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

Interim Financial Report
31 December 2019

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 4th quarter and financial year ended 31 December 2019

	Note	4th Quarter Ended 31.12.2019 RM'000	4th Quarter Ended 31.12.2018 RM'000	Financial Year Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2018 RM'000
Continuing operations					
Revenue		195,531	220,928	701,933	874,119
Cost of sales		(85,939)	(162,661)	(471,783)	(653,471)
Gross profit		109,592	58,267	230,150	220,648
Other (expenses)/income, net		(4,392)	1,927	(6,892)	9,572
Operating expenses		(7,519)	(8,427)	(26,421)	(25,036)
Profit from operations		97,681	51,767	196,837	205,184
Finance costs		(3,191)	(933)	(8,433)	(7,743)
Share of results in joint venture, net of tax		-	(1)	-	(1)
Profit before tax		94,490	50,833	188,404	197,440
Income tax expense		4,065	(14,654)	(11,984)	(37,908)
Profit after tax from continuing operations		98,555	36,179	176,420	159,532
Discontinued operations					
Loss after tax from discontinued operations	A7	(316)	(423)	(1,311)	(13,746)
Profit after tax for the period		98,239	35,756	175,109	145,786
Other comprehensive (expenses)/income		(17,969)	(16,889)	(12,242)	11,383
Total comprehensive income for the period		80,270	18,867	162,867	157,169
Profit after tax attributable to:					
Owners of the Company		83,176	31,166	153,668	129,266
Non-controlling interests		15,063	4,590	21,441	16,520
		98,239	35,756	175,109	145,786
Total comprehensive income attributable to:					
Owners of the Company		67,515	14,335	142,564	139,281
Non-controlling interests		12,755	4,532	20,303	17,888
		80,270	18,867	162,867	157,169
EPS - Basic (sen)	B11				
- Continuing operations		20.55	7.78	36.93	35.59
- Discontinued operations		0.12	0.14	0.47	(2.56)
		20.67	7.92	37.40	33.03
EPS - Diluted (sen)	B11				
- Continuing operations		19.17	7.32	34.50	33.23
- Discontinued operations		0.12	0.13	0.44	(2.39)
		19.29	7.45	34.94	30.84

The notes set out on pages 7 to 36 form an integral part and should be read in conjunction with this interim financial report.
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Mega First Corporation Berhad
(Co. No. 6682-V)

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	Unaudited As At 31.12.2019 RM'000	Audited As At 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	222,770	287,392
Intangible asset	2,048,137	1,635,027
Investment properties	177,212	177,212
Inventories	43,443	43,443
Land Use Rights	-	21,223
Right of Use Assets	95,989	-
Associate and joint venture	4,000	4,000
Investment in quoted shares	49,385	43,247
Investment in unquoted shares	335	335
Goodwill on consolidation	8,357	8,357
	2,649,628	2,220,236
Current Assets		
Inventories	67,682	64,230
Receivables	96,639	93,101
Contract assets	104	1,838
Derivative asset	-	647
Assets classified as held for sale	2	-
Bank balances and deposits	91,031	130,508
	255,458	290,324
TOTAL ASSETS	2,905,086	2,510,560
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	593,586	540,667
Treasury shares	(30,046)	(30,046)
Reserves	969,133	842,159
	1,532,673	1,352,780
Non-Controlling Interests	179,215	172,756
Total Equity	1,711,888	1,525,536
Non-Current Liabilities		
Payables	444	8,855
Lease liabilities	9,711	-
Long-term borrowings	27,929	486,308
Deferred tax liabilities	95,935	88,342
	134,019	583,505
Current Liabilities		
Payables	314,899	286,995
Short-term borrowings	718,211	112,387
Derivative liability	4,391	-
Lease liabilities	4,117	-
Liabilities of assets classified as held for sale	16,650	-
Taxation	911	2,137
	1,059,179	401,519
Total Liabilities	1,193,198	985,024
TOTAL EQUITY AND LIABILITIES	2,905,086	2,510,560
Net Assets Per Ordinary Share (RM)	3.78	3.41

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2019

	Non-Distributable							Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value 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	524,005	(30,046)	17,746	(27,490)	(2,011)	16,221	(2,351)	730,618	1,226,692	133,757	1,360,449
Total comprehensive income for the period	-	-	-	20,679	(13,662)	-	2,998	129,266	139,281	17,888	157,169
Contributions by and distributions to owners of the Company:-											
Dividends paid to:											
- shareholders of the Company	-	-	-	-	-	-	-	(15,621)	(15,621)	-	(15,621)
- subsidiaries' non-controlling interests	-	-		-	-	-	-	-	-	(3,929)	(3,929)
ESOS options granted			388						388	-	388
ESOS options lapsed		-	(73)	-	-		-	73	-	-	-
Issuance of ordinary shares arising from:											
- conversion of Warrants	14,818	-	-	-	-	(1,638)	-	-	13,180	-	13,180
- exercise of ESOS options	1,844	-	(464)	-	-	-	-	-	1,380	-	1,380
Total transactions with owners of the Company	16,662	-	(149)	-	-	(1,638)	-	(15,548)	(673)	(3,929)	(4,602)
Effect of increase in issued and paid-up capital of a subsidiary	-	-	-	-	-	-	-	(12,520)	(12,520)	25,040	12,520
Balance at 31.12.2018	540,667	(30,046)	17,597	(6,811)	(15,673)	14,583	647	831,816	1,352,780	172,756	1,525,536

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the financial year ended 31 December 2019

	← Non-Distributable						→	Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Employees' Share Option Reserve RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value 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 1.1.2019	540,667	(30,046)	17,597	(6,811)	(15,673)	14,583	647	831,816	1,352,780	172,756	1,525,536
Total comprehensive income for the period	-	-	-	(12,200)	6,134	-	(5,038)	153,668	142,564	20,303	162,867
Contributions by and distributions to owners of the Company:-											
Dividends paid to:											
- shareholders of the Company	-	-	-	-	-	-	-	(7,999)	(7,999)	-	(7,999)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	(2,751)	(2,751)
Issuance of ordinary shares arising from:											
- conversion of Warrants	48,215	-	-	-	-	(5,329)	-	-	42,886	-	42,886
- exercise of ESOS options	4,704	-	(1,145)	-	-	-	-	-	3,559	-	3,559
Total transactions with owners of the Company	52,919	-	(1,145)	-	-	(5,329)	-	(7,999)	38,446	(2,751)	35,695
Gain on dilution of interest in subsidiaries	-	-	-	-	-	-		(4)	(4)	34	30
Loss on accretion of interest in a subsidiary	-	-	-	-	-	-	-	(1,113)	(1,113)	(11,577)	(12,690)
Subscription of shares in subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	-	450	450
Balance at 31.12.2019	593,586	(30,046)	16,452	(19,011)	(9,539)	9,254	(4,391)	976,368	1,532,673	179,215	1,711,888

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 Cash Flows
For the financial year ended 31 December 2019

		Financial Year Ended	
		31.12.2019	**31.12.2018**
		RM'000	**RM'000**
Cash flows from operating activities			
Profit before tax			
- Continuing operations		188,404	197,440
- Discontinued operations		590	(7,818)
Adjustments for non-cash flow	- Non-cash items	(131,282)	(121,709)
	- Non-operating items	5,605	1,938
Operating profit before working capital changes		63,317	69,851
Changes in working capital	- Net change in assets	(16,004)	(30,343)
	- Net change in liabilities	(3,484)	9,494
Cash from operations		43,829	49,002
Income tax paid		(1,667)	(8,888)
Retirement benefits paid		12	(1,489)
Net cash from operating activities		42,174	38,625
Cash flows for investing activities			
Cash outflow for Don Sahong Hydropower Project		(223,414)	(370,193)
Dividends received		1,060	1,041
Interest received		1,756	2,599
Investment in joint venture and associate		-	(4,001)
Payments for purchase of:			
- property, plant and equipment		(26,941)	(49,765)
- right of use assets		(4,177)	-
- land use rights		-	(469)
Proceeds from disposal of:			
- property, plant and equipment		50	4,792
Net cash inflow from deconsolidation of a subsidiary		-	3,439
Subscription of additional shares in a subsidiary		(12,690)	-
Net cash for investing activities		(264,356)	(412,557)

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 Cash Flows (Cont'd)
For the financial year ended 31 December 2019

	Financial Year Ended	
	31.12.2019	**31.12.2018**
	RM'000	**RM'000**
Cash flows from financing activities		
Dividends paid to:		
- shareholders of the Company	(7,999)	(15,621)
- subsidiary's non-controlling interests	(2,751)	(3,929)
Interest paid	(8,433)	(7,744)
Net drawdown/(repayment) of:		
- Revolving credits and bankers' acceptances	619,162	4,607
- Lease liabilities	(1,172)	-
- Hire purchase payables	-	(2,975)
- Term loans	(457,333)	361,923
Proceeds from issuance of shares arising from:		
- Exercise of ESOS options	3,559	1,380
- Conversion of Warrants	42,886	13,180
Proceeds from issuance of shares by subsidiaries to non-controlling interests	480	12,520
(Placement)/Withdrawal of short-term deposits pledged with banks	(50)	1,595
Net cash from financing activities	188,349	364,936
Effect of foreign exchange translation	(331)	1,766
Net decrease in cash and cash equivalents	(34,164)	(7,230)
Cash and cash equivalents at beginning of the period	122,118	129,348
Cash and cash equivalents at end of the period	87,954	122,118

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

Continuing operations		
Bank balances and deposits	69,857	103,081
Bank overdrafts	(1,422)	(6,785)
Discontinued operations		
Bank balances and deposits	21,174	27,427
	89,609	123,723
Less:		
- Deposits pledged to licensed banks	(1,655)	(1,605)
	87,954	122,118

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 MFRS 134

A1. Basis of preparation

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

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

(a) During the financial year ended 31 December 2019, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

MFRSs and/or IC Interpretations (including the Consequential Amendments)	**Effective Date**
MFRS 16 Leases	1 January 2019
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 119 (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

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

A1. Basis of preparation (Cont'd)

(a) MFRS 16: Leases replaces MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117.

All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use ("ROU") assets and lease liabilities respectively.

Lease liabilities are measured with reference to present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of initial application. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the ROU assets are based on the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset.

The Group has adopted MFRS 16 using the modified retrospective approach without restating any comparative information, as follows:

	At 31.12.2018 Previously Reported RM'000	Reclassification Adjustments RM'000		At 1.1.2019 Restated RM'000
Assets				
Property, Plant and Equipment	287,392	(74,528)	(i)	212,864
Land Use Rights	21,223	(21,223)	(ii)	-
Right Of Use Assets	-	98,481	(i), (ii), (iii)	98,481
Liabilities				
Lease Liabilities	-	(15,000)	(iii), (iv)	(15,000)
Payables:				
- Non-current liabilities	(8,855)	8,459	(iv)	(396)
- Current liabilities	(286,995)	3,811	(iv)	(283,184)
Net impact to Group's earnings		-		

A1. Basis of preparation (Cont'd)

(a) (Cont'd)

(i) Property, plant and equipment with carrying amount of RM74.53 million related to leasehold land and assets acquired under hire purchase term have been represented as "right-of-use assets".

(ii) Land use rights of RM21.22 million relate to lease payments made by the Group to lessors at or before lease commencement date (including initial direct costs incurred) which were classified as lease assets applying MFRS 117 and accordingly, such amount have been represented as "right of use assets".

(iii) The Group has recognised additional RM2.73 million right-of-use assets with corresponding lease liabilities with respect to leases classified as operating leases in which it is the lessee.

(iv) The hire purchase payables of RM12.27 million have been represented as "lease liabilities" as they were classified as leases applying MFRS 117.

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2019:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendment to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: and MFRS 108: Definition of Material	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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 2018.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2018 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 1.1.2019	417,363	(20,497)	540,667	(30,046)
New ordinary shares issued arising from:				
- Exercise of ESOS options	1,661	-	4,704	-
- Conversion of Warrants	19,318	-	48,215	-
At 31.12.2019	438,342	(20,497)	593,586	(30,046)

A6. Debt and equity securities (Cont'd)

During the financial year ended 31 December 2019, the Company has issued new ordinary shares in the following manner:

	Issue Price	No. of Shares
Exercise of ESOS options	1.34	150,000
Exercise of ESOS options	2.00	786,745
Exercise of ESOS options	2.41	684,000
Exercise of ESOS options	3.40	40,000
Conversion of Warrants	2.22	19,317,993

As at 31 December 2019, the total number of warrants which remain outstanding was 33,533,849 (31.12.2018: 52,851,842).

The total number of share options granted to the Group's employees and directors which remain unexercised as at 31 December 2019 was 22,888,411 (31.12.2018: 24,549,156).

Of the total 438,342,363 (31.12.2018 : 417,363,525) issued ordinary shares as at 31 December 2019, 20,497,300 (31.12.2018: 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 31 December 2019 was therefore 417,845,063 (31.12.2018: 396,866,225).

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.

Accordingly, the Group has presented and disclosed in these financial statements (including comparative information) the results of SMHP and SPSB under discontinued operations in accordance to MFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), separately from continuing operations where the results of discontinued operations for current quarter and financial year ended 31 December 2019 is presented as follows:

A7. Discontinued operations (Cont'd)

	4th Quarter Ended 31.12.2019 RM'000	4th Quarter Ended 31.12.2018 RM'000	Financial Year Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2018 RM'000
Revenue	-	-	-	-
Cost of sales	(47)	(93)	(168)	(2,049)
Gross loss	(47)	(93)	(168)	(2,049)
Other income/(expenses), net	438	3,263	1,898	(4,188)
Operating expenses	(222)	(356)	(1,140)	(1,580)
Profit/(Loss) from operations	169	2,814	590	(7,817)
Finance costs	-	-	-	(1)
Profit/(Loss) before tax	169	2,814	590	(7,818)
Income tax expense	(485)	(3,237)	(1,901)	(5,928)
Loss after tax for the period	(316)	(423)	(1,311)	(13,746)
Other comprehensive expenses	-	-	-	-
Total comprehensive expenses for the period	(316)	(423)	(1,311)	(13,746)
Loss after tax attributable to:				
Owners of the Company	496	546	1,933	(10,017)
Non-controlling interests	(812)	(969)	(3,244)	(3,729)
	(316)	(423)	(1,311)	(13,746)
Total comprehensive expenses attributable to:				
Owners of the Company	496	546	1,933	(10,017)
Non-controlling interests	(812)	(969)	(3,244)	(3,729)
	(316)	(423)	(1,311)	(13,746)

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

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After crediting:				
Gain on disposal of property, plant and equipment	-	-	8	-
Interest income:				
- External parties	4	189	95	558
- Intra-group of companies	425	238	1,774	873
Arbitral Tribunal's award	-	2,823	-	31,615
After charging:				
Allowance for impairment loss on receivables	-	(103)	-	(9,778)
Depreciation of property, plant and equipment	-	-	-	(35)
Impairment loss on plant and equipment	-	-	-	(10,471)
Interest expense	-	-	-	(1)
Provision for plant decommissioning costs, staff retrrenchment and other expenses	-	(1)	-	(14,402)
Writeback/(Writedown) in value of inventories	-	(4)	10	(3,456)

A8. Segment information

Financial Year Ended 31 December 2019	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	470,375	143,522	10,851	77,185	-	701,933
- Discontinued operations	-	-	-	-	-	-
	470,375	143,522	10,851	77,185	-	701,933
Inter-segment revenue	-	-	-	177,189	(177,189)	-
Consolidated revenue	470,375	143,522	10,851	254,374	(177,189)	701,933
Results						
Profit from operations						
- Continuing operations	183,836	16,039	7,757	168,839	(179,634)	196,837
- Discontinued operations	590	-	-	-	-	590
	184,426	16,039	7,757	168,839	(179,634)	197,427
Finance costs						(8,433)
Share of results in joint venture						-
Profit before tax						188,994
Income tax expense						(13,885)
Profit after tax						175,109
Total assets						
At 31 December 2019	2,163,742	315,123	304,650	1,517,328	(1,395,757)	2,905,086

A8. Segment information (Cont'd)

Financial Year Ended 31 December 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	656,228	142,249	9,455	66,187	-	874,119
- Discontinued operations	-	-	-	-	-	-
	656,228	142,249	9,455	66,187	-	874,119
Inter-segment revenue	-	-	-	129,250	(129,250)	-
Consolidated revenue	656,228	142,249	9,455	195,437	(129,250)	874,119
Results						
Profit from operations						
- Continuing operations	177,061	16,979	14,323	127,353	(130,532)	205,184
- Discontinued operations	(7,817)	-	-	-	-	(7,817)
	169,244	16,979	14,323	127,353	(130,532)	197,367
Finance costs						(7,744)
Share of profit in joint venture						(1)
Profit before tax						189,622
Income tax expense						(43,836)
Profit after tax						145,786
Total assets						
At 31 December 2018	1,769,417	332,040	303,674	1,227,930	(1,122,501)	2,510,560

A9. Dividend paid

The details of dividend paid are 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 18 February 2020, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Significant event during the reporting period

(a) Deed of Revocation and Option Agreement

On 13 August 2019, Teratai ANR Sdn Bhd ("TASB"), an 70% indirect subsidiary of the Company and Teratai Kembara Sdn Bhd ("TKSB"), an 77.8% indirect subsidiary of the Company entered into a Deed of Revocation to revoke and rescind the following agreements:

1) Second Supplementary Agreement dated 8 May 2018 to change the purpose of TASB from mining activities to mixed development; and

2) Option Agreement dated 8 May 2018 to develop and/or purchase all or any part of 4 parcels of 99-year leasehold land measuring a total of approximately 772 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan.

On even date, Bayangan Sutera Sdn Bhd ("BSSB"), an 80% indirect subsidiary of the Company entered into an Option Agreement with Menteri Besar Incorporated (Perak) ("MBI") to lease or buy a parcel of 99-year leasehold land measuring a total of approximately 688.89 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan for the purpose of developing a large scale solar ("LSS") photovoltaic plant.

(b) Incorporation of New Subsidiary and Joint Venture Agreement

On 29 August 2019, Mega First Power Industries Sdn Bhd ("MFPI"), a wholly-owned subsidiary of the Company has incorporated a new subsidiary, MFP Solar Sdn Bhd ("MFP Solar") to facilitate expansion of the Group's solar business.

On 25 September 2019, MFPI and MFP Solar entered into a joint venture agreement ("JVA") with Pekat Teknologi Sdn Bhd ("Pekat") whereby under the JVA, both MFPI and Pekat will subscribe for new ordinary shares of MFP Solar. Upon completion of such subscription, MFPI and Pekat would hold 55% and 45% equity interest in MFP Solar, respectively. The shares subscription was subsequently completed on 1 October 2019.

Under the JVA, MFP Solar shall be an exclusive partnership between MFPI and Pekat for solar project investment with capacity of up to 10 megawatt-power in Malaysia.

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

(c) Assets Sale Agreement

On 11 November 2019, SPSB entered into an Assets Sale Agreement with Reliable Power Resources Sdn Bhd ("RPR") for the disposal of its Buildings (i.e. all the buildings and structures erected on the Land (held under Country Lease (C.L.) No. Hakmilik No. Lot 10531128, District of Tawau, Sabah) together with Plant Assets (i.e. all the facilities, equipment, plant and machinery, spare parts and fuels) on an as is where is basis, free from all encumbrances whatsoever at a consideration of RM3,000,000.00.

It is a condition to the sale and purchase of the abovementioned Buildings and Plant Assets that SPSB receives a letter from Sabah Electricity Sdn Bhd ("SESB") in a form satisfactory to SPSB, confirming amongst others, the termination of the Site Lease Agreement (entered into between SPSB and SESB) on or before the Completion Date that possession of the Land together with Buildings and Plant Assets thereon has been yielded to SESB to its satisfaction and that SESB has no claim against SPSB arising from or in connection with the lease of the Land. The aforesaid condition has not yet been fulfilled as at 31 December 2019.

Other than as disclosed above, there was no significant event during the financial year ended 31 December 2019.

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

There was no significant event subsequent to the end of the period reported up to 18 February 2020, 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 financial year ended 31 December 2019 except as disclosed in Note A11(b) and dissolution of Mega First Power (HK) Limited.

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 hearing of the appeals has been postponed to 11 and 12 March 2020.

Other than as disclosed above, there was no material contingent liability as at 18 February 2020, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

(b) Contingent asset

The Group has no contingent asset as at 18 February 2020, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A15. Capital commitments

As at 31 December 2019, the Group has the following commitments:

	31.12.2019 RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	2,612

A16. Significant related party transactions

	4th Quarter Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2019 RM'000
Sales of lime products to a joint venture company	14	5,402

Other than as disclosed above, there was no other significant related party transaction during the current quarter and financial year ended 31 December 2019.

A17. Derivative financial instruments

	31.12.2019 RM'000	31.12.2018 RM'000
Derivative (liability)/asset		
Interest rate swap	(4,391)	647

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 revolving credit facility (31.12.2018: club deal facilities), which are obtained for the purpose of refinancing/financing the construction of the Don Sahong Hydropower Project ("Don Sahong 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 USD70 million (31.12.2018: USD57.81 million). The IRS has the same maturity terms as the underlying principal instrument and is settled every 3 months which is consistent to latter's 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 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 financial year ended 31 December 2019, a loss of RM5.038 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 ended 31 December 2019 ("4Q2019") versus ("vs") the corresponding quarter ended 31 December 2018 ("4Q2018")

Continuing Operations

	4Q2019 RM'000	4Q2018 RM'000	Changes RM'000	%
Revenue	195,531	220,928	(25,397)	-11.5%
Other (expenses)/income, net	(4,392)	1,927	(6,319)	-327.9%
Profit before interest and tax	97,681	51,766	45,915	88.7%
Profit before tax	94,490	50,833	43,657	85.9%
Profit after tax	98,555	36,179	62,376	172.4%
Profit after tax attributable to owners of the Company	82,680	30,620	52,060	170.0%
Revenue				
Power	139,302	167,123	(27,821)	-16.6%
Resources	32,319	31,576	743	2.4%
Property	3,138	2,587	551	21.3%
Sub-total	174,759	201,286	(26,527)	-13.2%
Investment holding & others	20,772	19,642	1,130	5.8%
Total revenue	195,531	220,928	(25,397)	-11.5%
Profit before tax				
Power	98,340	47,433	50,907	107.3%
Resources	3,158	3,268	(110)	-3.4%
Property	1,721	1,316	405	30.8%
Sub-total	103,219	52,017	51,202	98.4%
Investment holding & others	(8,729)	(1,184)	(7,545)	637.2%
Total profit before tax	94,490	50,833	43,657	85.9%
Significant income/(expense) items:				
Construction revenue	104,216	167,123	(62,907)	-37.6%
Construction profit	68,584	47,741	20,843	43.7%
Gain from quoted investments	146	237	(91)	-38.4%
(Loss)/Gain on foreign exchange	(411)	2,403	(2,814)	117.1%

B1. Performance review - 4Q2019 vs 4Q2018 (Cont'd)

Continuing Operations

Group revenue from continuing operations for the current quarter fell 11.5% year-on-year or RM25.4 million to RM195.5 million due to a 37.6% or RM62.9 million decrease in construction revenue which more than offset maiden energy sale revenue of RM35.1 million.

Group pre-tax profit however surged 85.9% from RM50.8 million to RM94.5 million, bolstered by a 43.7% increase in construction profit to RM68.6 million (explained below) and maiden income from energy sales (PBT: RM29.7 million), partially offset by higher losses at Investment Holding and Others (mainly due to forex losses and one-off finance fees).

During the quarter, the Group reversed RM14.0 million of cumulative deferred tax provision into profit and loss following a downward revision of Lao corporate income tax from 24% to 20% with effect from 18 February 2020.

Power Division (Don Sahong Project)

Construction of the Don Sahong Project was completed during the quarter. The four generating turbines were progressively tested and readied for commissioning between early October and mid-November 2019. Nonetheless, during the period to 31 December 2019, Électricité du Laos ("EDL") was able to evacuate only up to 85 MW of power while awaiting the completion of the new 500KV transmission line to Cambodia.

Revenue fell 16.6% or RM27.8 million to RM139.3 million on lower construction revenue recognition, partially offset by RM35.1 million maiden revenue contribution from energy sales. The energy sales revenue was based on the actual power evacuated by EDL during the quarter.

Construction revenue in the current quarter was adversely affected by lower physical completion of 5% as compared to 8% in the same quarter last year. This resulted in a 37.6% decline in construction revenue from RM167.1 million to RM104.2 million.

Pre-tax profit however rose 107% to RM98.3 million, boosted by RM29.7 million inaugural income from energy sales and a RM39.4 million (4Q2018: RM3.2 million) one-off adjustment to construction profit following a year-end review of the project cost, partially offset by lower progressive construction profit recognition arising from final percentage physical completion.

Following the annual review, the project cost of Don Sahong was revised down from US$401 million to US$395 million. At the Group level, the project cost was revised down by US$9.5 million from US$366 million to US$356 million.

B1. Performance review - 4Q2019 vs 4Q2018 (Cont'd)

Resources Division

Revenue rose marginally by 2.4% to RM32.3 million mainly due to a 2.0% increase in sales of lime products to RM28.6 million. Revenue contribution from other products, including calcium carbonate powder, limestone and cement bricks, was 5.3% higher at around RM3.7 million.

Sales volume of lime products grew 5.6% on higher domestic demand. Export sales volume was flat amidst a challenging regional market condition.

The average selling price of lime products was 3.4% lower mainly as a result of a change in the sales mix.

Pre-tax profit decreased 3.4% to RM3.2 million mainly as a result of lower plant utilisation rate following the completion of Kiln 8 in December 2018.

Property Division

Revenue increased 21.3% to RM3.1 million primarily due to higher development revenue of RM1.0 million (4Q2018: RM0.5 million). Rental income was constant year-on-year at RM2.1 million.

Accordingly, pre-tax profit improved 30.8% from RM1.3 million to RM1.7 million on higher development income.

B2. Performance review – Financial Year Ended 31 December 2019 (“FY2019”) versus (“vs”) Financial Year Ended 31 December 2018 (“FY2018”)

Continuing Operations

	2019 RM'000	2018 RM'000	Changes RM'000	%
Revenue	701,933	874,119	(172,186)	-19.7%
Other (expenses)/income, net	(6,892)	9,572	(16,464)	-172.0%
Profit before interest and tax	196,837	205,183	(8,346)	-4.1%
Profit before tax	188,404	197,440	(9,036)	-4.6%
Profit after tax	176,420	159,532	16,888	10.6%
Profit after tax attributable to owners of the Company	151,735	139,283	12,452	8.9%
Revenue				
Power	470,375	656,228	(185,853)	-28.3%
Resources	143,624	142,249	1,375	1.0%
Property	10,851	9,455	1,396	14.8%
Sub-total	624,850	807,932	(183,082)	-22.7%
Investment holding & others	77,083	66,187	10,896	16.5%
Total revenue	701,933	874,119	(172,186)	-19.7%
Profit before tax				
Power	183,725	177,058	6,667	3.8%
Resources	16,460	18,606	(2,146)	-11.5%
Property	6,177	12,315	(6,138)	-49.8%
Sub-total	206,362	207,979	(1,617)	-0.8%
Investment holding & others	(17,958)	(10,539)	(7,419)	70.4%
Total profit before tax	188,404	197,440	(9,036)	-4.6%
Significant income/(expense) items:				
Construction revenue	435,289	656,228	(220,939)	-33.7%
Construction profit	157,506	178,129	(20,623)	-11.6%
Fair value gain on investment properties	-	6,375	(6,375)	-100.0%
Gain from quoted investments	1,060	1,041	19	1.8%
Gain on foreign exchange	1,432	1,907	(475)	-24.9%

B2. Performance review - FY2019 vs FY2018 (Cont'd)

Gross revenue from continuing operations fell 19.7% or RM172.2 million to RM701.9 million due to a 33.7% or RM220.9 million decrease in construction revenue, partially offset by RM35.1 million maiden revenue contribution from energy sales and higher revenue from the packaging business (included in Investment Holding and Others).

Excluding discontinued operations, Group pre-tax profit registered a 4.6% declined to RM188.4 million on lower construction profit (down 11.6% or RM20.6 million), the absence of fair value gain on investment property (2018: RM6.4 million), lower pre-tax profit contribution from the Resources Division and higher losses at Investment Holding & Others (mainly due to start-up costs recorded in the plantation business and one-off finance fees), substantially offset by inaugural profit contribution from sales of energy amounting to RM26.4 million.

Power Division (Don Sahong Project)

Turnover of the Power Division fell 28.3% to RM470.4 million, led by a 33.7% or RM185.9 million decline in construction revenue to RM435.3 million, mitigated by RM35.1 million inaugural energy sales revenue in the fourth quarter of 2019 (2018: Nil). Construction revenue fell on lower percentage completion recognised in 2019 of 21.0% (due to project completion) as compared to 32.5% in 2018.

Divisional pre-tax profit however rose 3.8% to RM183.7 million as inaugural profit from energy sales of RM26.4 million (2018: Nil) and a one-off construction profit adjustment (as explained earlier) of RM39.4 million in the fourth quarter of 2019 (4Q2018: RM3.2 million) more than offset a 32.5% decline in progressive construction profit recognition from percentage completion.

B2. Performance review - FY2019 vs FY2018 (Cont'd)

Resources Division

Revenue was marginally 1.0% higher year-on-year at RM143.6. Sales of lime products was marginally 0.4% lower at RM129.2 million, while revenue from other products (mainly from sales of limestone and calcium carbonate powder) rose 14.5% to RM14.5 million on volume gains.

Sales volume of lime products declined 1.2% on weaker domestic demand, alleviated by stronger spot/ad-hoc export sales. During the year, domestic demand was negatively impacted by slower industrial output of key customers.

Average selling price of lime products was 0.8% higher mainly on a stronger US Dollar against the Malaysia Ringgit.

Resources division posted a pre-tax profit of RM16.5 million, representing a 11.5% decrease from RM18.6 million in 2018 mainly due to higher unit production cost (as a result of lower plant utilisation rate), lower gain on disposal of plant and equipment and higher financing costs.

Property Division

Property Division's revenue improved 14.8% to RM10.9 million (2018: RM9.5 million) due to higher development income. In 2019, 3 units of development properties were sold for RM2.55 million, as opposed to 2 units with sales value of RM1.0 million in 2018. Rental income was stable at RM8.3 million (2018: RM8.44 million).

Excluding the effect of RM6.4 million fair value gain on investment properties recognised in 2018, the Division's pre-tax profit improved by 4.0% to RM6.2 million (2018: RM5.9 million) on higher development profit.

B2. Performance review - FY2019 vs FY2018 (Cont'd)

(a) <u>Assets and Liabilities</u>

Significant changes in key assets and liabilities during the financial year ended 31 December 2019 are explained below:

Asset/Liability Items	As At 31.12.2019 RM'000	As At 31.12.2018 RM'000	Changes RM'000	Explanation
Property, plant and equipment ("PPE")	222,770	287,392	(64,622)	Decrease largely due to: 1. RM74.5 million reclassification of PPE to Right-Of-Use Assets following the adoption of MFRS 16; and 2. RM18.7 million depreciation charge and PPE disposals/write-offs; Partially offset by RM27.6 million capital expenditure, comprising mainly: - RM14.3 million on plantation development in Cambodia; - RM 7.0 million on expanding packaging production capacity; - RM 5.4 million on manufacturing facilities of Resources Division.
Intangible asset	2,048,137	1,635,027	413,110	Intangible asset represents the cumulative construction revenue recognised for the Don Sahong Project.
Investment properties	177,212	177,212	-	No movement in the current period.
Inventories (non-current)	43,443	43,443	-	Represents land held for property development. No movement in the current period.
Right-Of-Use Assets	95,989	-	95,989	Consist of: 1. Leasehold land of RM59.2 million; 2. Land use rights of RM21.7 million; and 3. Assets of RM15.1 million acquired under hire purchase term.

B2. Performance review - FY2019 vs FY2018 (Cont'd)

(a) Assets and Liabilities (Cont'd)

Significant changes in key assets and liabilities during the financial year ended 31 December 2019 are explained below:

Asset/Liability Items	**As At 31.12.2019** RM'000	**As At 31.12.2018** RM'000	**Changes** RM'000	**Explanation**
Investment in quoted shares	49,385	43,247	6,138	Increase was due to an increase in the market value of quoted securities.
Inventories (current)	67,682	64,230	3,452	Increase mainly attributable to higher inventory in Packaging division on higher sales, partially offset by lower inventory of developed properties on disposal.
Receivables	96,639	93,101	3,538	Increase mainly attributable to inaugural trade receivable from Électricité du Laos for sale of energy, partially offset by lower receivables recorded at the Resources Division.
Deferred tax liabilities	95,935	88,342	7,593	Increase was mainly due to deferred tax provided on construction profit recognised for Don Sahong Project in the current quarter.
Payables (current)	314,899	286,995	27,904	Increase was mainly related to amount owing to Sinohydro for construction work of Don Sahong Project where such amount will only be settled in 2020 pursuant to deferred payment arrangement agreed between the parties.

B2. Performance review - FY2019 vs FY2018 (Cont'd)

(b) Group borrowings and debt securities

As at 31 December 2019, total borrowings (exclude lease liabilities/hire purchase) amounted to RM746.1 million (31 December 2018: RM598.7 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	-	-	-	11,200	11,200
Term loans	-	27,929	-	13,639	41,568
Bank overdrafts	-	-	-	1,422	1,422
Revolving credits	-	-	613,950	73,000	686,950
	-	27,929	613,950	99,261	741,140
Unsecured					
Revolving credits	-	-	-	5,000	5,000
Total bank borrowings	-	27,929	613,950	104,261	746,140

The increase in total borrowings since 31 December 2018 was primarily attributable to net drawdown of term loan/revolving credit of RM161.8 million to part finance/refinance the construction of the Don Sahong Project.

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

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

The Group has no debt securities as at 31 December 2019.

(c) Cash flow analysis for the financial year ended 31 December 2019

The Group generated RM42.2 million cash from its operating activities during the financial year ended 31 December 2019 (2018: RM38.6 million).

In the same period, the Group spent RM264.4 million on investing activities comprising mainly RM223.4 million on Don Sahong Project, RM31.1 million on capex as described in section (a) above as well as RM12.7 million on subscription of additional equity shares in a subsidiary. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM152.8 million to RM744.7 million (31.12.2018: RM591.9 million) while cash and cash equivalents decreased RM34.1 million to RM88.0 million (31.12.2018: RM122.1 million).

B3. Variation of Current Quarter (“4Q2019”) versus (“vs”) Preceding Quarter (“3Q2019”)

Continuing Operations

	4Q2019	3Q2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	195,531	125,510	70,021	55.8%
Other expenses, net	(4,392)	(686)	(3,706)	540.2%
Profit before interest and tax	97,681	20,766	76,915	370.4%
Profit before tax	94,490	18,932	75,558	399.1%
Profit after tax	98,555	15,568	82,987	533.1%
Profit after tax attributable to owners of the Company	82,680	14,013	68,667	490.0%
Revenue				
Power	139,302	61,023	78,279	128.3%
Resources	32,319	40,203	(7,884)	-19.6%
Property	3,138	3,644	(506)	-13.9%
Sub-total	174,759	104,870	69,889	66.6%
Investment holding & others	20,772	20,640	132	0.6%
Total revenue	195,531	125,510	70,021	55.8%
Profit before tax				
Power	98,340	14,095	84,245	597.7%
Resources	3,158	5,450	(2,292)	-42.1%
Property	1,721	2,082	(361)	-17.3%
Sub-total	103,219	21,627	81,592	377.3%
Investment holding & others	(8,729)	(2,695)	(6,034)	223.9%
Total profit before tax	94,490	18,932	75,558	399.1%
Significant income/(expense) items:				
Construction revenue	104,216	61,023	43,193	70.8%
Construction profit	68,584	16,390	52,194	318.5%
Gain from quoted investments	146	430	(284)	-66.0%
Loss on foreign exchange	(411)	(388)	(23)	5.9%

B3. Variation of 4Q2019 vs 3Q2019 (Cont'd)

Excluding discontinued operations, Group revenue rose 55.8% quarter-on-quarter from RM125.5 million to RM195.5 million. The increase in revenue was primarily attributable to a 70.8% improvement in construction revenue to RM104.2 million and first-time recognition of energy sales amounting to RM35.1 million in the current quarter, partially offset by a 19.6% reduction in revenue contribution from the Resources Division to RM32.3 million.

Group pre-tax profit surged four-folds from RM18.9 million to RM94.5 million, underpinned by higher construction profit and maiden income from energy sales, partially offset by lower pre-tax profit contribution from the Resources Division and higher losses at Investment Holding & /Others.

Power Division (Don Sahong Project)

Physical completion of 5.0% was recorded for the current quarter, 2.1% higher than 2.9% reported in 3Q2019. As such, construction revenue expanded 70.8% from RM61.0 million to RM104.2 million. Coupled with RM35.1 maiden energy sales, revenue of Power Division rose 128% to RM139.3 million.

Pre-tax profit jumped six times to RM98.3 million (3Q2019: RM14.1 million), driven by higher physical completion, one-off RM39.4 million adjustment to construction profit and inaugural income from energy sales of RM29.7 million.

Resources Division

Revenue contracted 19.6% or RM8.0 million to RM32.3 million mainly due to a 21.1% decrease in sales of lime products. Other products declined 6.2% due to lower sales of calcium carbonate powder and limestone.

Sales volume of lime products fell 19.9% quarter-on-quarter, mainly due to the absence of spot/ad-hoc demand which had bolstered sales volume in the preceding quarter amidst a weak regional export market. Average selling price was 1.5% lower as compared to previous quarter on a change in the sales mix.

Accordingly, Resources Division's pre-tax profit declined sequentially by 42.1% to RM3.2 million (3Q2019: RM5.5 million) on lower sales volume and higher unit production cost (due to lower capacity utilisation rate).

Property Division

Revenue decreased 13.9% or RM0.5 million quarter-on-quarter to RM3.1 million (3Q2019: RM3.6 million) due to lower development income as only 1 unit of property was sold (for RM1.0 million) in current quarter, versus 2 units of properties disposed (at RM1.55 million in 3Q2019). Rental income was flat quarter-on-quarter at RM2.1 million.

Pre-tax profit downed 17.3% to RM1.7 million due to lower profit from development income.

B4. Prospects

Power Division

1. Hydropower - Don Sahong Hydropower Project ("Don Sahong Project")

Group earnings is expected to receive a significant boost from the full year commercialisation of the Don Sahong Project in 2020. The expected net earnings from energy sales in 2020 is expected to more than compensate for the loss of construction profit recognition that ended in 2019.

Following the completion of the new 500KV transmission line from Don Sahong to the Laos-Cambodia border (built by EDL) on 31 December 2019 and after one week of load testing and synchronisation, Don Sahong has effectively started full commercial operations from 7 January 2020 with most of the power being evacuated and sold by EDL to Cambodia.

On the planned 5th turbine expansion within the Don Sahong Project, the company is still waiting for approvals from EDL and the relevant regulatory bodies on the feasibility study and environmental study reports and the conclusion of negotiation of the commercial terms with EDL.

2. Solar

The Group intends to enter and expand its solar business as part of the Group's strategy to expand its renewable energy investment within the Power Division.

(i) Large Scale Solar ("LSS")

Management regrets to inform that our bid, via 80%-owned subsidiary Bayangan Sutera Sdn Bhd, to develop and operate a 100 MWac LSS photovoltaic plant in the state of Perak under the Malaysia's Large Scale Solar open tender scheme ("LSS3") was not shortlisted by the Energy Commission despite having submitted a lower price bid than two out of five shortlisted bidders.

Despite the above setback, we remain committed to our strategic direction and will continue to explore other LSS opportunities in Malaysia and the region.

(ii) Commercial/Industrial Rooftop Solar

On 25 September 2019, the Group entered into a 55:45 joint venture with Pekat Teknologi Sdn Bhd ("Pekat") to investment in commercial/industrial rooftop solar projects in Malaysia and the region. Pekat is an established Malaysian solar EPC and operation and maintenance contractor.

Management expects the joint venture company to start commercial operations in 2020.

B4. Prospects (Cont'd)

Power Division (Cont'd)

3. Serudong Power (Discontinued Operation)

Serudong Power, a 51%-owned subsidiary of the Group, operated a 36 MW fuel-fired power plant in Tawau, Sabah. Operations have ceased since 2 Dec 2017 following the expiry of PPA with SESB.

On 11 November 2019, the Company announced the disposal of the Buildings and Plant Assets of Serudong Power to Reliable Power Resources Sdn Bhd for RM3.0 million. As the assets of Serudong Power have been fully impaired in 2018, the disposal upon completion is expected to record a RM3.0 million gain on disposal in 2020.

Further, upon completion, Serudong Power is expected to reverse RM16.65 million provided in 2018 for plant dismantling and associated costs which will no longer be necessary following the disposal of the power plant assets.

The Buildings and Plant Assets disposal transaction was not yet completed at the date of this report.

Resources Division

Domestic and regional demand of quicklime from existing customers is expected to remain sluggish on continuing weakness in industrial output. Management will therefore continue to work towards securing new customers in the region to mitigate the possible slower demand from existing customers and expand overall sales volume.

Property Division

Rental income from PJ8 and Greentown carparks is expected to remain stable. The Group has no plans to restart its development segment given the weak residential property market in Malaysia. Efforts will continue to market the remaining completed property units with carrying amount of about RM9.8 million as at 31 December 2019 (31.12.2018: RM11.3 million).

B5. Profit forecast

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

B6. Income tax expense

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
- Malaysian	947	8,181	4,369	12,781
- Overseas	(5,012)	6,473	7,615	25,127
	(4,065)	14,654	11,984	37,908
Discontinued operations				
- Malaysian	485	3,237	1,901	5,928
	(3,580)	17,891	13,885	43,836

A new income tax law of Lao PDR was gazetted on 3 February 2020 and came into force on 18 February 2020. Under the new law, the maximum corporate income tax rate in Lao PDR was revised down from 24% to 20%. As a result, the Group reversed RM14.0 million of deferred tax expense previously provided for on construction profit in the fourth quarter of 2019.

The deferred tax reversal resulted in the Group reporting a tax income/credit in the current quarter and lower effective tax rate for the financial year ended 31 December 2019 when compared to Malaysia's statutory tax rate of 24%.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 18 February 2020, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B8. Material litigations

GOM vs IHSB

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

Other than as disclosed above, there was no material litigation as at 18 February 2020, 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 2018 was approved by the shareholders at the Annual General Meeting held on 29 May 2019. This dividend was paid on 12 July 2019

(b) The Board of Directors proposes a final single-tier dividend of 6 sen per ordinary share for the financial year ended 31 December 2019 (2018: 4.0 sen tax-exempt). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements. The entitlement and payment dates will be announced later.

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

	4th Quarter Ended 31 December		Financial Year Ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing Operations				
After crediting:				
Dividend income	146	237	1,060	1,041
Fair value gain on investement properties	-	-	-	6,375
Gain on disposal of:				
- property, plant and equipment	(1)	275	(4)	2,222
Gain on foreign exchange:				
- realised	-	2,739	1,715	2,850
Interest income	396	507	1,661	2,041
After charging:				
Allowance for impairment losses on:				
- right-of-use assets	(535)	-	(535)	-
- receivables, net	(1,078)	(3,262)	(2,074)	(3,365)
Amortisation of right-of-use assets	(1,378)	-	(6,114)	-
Depreciation of property, plant and equipment	(1,256)	(4,334)	(14,979)	(16,327)
Finance costs	(3,191)	(933)	(8,433)	(7,743)
Loss on deconsolidation	-	(56)	-	(56)
Loss on foreign exchange:				
- realised	(30)	-	-	-
- unrealised	(381)	(336)	(283)	(943)
Write-down in value of inventories	(256)	(375)	(557)	(273)
Write-off of plant and equipment	(1,649)	(204)	(1,649)	(282)
After other comprehensive income/(expenses)				
Foreign currency translation difference for foreign operations	(26,991)	(502)	(13,338)	22,047
Fair value changes of equity investments	8,142	(12,965)	6,134	(13,662)
Fair value changes of interest rate swap	880	(3,422)	(5,038)	2,998

B11. Earnings per share

	4th quarter ended 31 December		financial year ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	82,680	30,620	151,735	139,283
- Discontinued operations	496	546	1,933	(10,017)
	83,176	31,166	153,668	129,266
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	417,364	410,906	425,557	410,786
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	636	110	238	239
- Warrants	4,778	3,127	5,524	871
	402,281	393,646	410,822	391,399
Basic earnings per share (sen):				
- Continuing operations	20.55	7.78	36.93	35.59
- Discontinued operations	0.12	0.14	0.47	(2.56)
- Total	20.67	7.92	37.40	33.03

The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and financial year ended 31 December 2019 excluding treasury shares held by the Company.

B11. Earnings per share (Cont'd)

	4th quarter ended 31 December		financial year ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(b) Diluted earnings per share				
Profit/(loss) after tax attributable to owners of the Company:				
- Continuing operations	82,680	30,620	151,735	139,283
- Discontinued operations	496	546	1,933	(10,017)
	83,176	31,166	153,668	129,266
Weighted average number of ordinary shares ('000)	402,281	393,646	410,822	391,399
Number of outstanding options and warrants ('000)	69,207	77,402	69,207	77,402
Weighted average number of shares that would have been issued at average market price ('000)	(40,261)	(52,504)	(40,261)	(49,659)
Adjusted weighted average number of ordinary shares ('000)	431,227	418,544	439,768	419,142
Diluted earnings per share (sen):				
- Continuing operations	19.17	7.32	34.50	33.23
- Discontinued operations	0.12	0.13	0.44	(2.39)
- Total	19.29	7.45	34.94	30.84

The diluted 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, adjusted on the assumption that all dilutive outstanding warrants and ESOS options are converted and exercised, respectively.

B12. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 25 February 2020.