

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

**Interim Financial Report
31 March 2017**

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 1st quarter and 3-month period ended 31 March 2017

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Year 1st Quarter 31.3.2017 RM'000	Preceding Year Corresponding 1st Quarter 31.3.2016 RM'000	Current Year To Date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Revenue	A8	278,754	217,907	278,754	217,907
Cost of sales		(212,604)	(162,461)	(212,604)	(162,461)
Gross profit		66,150	55,446	66,150	55,446
Other income, net		5,894	(3,797)	5,894	(3,797)
Operating expenses		(14,236)	(9,427)	(14,236)	(9,427)
Profit from operations		57,808	42,222	57,808	42,222
Finance costs		(1,311)	(1,913)	(1,311)	(1,913)
Profit before tax	A8	56,497	40,309	56,497	40,309
Income tax expense		(11,134)	(8,834)	(11,134)	(8,834)
Profit after tax for the period		45,363	31,475	45,363	31,475
Other comprehensive income/ (expenses)		5,076	(33,942)	5,076	(33,942)
Total comprehensive income/ (expenses) for the period	B10	50,439	(2,467)	50,439	(2,467)
Profit after tax attributable to:					
Owners of the Company		37,377	23,595	37,377	23,595
Non-controlling interests		7,986	7,880	7,986	7,880
		45,363	31,475	45,363	31,475
Total comprehensive income/ (expenses) attributable to:					
Owners of the Company		43,056	(2,718)	43,056	(2,718)
Non-controlling interests		7,383	251	7,383	251
		50,439	(2,467)	50,439	(2,467)
EPS - Basic (sen)	B11	9.80	9.26	9.80	9.26
EPS - Diluted (sen)	B11	9.37	9.25	9.37	9.25

The notes set out on pages 7 to 24 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 31 March 2017

	Unaudited As At 31.3.2017 RM'000	Audited As At 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	318,105	315,511
Investment in quoted shares	51,411	40,315
Investment in unquoted shares	335	335
Land use rights	6,657	6,712
Investment properties	159,526	149,356
Land held for property development	44,438	44,438
Project development expenditure	87,363	169,049
Intangible asset	509,052	370,391
Deferred tax asset	2,381	2,690
Goodwill on consolidation	10,812	10,812
	1,190,080	1,109,609
Current Assets		
Inventories	71,668	59,874
Receivables	138,220	127,046
Bank balances and deposits	214,699	291,326
	424,587	478,246
TOTAL ASSETS	1,614,667	1,587,855
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	401,902	401,900
Treasury shares	(30,046)	(30,046)
Reserves	842,590	794,131
	1,214,446	1,165,985
Non-Controlling Interests	163,859	156,688
Total Equity	1,378,305	1,322,673
Non-Current Liabilities		
Payables	1,540	1,223
Long-term borrowings	31,326	22,642
Deferred taxation	38,425	33,054
	71,291	56,919
Current Liabilities		
Payables	86,092	133,283
Short-term borrowings	75,694	65,989
Taxation	3,285	8,991
	165,071	208,263
Total Liabilities	236,362	265,182
TOTAL EQUITY AND LIABILITIES	1,614,667	1,587,855
Net Assets Per Ordinary Share (RM)	3.18	3.06

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 3-month period ended 31 March 2017

	← Non-Distributable Employees' Share				Distributable				Attributable To Owners Of The Parent			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	Share Application Monies 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	-	156,516	970,633
Total comprehensive expenses for the period	-	-	-	-	(24,999)	(1,314)	-	-	23,595	-	251	(2,467)
Contributions by and distributions to owners of the Company:-												
Issuance of ordinary shares pursuant to:												
- ESOS options	1,507	-	758	-	-	-	-	-	-	-	-	2,265
Total transactions with owners of the Company	1,507	-	758	-	-	-	-	-	-	-	-	2,265
Share application monies received	-	-	-	-	-	-	-	-	-	215,229	-	215,229
Realisation of capital reserve	-	-	-	-	-	-	(14)	-	(140)	-	(105)	(259)
Balance at 31.3.2016	244,852	(30,046)	34,937	1,895	31,757	3,782	15,469	-	510,864	215,229	156,662	1,185,401

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 3-month period ended 31 March 2017

	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	Share Application Monies RM'000	Non- Controlling Interests RM'000
Balance at 1.1.2017	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	-	156,688	1,322,673
Total comprehensive income for the period	-	-	-	-	(5,198)	10,877	-	-	37,377	43,056	-	7,383	50,439
Contributions by and distributions to owners of the Company:-													
ESOS options granted	-	-	-	5,147	-	-	-	-	-	5,147	-	-	5,147
ESOS options lapsed	-	-	-	(53)	-	-	-	-	53	-	-	-	-
Issuance of ordinary shares pursuant to:													
- exercise of warrants	2	-	-	-	-	-	-	-	-	3	-	-	3
Total transactions with owners of the Company	2	-	-	5,094	-	-	-	-	53	5,150	-	-	5,150
Increase in equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(281)	(281)
Accretion of interest in subsidiaries	-	-	-	-	-	-	-	-	302	302	-	(302)	-
Issuance of shares by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(116)	(47)	-	400	400
Realisation of capital reserve	-	-	-	-	-	-	69	-	-	(47)	-	(29)	(76)
Balance at 31.3.2017	401,902	(30,046)	99,857	9,214	64,306	16,558	15,619	18,571	618,465	1,214,446	-	163,859	1,378,305

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 3-month period ended 31 March 2017

	Current Year To Date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Cash flows (for)/from operating activities		
Profit before tax	56,497	40,309
Adjustments for non-cash flow - Non-cash items	(25,031)	(8,424)
- Non-operating items	(233)	211
Operating profit before working capital changes	<u>31,233</u>	<u>32,096</u>
Changes in working capital - Net change in assets	(30,684)	291
- Net change in liabilities	3,768	(4,188)
Cash from operations	<u>4,317</u>	<u>28,199</u>
Income tax paid	(10,878)	(1,273)
Retirement benefits paid	-	(202)
Net cash (for)/from operating activities	<u>(6,561)</u>	<u>26,724</u>
Cash flows for investing activities		
Interest received	1,406	1,020
Dividend received	6	2
Decrease in:		
- Land held for property development	-	(305)
Cash outflow for project development	(84,914)	(25,216)
Proceeds from disposal of property, plant and equipment	50	80
Purchase of property, plant and equipment	(12,033)	(5,585)
Purchase of land use rights	(9)	-
Proceeds from disposal of quoted shares	570	2,637
Purchase of quoted shares	(674)	-
Increase in equity interest in a subsidiary	(281)	-
Net cash for investing activities	<u>(95,879)</u>	<u>(27,367)</u>

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 3-month period ended 31 March 2017

	Current Year To Date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Cash flows from financing activities		
Interest paid	(1,311)	(1,913)
Net (repayment)/drawdown of:		
- Revolving credits and trust receipts	(551)	(340)
- Hire purchase payables	(155)	(232)
- Term loans	15,610	(2,599)
Proceeds from issuance of shares pursuant to exercise of ESOS options	-	2,265
Proceeds from issuance of shares pursuant to exercise of warrants	3	-
Share application monies received	400	215,229
Withdrawal/(Placement) of deposits pledged to licensed banks	26,500	(25,050)
Net cash from financing activities	<u>40,496</u>	<u>187,360</u>
Effect of foreign exchange translation	<u>8,487</u>	<u>(14,313)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(53,457)</u>	<u>172,404</u>
Cash and cash equivalents at beginning of the period	<u>263,142</u>	<u>172,830</u>
Cash and cash equivalents at end of the period	<u><u>209,685</u></u>	<u><u>345,234</u></u>

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

Bank balances and deposits	214,699	405,935
Bank overdrafts	(3,330)	(10,953)
	<u>211,369</u>	<u>394,982</u>
Deposits pledged to licensed banks	(1,684)	(49,748)
	<u><u>209,685</u></u>	<u><u>345,234</u></u>

The notes set out on pages 7 to 24 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 2016.

- (a) During the 3-month period ended 31 March 2017, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017

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

A1. Basis of preparation (Cont'd)

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the 3-month period ended 31 March 2017:

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018*
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) Defer until) further notice
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRSs 2014 – 2016 Cycle:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in FRS 4.20B may choose to defer the application of FRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

- (c) MASB has issued a new MASB approved accounting framework, the 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").

A1. Basis of preparation (Cont'd)

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

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

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

Other than as disclosed above, the accounting policies and methods of computation adopted by the Group in preparing this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2016.

A2. Qualification of financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual item

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

A5. Nature and amount of changes in estimates

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

A6. Debt and equity securities

	Number of Ordinary Shares 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 1.1.2017	401,900	(20,497)	401,900	(30,046)
Issue of shares pursuant to exercise of warrants	2	-	2	-
At 31.3.2017	<u>401,902</u>	<u>(20,497)</u>	<u>401,902</u>	<u>(30,046)</u>

During the 3-month period ended 31 March 2017, the Company:-

- Issued 1,442 new ordinary shares of RM1 each for cash at the price of RM2.22 per share arising from the exercise of warrants. These shares rank pari passu with the then ordinary shares of the Company. As at 31 March 2017, the total number of warrants which remained unexercised was 67,304,968 (31.12.2016 : 67,306,410).
- Granted 10,870,000 share options under the Company's Employees' Share Option Scheme ("ESOS") with an exercise price of RM2.41 per share. These options are exercisable on or after 31 March 2017. The ESOS will be expiring on 31 July 2020.

Of the total 401,901,732 (31.12.2016 : 401,900,290) issued ordinary shares as at 31 March 2017, 20,497,300 (31.12.2016 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 31 March 2017 was therefore 381,404,432 (31.12.2016 : 381,402,990).

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

A7. Dividend paid

No dividend was paid during the 3-month period ended 31 March 2017.

A8. Segment information for the 3-month period ended 31 March 2017

GROUP 2017	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	239,376	24,947	2,733	11,698	-	278,754
Inter-segment revenue	-	-	-	7,222	(7,222)	-
Consolidated revenue	239,376	24,947	2,733	18,920	(7,222)	278,754
Results						
Profit from operations	53,459	4,915	4,218	2,070	(6,854)	57,808
Finance costs						(1,311)
Profit before tax						56,497
Income tax expense						(11,134)
Profit after tax						45,363
Total assets						
At 31.3.2017	828,669	272,852	301,628	874,565	(663,047)	1,614,667

A8. Segment information for the 3-month period ended 31 March 2017 (Cont'd)

GROUP 2016	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	178,516	24,210	5,724	9,457	-	217,907
Inter-segment revenue	-	-	-	3,436	(3,436)	-
Consolidated revenue	178,516	24,210	5,724	12,893	(3,436)	217,907
Results						
Profit from operations	43,163	4,434	1,757	(4,109)	(3,023)	42,222
Finance costs						(1,913)
Profit before tax						40,309
Income tax expense						(8,834)
Profit after tax						31,475
Total assets At 31.3.2016	538,397	254,704	295,793	714,101	(337,529)	1,465,466

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 15 May 2017, 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

There was no significant event subsequent to the period reported up to 15 May 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements

A12. Changes in composition of the Group

On 28 December 2016, Hexachase Corporation Sdn. Bhd. ("HCSB"), a 52.4% owned subsidiary of the Company, increased its equity interest in its subsidiary, Hexachase Flexipack Sdn. Bhd. ("HFSB") from 65% to 77.6% as at 31 March 2017 through subscription of 1,950,000 new shares in HFSB pursuant to a subscription agreement dated 10 November 2016. Each shareholder of HFSB is entitled to subscribe on a pro-rata basis within 6 months from the unconditional date of the subscription agreement.

Other than as disclosed above, there was no change in the composition of the Group for the 3-month period ended 31 March 2017.

A13. Changes in contingent liabilities and assets

(a) Contingent liability

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

- (i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").
- (ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM ("Form JR").
- (iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

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

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

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

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

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

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

Other than as disclosed above, there was no material contingent liability as at 15 May 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

(b) Contingent asset

The Group has no contingent asset as at 15 May 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A14. Capital commitments

As at 31 March 2017, the Group has the following commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	12,135
Not contracted	1,695
	<hr/> 13,830
Project development expenditure	
Authorised but not provided for:	
Contracted	997,241
Not contracted	230,908
	<hr/> 1,241,979

A15. Significant related party transactions

There was no significant related party transaction during the 3-month period ended 31 March 2017.

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)		
	1Q 2017	1Q 2016	% Chg	1Q 2017	1Q 2016	% Chg
Power	239,376 ⁽¹⁾	178,516 ⁽¹⁾	34.1%	53,455 ⁽²⁾	43,156 ⁽²⁾	23.9%
Resources	24,947	24,210	3.0%	4,578	4,063	12.7%
Property	2,733	5,724	-52.3%	4,217 ⁽³⁾	1,756	140.1%
Sub-total	267,056	208,450	28.1%	62,250	48,975	27.1%
Investment holding and others	11,698	9,457	23.7%	(5,753)	(8,666)	n.m.
	278,754	217,907	27.9%	56,497	40,309	40.2%

(1) Including construction revenue of RM144.9 million (1Q 2016: RM93.2 million).

(2) Including construction profit of RM38.4 million (1Q 2016: RM24.7 million).

(3) Including fair value gain on investment properties of RM2.8 million.

The Group's revenue in 1Q 2017 was RM278.8 million representing an increase of 27.9% from RM217.9 million in 1Q 2016. This was attributable to higher recognition of construction revenue of RM144.9 million (1Q 2016: RM93.2 million) for the Don Sahong Hydropower Project. Physical completion of the Don Sahong Hydropower Project is slightly ahead of schedule and has reached 23% as at the end of March 2017. Excluding the Don Sahong Hydropower Project, the Group's core revenue rose 6% to RM122.2 million (1Q 2016: RM115.2 million) on higher contribution from the existing Power operations and the Resources Division. Revenue from the Property Division fell 52.3%.

The Group's pre-tax profit rose 40.2% to RM56.5 million in 1Q 2017 from RM40.3 million in 1Q 2016. The increase was mainly attributable to higher recognition of construction profit of RM38.4 million (1Q 2016: RM24.7 million), higher contribution from the Resources (+12.7%) and Property (+140.1%) Divisions and a forex gain of RM0.9 million from the translation of foreign currency cash holdings (versus RM7.1 million loss in 1Q 2016), partially offset by an 18.5% decline in pre-tax profit from the existing Power operations to RM15 million.

Power Division

Excluding construction revenue, the Power Division's revenue increased 10.8% to RM94.5 million (1Q 2016: RM85.3 million) mainly due to higher revenue contribution from the Tawau plant, bolstered by higher fuel oil prices (+83%). Revenue in China was stable as higher unit prices were offset by lower offtake of steam. The average steam price was 37% higher as a result of higher coal prices (+41.1%). The average energy tariff was 2.4% higher following an upward tariff adjustment in January 2017 upon the completion of certain plant modification exercise. Steam sales volume which contracted 17.7% was adversely affected by significantly lower customers' industrial output due to tighter environmental control policies.

B1. Review of performance (Cont'd)

(a) Current quarter (Cont'd)

Power Division (Cont'd)

Excluding construction profit, pre-tax profit fell 18.5% to RM15 million (1Q 2016: RM18.4 million) mainly on lower steam sales volume and lower margin from energy sales.

Resources and Property Divisions

The revenue of the Resources Division was 3% higher at RM24.9 million (1Q 2016: RM24.2 million). Lime products recorded a 19.2% increase in sales volume on higher demand from both local and export markets. Although the average selling price of lime products was lower, pre-tax profit increased 12.7% to RM4.6 million (1Q 2016: RM4.1 million) on better operating efficiencies and higher capacity utilisation.

Excluding fair value gain on investment properties (RM2.8 million), the Property Division posted a pre-tax profit of RM1.4 million on a revenue of RM2.7 million mainly derived from rental income.

B2. Variation of results against preceding quarter

	Revenue (RM'000)			Pre-tax Profit (RM'000)		
	1Q 2017	4Q 2016	% Chg	1Q 2017	4Q 2016	% Chg
Power	239,376 ⁽¹⁾	239,028 ⁽¹⁾	0.1%	53,455 ⁽²⁾	60,758 ⁽²⁾	-12.0%
Resources	24,947	26,092	-4.4%	4,578	4,754	-3.7%
Property	2,733	5,166	-47.1%	4,217 ⁽³⁾	5,635 ⁽³⁾	-25.2%
Sub-total	267,056	270,286	-1.2%	62,250	71,147	-12.5%
Investment holding and others	11,698	14,668	-20.2%	(5,753) ⁽⁴⁾	(11,275) ⁽⁴⁾	n.m.
	278,754	284,954	-2.2%	56,497	59,872	-5.6%

(1) Including construction revenue of RM144.9 million (4Q 2016: RM119.9 million).

(2) Including construction profit of RM38.4 million (4Q 2016: RM31.8 million).

(3) Including fair value gain on investment properties (1Q 2017: RM2.8 million; 4Q 2016: RM8.6 million) and write-off of property development cost (1Q 2017: Nil; 4Q 2016: RM6.7 million).

(4) Including impairment charges relate to the decommissioning of the calcium silicate bricks operations (1Q 2017: Nil; 4Q 2016: RM3.3 million), accelerated depreciation of fixed assets in China (1Q 2017: Nil; 4Q 2016: RM15.9 million), ESOS expense (1Q 2017: RM5.1 million; 4Q 2016: RM664,000) and gain on foreign exchange (1Q 2017: RM0.9 million; 4Q 2016: RM12.3 million).

The Group's revenue fell 2.2% to RM278.8 million (4Q 2016: RM285 million) on lower contribution from the three core divisions, partially offset by higher recognition of construction revenue of RM144.9 million (4Q 2016: RM119.9 million).

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

The Group's pre-tax profit of RM56.5 million (4Q 2016: RM59.9 million) was 5.6% lower mainly attributable to the weaker operating performance by the three core divisions and lower foreign exchange gain (RM0.9 million versus RM12.3 million in 4Q 2016), partially offset by higher construction profit of RM38.4 million (4Q 2016: RM31.8 million). In addition, the Group recognised RM19.2 million of losses from the decommissioning of the calcium silicate bricks operations and the accelerated depreciation of fixed assets in China in 4Q 2016.

Power Division

Revenue (excluding construction revenue) fell 20.7% to RM94.5 million (4Q 2016: RM119.1 million) mainly on lower contribution from the China operations. Steam and energy sales volumes were 27.7% and 26.5% lower respectively. Sales volume dropped on weak industrial demand compounded by customer plant closures during the Chinese New Year festive period as opposed to peak demand in 4Q 2016. Average steam price and energy tariff were higher by 4.3% and 2.4% respectively as a result of higher coal prices (+8.2%) and an upward tariff adjustment. In Tawau, revenue increased 11.9% to RM22.9 million (4Q 2016: RM20.5 million) due to higher fuel oil prices (+16.7%) and rates adjustment on energy and capacity payments.

Excluding construction profit, pre-tax profit fell 48.1% to RM15 million (4Q 2016: RM29 million) mainly due to both lower revenue and margin contraction from the China operations.

Resources and Property Divisions

The Resources Division's revenue fell 4.4% to RM24.9 million (4Q 2016: RM26.1 million) mainly on lower sales volumes and prices (due to changes in the product mix and more intense competition). Pre-tax profit decreased 3.7% to RM4.6 million (4Q 2016: RM4.8 million) mainly due to lower revenue.

Property revenue fell 47.1% to RM2.7 million (4Q 2016: RM5.2 million) mainly due to a 78.3% decrease in development revenue resulting from both lower sales and revenue recognition from development projects. Excluding fair value gain on investment properties and impairment loss on 2 pieces of land upon expiration of a joint development agreement, pre-tax profit fell 62.9% to RM1.4 million (4Q 2016: RM3.8 million) mainly due to lower contribution from the development segment.

B3. Prospects

Power Division

Don Sahong Hydropower Project

Physical construction work on the Don Sahong Hydropower Project is slightly ahead of schedule. However, the rainy season has started in May and some on-site construction activities such as inlet and underwater excavations will slowdown in June and will eventually come to a halt until after the rainy season ends in October.

In the meantime, works on the powerhouse and embankments will continue. Fabrication of the power generating equipment has started and the construction of the transmission line is expected to commence in the second half of 2017.

As at 31 March 2017, construction progress stood at 23% and is expected to reach about 45% by the end of the financial year 2017. This will translate into higher recognition of construction revenue and profit when compared to the previous financial year.

Shaoxing Power Plant

The textile industry in China is facing many challenges due to higher domestic production costs (especially labour), tightening of anti-pollution regulations and increased competition from lower cost producing countries. As such, earnings from our China steam plant is expected to continue to come under pressure this year.

Tawau Power Plant

The proposal for an extension of the existing power purchase agreement with Sabah Electricity Sdn. Bhd. has been submitted and negotiations are currently ongoing. Despite no agreement has yet been reached at this point, we remain confident that our discussions will lead to a positive outcome.

Resources Division

While the market conditions facing the Resources Division are challenging, we remain confident of growing sales volume through the export markets to become a major player in the region. The Division currently operates seven kilns with a total rated capacity of 1,560 tonnes per day following the commissioning of Kiln 7 at the end of March 2017. We expect capacity of Kiln 7 to be filled by end of 2017. In anticipation of further growth, plans are afoot to add Kiln 8 by 2018.

Foreign Exchange Volatility

The Group is susceptible to foreign exchange volatility, particularly from the US Dollar and Renminbi. This is mainly due to its financial commitments for the Don Sahong Hydropower Project and Renminbi earnings from China. To hedge against material fluctuation in foreign exchange rates, the Group strives to match the currency inflow (dividend income, export proceeds and borrowings) with its future currency commitments.

B4. Profit forecast

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

B5. Income tax expense

	Current quarter and period ended 31.3.2017 RM'000
Income tax expense:	
- Malaysian	3,347
- Overseas	7,787
	11,134
	11,134

The effective tax rate of the Group for the current quarter and 3-month period ended 31 March 2017 was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate for construction profit from the Don Sahong Hydropower Project and foreign exchange translation gains which are non-taxable.

B6. Status of corporate proposal

There was no corporate proposal announced but not completed at 15 May 2017, 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 31 March 2017:

	RM'000
Long-term borrowings	
Secured, denominated in Ringgit Malaysia	31,326
Short-term borrowings	
Secured, denominated in Ringgit Malaysia	72,515
Unsecured, denominated in Ringgit Malaysia	3,179
	75,694
	107,020

The Group has no debt securities as at 31 March 2017.

B8. Material litigation

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

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

On 21 April 2016, SPSB received the Partial Award from the 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 Arbitral Tribunal’s hearing on the final submissions is scheduled for 3 July 2017.

Other than as disclosed above, there was no material litigation at 15 May 2017, 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 3.0 sen per ordinary share for the financial year ended 31 December 2016 was approved by the shareholders at the Annual General Meeting held on 22 May 2017. This dividend is payable on 7 July 2017 to entitled shareholders as at 23 June 2017 and has not been included as a liability in these financial statements.
- (b) No dividend has been proposed or declared for the 3-month period ended 31 March 2017.

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

The total comprehensive income/(expenses) is arrived at:

	Quarter Ended 31 March		Period Ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After crediting:				
Dividend income	6	2	6	2
Fair value adjustment on investment properties	2,816	-	2,816	-
Gain on disposal of:				
- property, plant and equipment	30	67	30	67
- quoted shares	102	613	102	613
Gain on foreign exchange, net:				
- realised	2,537	55	2,537	55
Interest income	1,406	1,020	1,406	1,020
Write-back of:				
- impairment loss on quoted shares	12	-	12	-
- inventories written off	-	168	-	168
After charging:				
Amortisation of land use rights	(57)	(57)	(57)	(57)
Depreciation of property, plant and equipment	(9,321)	(8,971)	(9,321)	(8,971)
Interest expense	(1,311)	(1,913)	(1,311)	(1,913)
Loss on foreign exchange, net:				
- unrealised	(1,614)	(7,193)	(1,614)	(7,193)
Provision for and write-off of inventories	(5)	(2)	(5)	(2)
Provision for and write-off of receivables	-	-	-	-
Write-off of:				
- property, plant and equipment	(37)	(234)	(37)	(234)
After other comprehensive income/(expenses):				
Foreign currency translation difference for foreign operations	(5,801)	(32,628)	(5,801)	(32,628)
Fair value changes of available- for-sale financial assets	10,877	(1,314)	10,877	(1,314)

B11. Earnings per share

	Quarter ended 31 December		Year ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Basic earnings per share				
Profit after tax attributable to owners of the Company	37,377	23,595	37,377	23,595
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares on 1 January	401,900	243,345	401,900	243,345
Effect of treasury shares held	(20,497)	(20,497)	(20,497)	(20,497)
Effect of new ordinary shares issued pursuant to:				
- ESOS options	-	608	-	608
- Rights Issue with Warrants	1	31,441	1	31,441
	<u>381,404</u>	<u>254,897</u>	<u>381,404</u>	<u>254,897</u>
Basic earnings per share (sen)	<u>9.80</u>	<u>9.26</u>	<u>9.80</u>	<u>9.26</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 3-month period ended 31 March 2017 excluding treasury shares held by the Company.

(b) Diluted earnings per share

Profit after tax attributable to owners of the Company	37,377	23,595	37,377	23,595
Weighted average number of ordinary shares ('000)	381,404	254,897	381,404	254,897
Weighted average number of shares under options and warrants ('000)	91,957	273	91,957	273
Weighted average number of shares that would have been issued at average market price ('000)	(74,562)	(189)	(74,562)	(189)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>398,799</u>	<u>254,981</u>	<u>398,799</u>	<u>254,981</u>
Diluted earnings per share (sen)	<u>9.37</u>	<u>9.25</u>	<u>9.37</u>	<u>9.25</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 with Warrants which was completed on 15 April 2016.

B12. Retained profits

	At 31.3.2017 RM'000	At 31.12.2016 RM'000
Total retained profits:		
- realised	415,635	373,149
- unrealised	72,932	77,612
	<hr/> 488,567	<hr/> 450,761
Consolidation adjustments	129,898	130,088
	<hr/> 618,465	<hr/> 580,849
Total Group retained profits	<hr/> <hr/> 618,465	<hr/> <hr/> 580,849

B13. Status of Utilisation of Rights Issue Proceeds

As at 31 March 2017, the status of the utilisation of the gross proceeds raised from the Rights Issue with Warrants which was completed on 15 April 2016, amounting to RM243.7 million is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation from Completion Date
Don Sahong Hydropower Project	150,000	134,771	15,229	Within 36 months
Working capital and other general corporate purposes	25,035 ⁽³⁾	25,035	-	Within 36 months
Repayment of short-term bank borrowings	65,000	65,000	-	Within 12 months
Estimated expenses in relation to the Corporate Exercises	3,700	3,700 ⁽⁴⁾	-	Within 3 months
	<hr/> 243,735 ⁽¹⁾⁽²⁾	<hr/> 228,506	<hr/> 15,229	

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

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

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

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

B14. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 22 May 2017.