

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

**Interim Financial Report  
30 September 2016**

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

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the 3rd quarter and 9-month period ended 30 September 2016

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Year 3rd Quarter 30.9.2016 RM'000	Preceding Year Corresponding 3rd Quarter 30.9.2015 RM'000	Current Year To Date 30.9.2016 RM'000	Preceding Year Corresponding Period 30.9.2015 RM'000
Revenue	A8	215,021	145,766	630,503	429,490
Cost of sales		(158,814)	(108,274)	(466,239)	(319,064)
Gross profit		56,207	37,492	164,264	110,426
Other income, net		6,825	18,935	9,424	34,135
Operating expenses		(10,226)	(9,850)	(29,203)	(27,776)
Profit from operations		52,806	46,577	144,485	116,785
Finance costs		(1,355)	(1,435)	(4,732)	(3,846)
Profit before tax	A8	51,451	45,142	139,753	112,939
Income tax expense		(7,109)	(10,540)	(27,594)	(27,355)
Profit after tax for the period		44,342	34,602	112,159	85,584
Other comprehensive income/ (expenses)		11,525	33,389	(18,882)	37,854
Total comprehensive income for the period	B10	55,867	67,991	93,277	123,438
Profit after tax attributable to:					
Owners of the Company		35,908	26,536	86,156	62,803
Non-controlling interests		8,434	8,066	26,003	22,781
		44,342	34,602	112,159	85,584
Total comprehensive income attributable to:					
Owners of the Company		46,320	48,168	72,880	82,974
Non-controlling interests		9,547	19,823	20,397	40,464
		55,867	67,991	93,277	123,438
EPS - Basic (sen)	B11	10.74	10.45	25.76	24.73
EPS - Diluted (sen)	B11	10.73	10.38	25.75	24.57

The notes set out on pages 7 to 27 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 2016**

	<b>Unaudited As At 30.9.2016 RM'000</b>	<b>Audited As At 31.12.2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	320,477	333,500
Investment in quoted shares	38,443	41,512
Investment in unquoted shares	335	335
Land use rights	6,452	6,667
Investment properties	140,740	140,740
Land held for property development	51,145	51,215
Project development expenditure	153,265	221,726
Intangible asset	237,981	-
Deferred tax asset	2,113	3,068
Goodwill on consolidation	10,812	10,812
Receivables	299	540
	962,062	810,115
<b>Current Assets</b>		
Inventories	62,984	67,575
Property development	2,160	6,370
Receivables	121,151	123,565
Bank balances and deposits	321,438	198,045
	507,733	395,555
<b>TOTAL ASSETS</b>	1,469,795	1,205,670
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Owners Of The Company</b>		
Share capital	401,900	243,345
Treasury shares	(30,046)	(30,046)
Reserves	733,071	600,818
	1,104,925	814,117
Non-Controlling Interests	156,225	156,516
<b>Total Equity</b>	1,261,150	970,633
<b>Non-Current Liabilities</b>		
Payables	1,123	1,678
Long-term borrowings	23,833	29,291
Deferred taxation	29,391	19,296
	54,347	50,265
<b>Current Liabilities</b>		
Payables	83,953	63,143
Short-term borrowings	65,779	110,685
Taxation	4,566	10,944
	154,298	184,772
<b>Total Liabilities</b>	208,645	235,037
<b>TOTAL EQUITY AND LIABILITIES</b>	1,469,795	1,205,670
<b>Net Assets Per Ordinary Share (RM)</b>	2.90	3.65

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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 2016**

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

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

**Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)**  
**For the 9-month period ended 30 September 2016**

	← Non-Distributable →						Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Parent RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2016	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633
Total comprehensive income for the period	-	-	-	-	(12,984)	(292)	-	-	86,156	72,880	20,397	93,277
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(26,698)	(26,698)	-	(26,698)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(20,610)	(20,610)
Share options granted	-	-	-	2,126	-	-	-	-	-	2,126	-	2,126
Share options lapsed	-	-	-	(109)	-	-	-	-	103	(6)	-	(6)
Issuance of ordinary shares pursuant to:												
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	-	18,846	-	243,735	-	243,735
- ESOS	1,507	-	1,195	(437)	-	-	-	-	-	2,265	-	2,265
Expenses in relation to the Rights Issue with Warrants	-	-	(3,120)	-	-	-	-	(255)	-	(3,375)	-	(3,375)
Total transactions with owners of the Company	158,555	-	65,916	1,580	-	-	-	18,591	(26,595)	218,047	(20,610)	197,437
Realisation of capital reserves	-	-	-	-	-	-	17	-	(136)	(119)	(78)	(197)
Balance at 30.9.2016	<u>401,900</u>	<u>(30,046)</u>	<u>100,095</u>	<u>3,475</u>	<u>43,772</u>	<u>4,804</u>	<u>15,500</u>	<u>18,591</u>	<u>546,834</u>	<u>1,104,925</u>	<u>156,225</u>	<u>1,261,150</u>

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

**Unaudited Condensed Consolidated Statement of Cash Flows**  
**For the 9-month period ended 30 September 2016**

	<b>Current Year To Date 30.9.2016 RM'000</b>	<b>Preceding Year Corresponding Period 30.9.2015 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	139,753	112,939
Adjustments for non-cash flow - Non-cash items	(37,494)	3,619
- Non-operating items	(1,316)	(799)
Operating profit before changes in working capital	100,943	115,759
Changes in working capital - Net change in assets	11,586	(11,626)
- Net change in liabilities	(1,706)	3,127
Cash from operations	110,823	107,260
Income tax paid	(26,367)	(30,064)
Retirement benefits paid	(200)	-
<b>Net cash from operating activities</b>	<b>84,256</b>	<b>77,196</b>
<b>Cash flows for investing activities</b>		
Interest received	3,604	4,387
Dividend received	297	310
Increase/(Decrease) in:		
- Land held for property development	70	678
- Investment properties	-	(8,045)
- Project development expenditure	(97,523)	(31,422)
Proceeds from disposal of property, plant and equipment	2,489	1,312
Purchase of property, plant and equipment	(23,851)	(38,076)
Proceeds from disposal of quoted shares	3,775	7,069
Purchase of quoted shares	(140)	-
Net cash inflow from acquisition of subsidiaries	-	205
Proceeds from disposal of interest in associate	-	3,792
Government subsidy received on purchase of plant and equipment	-	9,408
<b>Net cash for investing activities</b>	<b>(111,279)</b>	<b>(50,382)</b>

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)**  
**For the 9-month period ended 30 September 2016**

	<b>Current Year To Date 30.9.2016 RM'000</b>	<b>Preceding Year Corresponding Period 30.9.2015 RM'000</b>
<b>Cash flows from/(for) financing activities</b>		
Interest paid	(4,732)	(3,846)
Dividends paid to shareholders of the Company	(19,070)	(11,142)
Dividends paid to subsidiaries' non-controlling interests	(20,610)	(20,026)
Net (repayment)/drawdown of:		
- Revolving credits and trust receipts	(44,580)	2,061
- Hire purchase payables	(587)	390
- Term loans	(5,267)	2,061
Proceeds from issuance of shares pursuant to ESOS	2,265	521
Proceeds from issuance of shares pursuant to Rights Issue with Warrants	243,735	-
Purchase of treasury shares	-	(21)
Placement of deposits pledged to licensed banks	(2,160)	(36)
<b>Net cash from/(for) financing activities</b>	<b>148,994</b>	<b>(30,038)</b>
<b>Effect of foreign exchange translation</b>	<b>(221)</b>	<b>49,111</b>
<b>Net increase in cash and cash equivalents</b>	<b>121,750</b>	<b>45,887</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>172,830</b>	<b>231,295</b>
<b>Cash and cash equivalents at end of the period</b>	<b>294,580</b>	<b>277,182</b>

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

Bank balances and deposits	321,438	286,939
Bank overdrafts	-	(5,543)
	<b>321,438</b>	<b>281,396</b>
Deposits pledged to licensed banks	(26,858)	(4,214)
	<b>294,580</b>	<b>277,182</b>

The notes set out on pages 7 to 27 form an integral part and should be read in conjunction with this interim financial report.

**Notes to the interim financial report**

**A EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

- (a) During the 9-month period ended 30 September 2016, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

<b>FRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016

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



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

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the 9-month period ended 30 September 2016:

<b>FRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	) Defer until ) further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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

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

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

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 2015.

**Mega First Corporation Berhad**  
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**A2. Qualification of financial statements**

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

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

**A4. Unusual item**

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

**A5. Nature and amount of changes in estimates**

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

**A6. Debt and equity securities**

	← Number of Ordinary Shares of RM1 Each →		← Amount →	
	Share Capital (Issued and Fully Paid) '000	Treasury Shares '000	Share Capital (Issued and Fully Paid) RM'000	Treasury Shares RM'000
At 1.1.2016	243,345	(20,497)	243,345	(30,046)
Issue of shares pursuant to ESOS	1,507	-	1,507	-
Issue of shares pursuant to rights issue	157,048	-	157,048	-
Purchase of treasury shares	-	*	-	*
At 30.9.2016	<u>401,900</u>	<u>(20,497)</u>	<u>401,900</u>	<u>(30,046)</u>

\* - 100 ordinary shares were purchased for a total consideration of RM271 during the period.

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

During the 9-month period ended 30 September 2016, the Company:-

- (a) Issued 1,307,000 and 200,000 new ordinary shares of RM1.00 each for cash at the price of RM1.50 and RM1.52 per share, respectively, arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

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

- (b) Issued 157,048,290 new ordinary shares of RM1.00 each for cash at an issue price of RM1.59 per share ("Rights Shares"), arising from the Company's Rights Issue with Warrants.

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

- (c) Purchased 100 of its issued ordinary shares of RM1.00 each from the open market at an average price (including transaction costs) of approximately RM2.71 per share. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 401,900,290 (31.12.2015 : 243,345,000) issued and fully paid-up ordinary shares of RM1.00 each as at 30 September 2016, 20,497,300 (31.12.2015 : 20,497,200) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 30 September 2016 was therefore 381,402,990 (31.12.2015 : 222,847,800).

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

**A7. Dividend paid**

Dividend paid in the current quarter and 9-month period ended 30 September 2016 is disclosed in Note B9.

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

**A8. Segment information for the 9-month period ended 30 September 2016**

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

A8. Segment information for the 9-month period ended 30 September 2016 (Cont'd)

<b>GROUP 2015</b>	<b>Power RM'000</b>	<b>Resources RM'000</b>	<b>Property RM'000</b>	<b>Investment Holding &amp; Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External revenue	318,425	68,479	19,665	22,921	-	429,490
Inter-segment revenue	-	-	-	2,016	(2,016)	-
Consolidated revenue	318,425	68,479	19,665	24,937	(2,016)	429,490
<b>Results</b>						
Profit from operations	79,085	9,527	6,292	22,702	(821)	116,785
Finance costs						(3,846)
Profit before tax						112,939
Income tax expense						(27,355)
Profit after tax						85,584
<b>Total assets</b>						
At 30.9.2015	507,004	241,914	308,924	341,621	(211,703)	1,187,760

**A9. Valuation of property, plant and equipment**

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

**A10. Significant event during the reporting period**

Except as disclosed under Note A13 (a) below, there was no other significant event during the period reported up to 18 November 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

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

Except as disclosed under Note A13 (a) below, there was no other significant event subsequent to the period reported up to 18 November 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**A12. Changes in composition of the Group**

There was no change in the composition of the Group for the current quarter and 9-month period ended 30 September 2016.

**A13. Changes in contingent liabilities and assets**

(a) Contingent liabilities

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

- i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").
- ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429 has been reduced by IRBM ("Form JR").
- iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

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

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

(a) Contingent liabilities (Cont'd)

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

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

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

Other than as disclosed above, there was no material contingent liability as at 18 November 2016, 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 November 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**A14. Capital commitments**

As at 30 September 2016, the Group has the following commitments:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised but not provided for:	
Contracted	21,170
Not contracted	7,902
	<hr/>
	29,072
<b>Project development expenditure</b>	
Authorised but not provided for:	
Contracted	945,641
	<hr/>
	<u>974,713</u>

**A15. Significant related party transactions**

There was no significant related party transaction during the current quarter and 9-month period ended 30 September 2016.



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

**B1. Review of performance**

(a) Current quarter

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	3Q 2016	3Q 2015	% Chg	3Q 2016	3Q 2015	% Chg
Power	176,116 <sup>(1)</sup>	111,634	57.8%	41,470 <sup>(2)</sup>	28,378	46.1%
Resources	24,493	23,759	3.1%	3,880	2,123	82.8%
Property	2,059	3,139	-34.4%	995	831	19.7%
Sub-total	202,668	138,532	46.3%	46,345	31,332	47.9%
Investment holding and others	12,353	7,234	70.8%	5,106	13,810	-63.0%
	215,021	145,766	47.5%	51,451	45,142	14.0%

(1) Including construction revenue of RM88.2 million, which is recognised using the percentage of completion method by reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers and owners. During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

(2) Including construction profit of RM23.4 million.

The Group's revenue in 3Q 2016 was RM215 million representing an increase of 47.5% from RM145.8 million in 3Q 2015. The higher revenue was mainly due to the recognition of construction revenue of RM88.2 million for the Don Sahong Hydropower Project and higher revenue from the Resources Division partially offset by lower revenue from the existing Power business and the Property Division. Physical completion of the Don Sahong Hydropower Project is on schedule and has reached 11.5% as at the end of September 2016.

The Group pre-tax profit rose 14% to RM51.5 million in 3Q 2016 from RM45.1 million in 3Q 2015. The increase in pre-tax profit came from the recognition of construction profit of RM23.4 million and higher contribution from the Resources and Property Divisions but partially offset by weaker operational performance from the existing Power business, lower foreign exchange gains and lower gain from quoted investments.

The Group's core pre-tax profit (excluding construction profit and foreign exchange gains) was 26.7% lower at RM23 million (3Q 2015: RM31.3 million). This was due primarily to the weaker earnings from the existing Power business.

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

(a) Current quarter (Cont'd)

**Power Division**

Excluding construction revenue of RM88.2 million related to the Don Sahong Hydropower Project, the Power Division's revenue declined 21.2% to RM87.9 million (3Q 2015: RM111.6 million) mainly due to lower sales in China. The China plant's revenue fell on weaker sales volume of steam and energy as well as lower energy price, partially offset by a 2.4% increase in steam price as a result of higher coal prices. Lower sales volume was mainly due to slowdown in industrial demand for steam and the mandatory 2-weeks factory closures ahead of the G20 Summit held in Hangzhou during the first week of September.

Excluding construction profit of RM23.4 million, pre-tax profit fell 36.3% to RM18.1 million (3Q 2015: RM28.4 million) mainly due to lower contribution from the China plant. Pre-tax profit of the China plant slid 39.3%, hurt by lower revenue and margin (mainly due to lower sales volume and lagging price adjustments). On the other hand, the Tawau plant reported a higher quarterly pre-tax profit mainly from rate adjustments and lower fuel costs.

**Resources and Property Divisions**

Resources revenue grew 3.1% to RM24.5 million (3Q 2015: RM23.8 million) mainly due to higher sales volume of quicklime and calcium carbonate powder. Sales of quicklime increased in both local and export markets. Overall, the average selling price for quicklime decreased due to intensifying competition. Pre-tax profit increased 82.8% to RM3.9 million (3Q 2015: RM2.1 million) mainly due to higher revenue and gross margin from sales of quicklime, driven by a decrease in unit production cost.

The Property Division posted a revenue of RM2.1 million and a pre-tax profit of RM995,000. There was no property unit sales in 3Q 2016.

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

(b) For the 9-month period ended 30 September 2016

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	YTD	YTD	% Chg	YTD	YTD	% Chg
	2016	2015		2016	2015	
Power	512,643 <sup>(1)</sup>	318,425	61.0%	123,887 <sup>(1)</sup>	79,053	56.7%
Resources	72,446	68,479	5.8%	10,272	8,779	17.0%
Property	13,519	19,665	-31.3%	6,688	6,174	8.3%
Sub-total	598,608	406,569	47.2%	140,847	94,006	49.8%
Investment holding and others	31,895	22,921	39.2%	(1,094)	18,933	n.m.
	630,503	429,490	46.8%	139,753	112,939	23.7%

(1) Including construction revenue of RM242.5 million.

(2) Including construction profit of RM64.3 million.

The Group's revenue was RM630.5 million representing an increase of 46.8% from RM429.5 million in 2015. The higher revenue was mainly due to the recognition of construction revenue of RM242.5 million for the Don Sahong Hydropower Project and higher contribution from the Resources Division. Revenue from the existing Power business and the Property Division fell 15.2% and 31.3% respectively.

The Group pre-tax profit rose 23.7% to RM139.8 million in 2016 from RM112.9 million in 2015. The higher pre-tax profit was mainly attributable to the recognition of construction profit of RM64.3 million and better contribution from the Resources and Property Divisions but partially offset by weaker operational performance from the existing Power business, lower foreign exchange gains and lower gain from quoted investments.

The Group's core pre-tax profit (excluding construction profit and foreign exchange gains) declined 18.6% to RM76.5 million (2015: RM94 million) mainly due to the weaker earnings from the existing Power business.

**Power Division**

Excluding construction revenue of RM242.5 million, revenue declined 15.2% to RM270.1 million (2015: RM318.4 million) mainly due to lower contribution from both China and Tawau operations.

China's manufacturing sector was weaker than a year ago. Sales volume also dropped as there were mandatory 2-weeks factory closures to curb pollution ahead of the G20 Summit held in Hangzhou during the first week of September. Chinese authorities have shut down scores of factories and ordered a mandatory holiday for workers ahead of a summit of leaders of the Group of 20 economic powers. The fall in revenue was exacerbated by a 8% and 6.6% reduction in steam price and energy price respectively due to lower coal prices and downward tariff adjustments.

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

(b) For the 9-month period ended 30 September 2016

In Tawau, revenue declined due to shorter operating hours (-9.2%) and lower fuel oil prices (-24.9%). These decreases were partially offset by the application of higher rates in the calculation of energy and capacity charges.

Pre-tax profit (excluding construction profit) fell on lower revenue and margin contraction in the China operations, partially offset by a positive foreign currency translation impact. Static fixed costs together with price adjustment lags, significantly impacted the underlying margin of the China operations. On the other hand, the Tawau plant delivered profit rise after rate adjustments.

**Resources and Property Divisions**

Revenue from Resources Division was 5.8% higher at RM72.4 million. Despite challenging market conditions, lime products recorded a 20.4% increase in sales volume mainly due to higher demand from both local and export markets. The average selling price of lime products was marginally lower due to intensifying competition. Margin improved mainly because of lower production cost on higher capacity utilisation. Hence, pre-tax profit increased 17% to RM10.3 million.

Revenue from Property Division of RM13.5 million was 31.3% lower as compared to the corresponding period last year, largely due to a 46.7% decrease in development revenue resulting from lower unit sales and progress billings but partially offset by higher rental income. However, pre-tax profit rose 8.3% to RM6.7 million mainly due to lower administrative expenses.

**B2. Variation of results against preceding quarter**

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	3Q 2016	2Q 2016	% Chg	3Q 2016	2Q 2016	% Chg
Power	176,116 <sup>(1)</sup>	158,011 <sup>(1)</sup>	11.5%	41,470 <sup>(2)</sup>	39,261 <sup>(2)</sup>	5.6%
Resources	24,493	23,743	3.2%	3,880	2,329	66.6%
Property	2,059	5,736	-64.1%	995	3,937	-74.7%
Sub-total	202,668	187,490	8.1%	46,345	45,527	1.8%
Investment holding and others	12,353	10,085	22.5%	5,106	2,466	107.1%
	215,021	197,575	8.8%	51,451	47,993	7.2%

(1) Including construction revenue of RM88.2 million (2Q 2016: RM61.1 million).

(2) Including construction profit of RM23.4 million (2Q 2016: RM16.2 million).

The Group's revenue rose 8.8% to RM215 million on higher construction revenue recognition of RM88.2 million (2Q 2016: RM61.1 million), partially offset by lower revenue from the existing Power business and the Property Division.

The Group's pre-tax profit of RM51.5 million was 7.2% higher mainly attributable to the recognition of higher construction profit of RM23.4 million (2Q 2016: RM16.2 million) and better contribution from the Resources Division but partially offset by lower contribution from the existing Power business and the Property Division.

The Group's core pre-tax profit (excluding construction profit and foreign exchange gains) was RM23 million (2Q 2016: RM29.3 million) representing a decrease of 21.7% as compared to 2Q 2016. This was due to the weaker earnings from the existing Power business and the Property Division but partially offset by better results from the Resources Division.

**Power Division**

Excluding construction revenue, the Power Division's revenue fell 9.2% to RM87.9 million on lower contribution from China. In China, manufacturing activity slowed down significantly in the third quarter of 2016 owing to the mass factory closures to curb pollution ahead of the G20 Summit. Sales volume dropped about 18-21%. Steam price increased (as a result of an increase in coal prices), while energy price remained unchanged. The weaker performance of the China operations was partially mitigated by the Tawau plant. In Tawau, revenue rose on higher fuel oil prices (13.6%), partially offset by shorter operating hours (-2.9%).

Pre-tax profit (excluding construction profit) was 21.5% lower at RM18.1 million (2Q 2016: RM23 million) mainly due to lower revenue from China. Direct costs including depreciation and staff costs remained static despite a fall in revenue. These impacts were marginally mitigated by higher contribution from the Tawau plant.

**B2. Variation of results against preceding quarter (Cont'd)**

**Resources and Property Divisions**

The Resources Division's revenue rose 3.2% to RM24.5 million on higher sales of quicklime and calcium carbonate powder, partially offset by lower sales of hydrated lime, quicklime powder, limestone and bricks. Sales volume of quicklime increased 21% from both domestic and export markets. Pre-tax profit increased 66.6% to RM3.9 million mainly due to higher revenue and margin expansion for quicklime on lower production costs.

Property revenue declined 64.1% to RM2.1 million as compared to 2Q 2016. There was no property unit sales in 3Q 2016. Consequently, pre-tax profit dropped 74.7% to RM995,000.

**B3. Prospects**

**Power Division**

The power plant in China is expected to continue to face headwinds from weak industrial steam demand and increasingly onerous policy directives on environmental controls. The price of coal has risen sharply by more than 50% in recent months due to reduced coal production in China. Higher coal cost is expected to dampen overall margin of the power plant as the existing cost pass-through mechanism applies only to steam sales and not the energy price which has stayed unchanged since January 2016.

Earnings contribution from the power plant in Tawau is expected to remain stable in the final quarter of 2016. The existing PPA of the Tawau plant will expire in December 2017. Discussions for an extension of the PPA are currently underway with Sabah Electricity Sdn Bhd ("SESB") and an announcement will be made once the PPA extension has been signed.

Construction of the Don Sahong Hydropower Project is progressing as scheduled. Physical completion of the power plant reached 11.5% as at 30 September 2016. Construction activities at the power house site and excavation works at the inlet have picked up in November following the end of the rainy season in October. The Company has just received tenders for the transmission line and is in the process of reviewing the bids.

**B3. Prospects (Cont'd)**

**Resources Division**

Phase 1 capacity expansion comprising a new kiln and downstream processing facilities, were progressively completed and commissioned between August 2015 and May 2016. Phase 2 capacity expansion which comprises the installation of another new 420 tonne/day kiln is currently underway and is scheduled for commissioning in the first quarter of 2017.

With these additional capacities, the Resource Division is now well-positioned to expand more aggressively into new markets within this region. While the capacity expansions, which come ahead of demand, will have a short term earnings dilutive effect, management is confident the investments will generate significant incremental earnings to the division in the medium term.

**Property Division**

Management expects rental income from the office buildings in PJ8 and carparks in Greentown Ipoh to remain stable for the remaining quarter of the year. As the division has suspended new property launches since 2015, earnings from property development will remain subdued. The division will continue to sell the remaining completed residential and commercial inventory on hand.

**Foreign Exchange Volatility**

As at 30 September 2016, approximately 42% and 16% of the Group's net assets are denominated in US Dollar and Renminbi, respectively. For the 9-month period ended 30 September 2016, about 38% and 34% of the Group earnings are denominated in US Dollar and Renminbi, respectively. Therefore, the on-going volatility of the Ringgit Malaysia's exchange rates against the US Dollar and Renminbi will have a significant impact on the net assets and earnings of the Group.

Management has been and will continue to manage the Group's foreign currency risks proactively by matching its existing cash holdings and future cash inflows (mainly dividends from subsidiaries) with the planned future cash outflows, notably the Group's investment in the Don Sahong Hydropower Project.

While the on-going investment in the Don Sahong Hydropower Project which is denominated in US Dollar will increase in Ringgit Malaysia term with the recent weakness in the local currency against the US Dollar, it will not alter the investment case and rate of return of the project given that its future earnings are primarily denominated in US Dollar.

**B4. Profit forecast**

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

**B5. Income tax expense**

	Quarter Ended 30 September		Period Ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax expense:				
- Malaysian	268	3,637	3,867	7,156
- Overseas	6,841	6,903	23,727	20,199
	7,109	10,540	27,594	27,355

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

The effective tax rate of the Group for the 9-month period ended 30 September 2016 was lower than the Malaysian statutory tax rate of 24% mainly due to the lower effective tax rate for construction profit from the Don Sahong Hydropower project, foreign exchange translation gains which are non-taxable and overprovision of income tax in the previous financial year. The lower effective tax rate of the Group was partially offset by a withholding tax of 10% for dividends repatriated from China.

**B6. Status of corporate proposal**

There was no corporate proposal announced but not completed at 18 November 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B7. Borrowing and debt securities**

The Group's borrowings as at 30 September 2016:

	RM'000
<b>Long-term borrowings</b>	
<i>Secured denominated in:</i>	
Ringgit Malaysia	23,833
<b>Short-term borrowings</b>	
<i>Secured denominated in:</i>	
Ringgit Malaysia	65,779
	89,612

The Group has no debt securities as at 30 September 2016.



**B8. Material litigation**

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

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

On 21 April 2016, SPSB received the Partial Award from the Arbitral Tribunal declaring that SESB shall pay SPSB the sum of RM7.7 million in relation to shortfall in energy payments and capacity payments for the period between 15 November 2007 and 31 December 2015, without prejudice to SPSB’s claims in the Arbitration. The remaining claim remains in dispute in the arbitration. The final written submission and oral hearing have been scheduled on 2 December 2016 and 17 February 2017, respectively.

Other than as disclosed above, there was no material litigation at 18 November 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B9. Dividend**

- (a) A final tax-exempt dividend of 5.0 sen per share for the financial year ended 31 December 2015 amounting to RM19,070,150 was paid on 1 July 2016.
- (b) An interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2016 (31 December 2015 : interim tax-exempt dividend of 3.0 sen) amounting to RM7,628,060 was paid on 14 October 2016 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 2015 : 3.0 sen) per ordinary share of RM1.00 each.

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

The total comprehensive income is arrived at:

	Quarter Ended 30 September		Period Ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>After crediting:</b>				
Dividend income	91	290	297	310
Gain on disposal of property, plant and equipment	1,052	25	1,280	272
Gain on foreign exchange, net:				
- realised	162	255	-	809
- unrealised	4,337	18,543	2,365	29,094
Gain on disposal of quoted shares	-	-	867	-
Interest income	1,722	1,422	3,604	4,387
Write-back of inventories	6	-	181	-
<b>After debiting:</b>				
Allowance for impairment loss on:				
- quoted investments	(11)	-	(11)	-
Amortisation of land use rights	(54)	(58)	(166)	(162)
Depreciation of property, plant and equipment	(8,919)	(8,852)	(26,772)	(26,830)
Impairment loss on project development expenditure	-	(2,083)	-	(2,083)
Interest expense	(1,355)	(1,435)	(4,732)	(3,846)
Loss on derecognition of associate	-	-	-	(2,256)
Loss on disposal of quoted shares	-	-	-	(324)
Loss on foreign exchange, net:				
- realised	-	-	(223)	-
Provision for and write-off of inventories	(60)	-	(65)	(180)
Write-off of bad debts	-	-	(2)	-
Write-off of property, plant and equipment	-	(6)	(226)	(232)
<b>After other comprehensive income/(expenses):</b>				
Foreign currency translation difference for foreign operations	8,235	32,992	(18,590)	48,740
Reversal of share of associate's foreign currency translation	-	-	-	(1,293)
Fair value changes of available-for-sale financial assets	3,290	397	(292)	(9,593)

**B11. Earnings per share**

	Quarter ended 30 September		Period ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>(a) Basic earnings per share</b>				
Profit after tax attributable to owners of the Company	35,908	26,536	86,156	62,803
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares at 1 January	243,345	243,002	243,345	243,002
Effect of treasury shares held	(20,497)	(20,492)	(20,497)	(20,492)
Effect of new ordinary shares issued pursuant to:				
- ESOS	1,213	106	1,213	106
- Rights Issue	110,411	31,323	110,411	31,323
	<u>334,472</u>	<u>253,939</u>	<u>334,472</u>	<u>253,939</u>
Basic earnings per share (sen)	<u>10.74</u>	<u>10.45</u>	<u>25.76</u>	<u>24.73</u>

The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 30 September 2016 excluding treasury shares held by the Company.

**(b) Diluted earnings per share**

Profit after tax attributable to owners of the Company	35,908	26,536	86,156	62,803
Weighted average number of ordinary shares ('000)	334,472	253,939	334,472	253,939
Weighted average number of shares under options and warrants ('000)	311	14,380	311	14,380
Weighted average number of shares that would have been issued at average market price ('000)	(212)	(12,750)	(212)	(12,713)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>334,571</u>	<u>255,569</u>	<u>334,571</u>	<u>255,606</u>
Diluted earnings per share (sen)	<u>10.73</u>	<u>10.38</u>	<u>25.75</u>	<u>24.57</u>

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.

Comparative figures for the weighted average number of ordinary shares for both the basic and fully diluted earnings per share computations have been restated to reflect the adjustment arising from the Rights Issue which was completed on 15 April 2016.

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**B12. Retained profits**

	<b>At 30.9.2016 RM'000</b>	<b>At 31.12.2015 RM'000</b>
Total retained profits:		
- realised	365,624	299,626
- unrealised	65,821	74,506
	<hr/>	<hr/>
	431,445	374,132
Consolidation adjustments	115,389	113,277
	<hr/>	<hr/>
Total Group retained profits	546,834	487,409
	<hr/>	<hr/>

**B13. Status of Utilisation of Rights Issue Proceeds**

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

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance Unutilised RM'000</b>	<b>Intended Timeframe for Utilisation from Completion Date</b>
Don Sahong Hydropower Project	150,000	46,369	103,631	Within 36 months
Working capital and other general corporate purposes	25,035 <sup>(3)</sup>	25,035	-	Within 36 months
Repayment of short-term bank borrowings	65,000	65,000	-	Within 12 months
Estimated expenses in relation to the Corporate Exercises	3,700	3,700 <sup>(4)</sup>	-	Within 3 months
	<hr/>	<hr/>	<hr/>	
	243,735 <sup>(1)(2)</sup>	140,104	103,631	

(1) The total gross proceeds of RM243.7 million were raised from the Rights Issue with Warrants, before the exercise of the Warrants.

(2) The amount raised in USD was translated at an average exchange rate of USD1.00 to RM3.90.

(3) The exchange difference arising from translation of USD proceeds has been adjusted against the amount proposed for working capital and other general corporate purposes.

(4) The variation in the amount of estimated expenses has been adjusted against the amount proposed for working capital and other general corporate purposes.

**B14. Comparative figures**

Certain comparative figures have been reclassified to conform to the presentation of the current quarter.

**B15. Authorised for issue**

These interim financial statements were authorised for issue by the Board of Directors on 25 November 2016.