q 2018: RM36.7 million). Sales volume of lime products declined 3.1% quarter-on-quarter due to repairs and maintenance works on two kilns in the current quarter. The decline in sales volume was however partially offset by a 2.5% increase in average selling price due to a weaker Malaysia Ringgit against the export currency.

Pre-tax profit however rose 8.8% to RM5.1 million due to the absence of a RM0.5 million write off of development cost recognised in the preceding quarter. Excluding the write off of development cost, pre-tax profit for the current quarter would have been flat quarter-on-quarter as higher average selling price was offset by higher production cost led by higher petcoke and energy costs.

Property Division

Property Division's revenue declined RM0.54 million primarily attributable to the absence of development income. In the preceding quarter, the division recorded RM0.55 million of development revenue from the sale of a residential unit.. Rental income was stable quarter-on-quarter.

Pre-tax profit improved from RM1.8 million in 2Q 2018 to RM8.2 million mainly due to RM6.4 million fair value gain on investment property and writeback of development cost, partially offset by the absence of gain from development income

B4. Prospects

Don Sahong Power Project ("Project")

Overall construction of the Project is progressing well and is now expected to achieve about 79% physical completion by the end of the year. This is a tad lower than the 80% guidance provided previously as we now expect certain non-critical works to be pushed back slightly without affecting the overall target project completion date.

At the end of September 2018, civil works of the powerhouse was 80% complete, excavation works at 88% and embankments at 72%. The four turbine generators and ancillary parts are progressively being fabricated, tested and shipped to site for assembly with the first turbine expected to be ready for dry test by 2Q2019. Construction of the transmission line is also on schedule and is expected to be completed on time before commissioning of the first turbine.

The estimated 79% physical completion by year end would translate into a 32.5% physical completion for the year 2018 as compared to 30% recorded in 2017. This would result in higher construction revenue and profit in US Dollar terms. However, contribution in Malaysian Ringgit is expected to be offset by a stronger Malaysia Ringgit against the US Dollar when compared to the average RM:USD exchange rate of RM4.30 in 2017.

Resources Division

Despite a weak economic environment in the region, the Resources Division, which operated at 75% to 80% of kiln capacity in the current quarter, is expected to sustain its sales volume in the fourth quarter of this year. The average selling price of lime products in Ringgit terms should see some respite from the recent weakness in Ringgit against the US Dollar. However, margin is expected to remain under pressure from higher packaging, transportation and fuel costs as the division faces challenges in passing on the cost increases to customers given the subdued regional economic environment.

To support future growth, construction of Kiln 8 and lime crushing facility at an estimated cost of RM29.2 million is currently underway and is expected to complete by the end of 2018.

Property Division

Rental income is expected to remain stable in the last quarter of 2018. There are no plans to reactivate the development segment this year. Efforts will continue to market the remaining completed unsold units with a book value of approximately RM11 million.

B5. Profit forecast

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

B6. Income tax expense

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
- Malaysian	2,086	2,221	4,600	6,359
- Overseas	6,256	4,337	18,654	17,170
	8,342	6,558	23,254	23,529
Discontinued operations				
- Malaysian	1,278	202	2,691	1,924
- Overseas	-	1,893	-	10,140
	1,278	2,095	2,691	12,064
	9,620	8,653	25,945	35,593

The effective tax rate of the Group for the current quarter and 9-month period ended 30 September 2018 was significantly 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 the impact of reinvestment allowances.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations

(a) 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.

B8. Material litigations (Cont'd)

(a) <u>SPSB vs SESB (Cont'd)</u>

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.

On 31 May 2018 and 28 September 2018, SPSB received a Second Partial Final Award and Final Award from the Tribunal respectively amounting to a total of RM28.8 million payables by SESB to SPSB. Details of the awards are disclosed in Note A11(b).

(b) <u>GOM vs IHSB</u>

Details of this lawsuit are disclosed in Note A14(a).

Other than as disclosed above, there was no material litigation as at 20 November 2018, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividends

(a) A final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017 amounting to RM7,808,175.82 was paid on 6 July 2018.

(b) An interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2018 (31 December 2017: interim tax-exempt dividend of 2.0 sen) amounting to RM7,813,314.50 was paid on 12 October 2018 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 2017: 2.0 sen) per ordinary share.

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

	3rd Quarter Ended 30 September		9-Month Period Ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>				
After crediting:				
Dividend income	300	870	804	1,153
Fair value gain on investement properties	6,375	-	6,375	2,816
Gain on disposal of:				
- property, plant and equipment	487	-	1,947	43
- quoted shares	-	-	-	102
Gain on foreign exchange:				
- realised	1,047	3,050	131	8,118
- unrealised	-	591	-	-
Interest income	401	810	1,534	3,014
Write-back of:				
- impairment loss on quoted shares	-	-	-	12
After charging:				
Depreciation of property, plant and equipment	(4,347)	(5,109)	(11,993)	(11,745)
Interest expense	(1,238)	(1,752)	(6,810)	(4,557)
Loss on foreign exchange:				
- realised	-	-	-	-
- unrealised	(486)	-	(607)	(1,897)
(Write-down)/Write-back of inventories	(1)	(76)	102	(84)
Impairment loss on:				
- quoted investments	(2,268)	-	(2,268)	-
Write-off of plant and equipment	-	-	(78)	-
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	33,184	(8,457)	40,570	(27,563)
Fair value changes of available-for-sale financial assets	6,310	(3,126)	(697)	8,408
Cash flow hedge	1,338	-	6,420	-

B11. Earnings per share

	3rd Quarter ended 30 September		9-Month Period ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	38,529	37,593	108,663	98,036
- Discontinued operations	(370)	2,478	(10,563)	18,802
	38,159	40,071	98,100	116,838
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	410,906	401,900	410,786	401,900
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	31	-	163	-
- Warrants	-	1	1	1
	390,440	381,404	390,453	381,404
Basic earnings per share (sen):				
- Continuing operations	9.87	9.86	27.83	25.70
- Discontinued operations	(0.09)	0.65	(2.71)	4.93
- Total	9.78	10.51	25.12	30.63

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 2018 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	3rd Quarter ended 30 September		9-Month Period ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(b) Diluted earnings per share				
Profit after tax attributable to owners of the Company:				
- Continuing operations	38,529	37,593	108,663	98,036
- Discontinued operations	(370)	2,478	(10,563)	18,802
	38,159	40,071	98,100	116,838
Weighted average number of ordinary shares ('000)	390,440	381,404	390,453	381,404
Weighted average number of shares under options and warrants ('000)	83,602	91,957	83,710	91,957
Weighted average number of shares that would have been issued at average market price ('000)	(51,302)	(74,562)	(52,542)	(74,562)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	422,740	398,799	421,621	398,799
Diluted earnings per share (sen):				
- Continuing operations	9.11	9.43	25.77	24.58
- Discontinued operations	(0.09)	0.62	(2.51)	4.71
- Total	9.02	10.05	23.26	29.29

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

B12. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 27 November 2018.