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

Interim Financial Report
30 June 2017

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 2nd quarter and 6-month period ended 30 June 2017

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Note	Current Year 2nd Quarter 30.6.2017 RM'000	Preceding Year Corresponding 2nd Quarter 30.6.2016 RM'000	Current Year To Date 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Revenue	A7	333,467	197,575	612,221	415,482
Cost of sales		(250,060)	(144,964)	(462,664)	(307,425)
Gross profit		83,407	52,611	149,557	108,057
Other income, net		3,713	6,396	9,607	2,599
Operating expenses		(19,310)	(9,550)	(33,546)	(18,977)
Profit from operations		67,810	49,457	125,618	91,679
Finance costs		(1,734)	(1,464)	(3,045)	(3,377)
Profit before tax	A7	66,076	47,993	122,573	88,302
Income tax expense		(15,806)	(11,651)	(26,940)	(20,485)
Profit after tax for the period		50,270	36,342	95,633	67,817
Other comprehensive (expenses)/ income		(15,140)	3,535	(10,064)	(30,407)
Total comprehensive income for the period	B10	35,130	39,877	85,569	37,410
Profit after tax attributable to:					
Owners of the Company		39,390	26,653	76,767	50,248
Non-controlling interests		10,880	9,689	18,866	17,569
		50,270	36,342	95,633	67,817
Total comprehensive income attributable to:					
Owners of the Company		25,359	29,278	68,415	26,560
Non-controlling interests		9,771	10,599	17,154	10,850
		35,130	39,877	85,569	37,410
EPS - Basic (sen)	B11	10.33	8.54	20.12	16.10
EPS - Diluted (sen)	B11	9.43	8.54	18.73	16.09

The notes set out on pages 7 to 33 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 June 2017

	Unaudited As At 30.6.2017 RM'000	Audited As At 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	330,282	315,511
Investment in quoted shares	52,637	40,315
Investment in unquoted shares	335	335
Land use rights	6,855	6,712
Investment properties	159,526	149,356
Land held for property development	44,438	44,438
Project development expenditure	58,627	169,049
Intangible asset	663,954	370,391
Deferred tax asset	2,089	2,690
Goodwill on consolidation	10,812	10,812
	1,329,555	1,109,609
Current Assets		
Inventories	60,849	59,874
Receivables	126,910	127,046
Bank balances and deposits	182,277	291,326
	370,036	478,246
TOTAL ASSETS	1,699,591	1,587,855
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share capital	402,177	401,900
Treasury shares	(30,046)	(30,046)
Reserves	864,665	794,131
	1,236,796	1,165,985
Non-Controlling Interests	156,409	156,688
Total Equity	1,393,205	1,322,673
Non-Current Liabilities		
Payables	6,217	1,223
Long-term borrowings	24,932	22,642
Deferred taxation	44,441	33,054
	75,590	56,919
Current Liabilities		
Payables	135,598	133,283
Short-term borrowings	89,445	65,989
Taxation	5,753	8,991
	230,796	208,263
Total Liabilities	306,386	265,182
TOTAL EQUITY AND LIABILITIES	1,699,591	1,587,855
Net Assets Per Ordinary Share (RM)	3.24	3.06

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 6-month period ended 30 June 2017

	Non-Distributable								Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2016	243,345	(30,046)	34,179	1,895	56,756	5,096	15,483	-	487,409	814,117	156,516	970,633
Total comprehensive income for the period	-	-	-	-	(20,106)	(3,582)	-	-	50,248	26,560	10,850	37,410
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(19,070)	(19,070)	-	(19,070)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(20,762)	(20,762)
ESOS options granted	-	-	-	1,469	-	-	-	-	-	1,469	-	1,469
ESOS options lapsed	-	-	-	(58)	-	-	-	-	55	(3)	-	(3)
Issuance of ordinary shares pursuant to:												
- Rights Issue with Warrants	157,048	-	67,841	-	-	-	-	18,846	-	243,735	-	243,735
- ESOS options	1,507	-	1,195	(437)	-	-	-	-	-	2,265	-	2,265
Expenses in relation to Rights Issue with Warrants	-	-	(3,120)	-	-	-	-	(255)	-	(3,375)	-	(3,375)
Total transactions with owners of the Company	158,555	-	65,916	974	-	-	-	18,591	(19,015)	225,021	(20,762)	204,259
Realisation of capital reserve	-	-	-	-	-	-	(8)	-	(137)	(145)	(101)	(246)
Balance at 30.6.2016	401,900	(30,046)	100,095	2,869	36,650	1,514	15,475	18,591	518,505	1,065,553	146,503	1,212,056

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)
For the 6-month period ended 30 June 2017

	Non-Distributable								Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2017	401,900	(30,046)	99,856	4,120	69,504	5,681	15,550	18,571	580,849	1,165,985	156,688	1,322,673
Total comprehensive income for the period	-	-	-	-	(19,886)	11,534	-	-	76,767	68,415	17,154	85,569
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company	-	-	-	-	-	-	-	-	(11,447)	(11,447)	-	(11,447)
- subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,065)	(18,065)
ESOS options granted	-	-	-	13,982	-	-	-	-	-	13,982	-	13,982
ESOS options lapsed	-	-	-	(103)	-	-	-	-	104	1	-	1
Issuance of ordinary shares pursuant to:												
- exercise of warrants	21	-	1	-	-	-	-	-	-	22	-	22
- ESOS options	256	-	97	(97)	-	-	-	-	-	256	-	256
Total transactions with owners of the Company	277	-	98	13,782	-	-	-	-	(11,343)	2,814	(18,065)	(15,251)
Increase in equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(281)	(281)
Accretion of interest in subsidiaries	-	-	-	-	-	-	-	-	(354)	(354)	204	(150)
Issuance of shares by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	750	750
Realisation of capital reserve	-	-	-	-	-	-	52	-	(116)	(64)	(41)	(105)
Balance at 30.6.2017	402,177	(30,046)	99,954	17,902	49,618	17,215	15,602	18,571	645,803	1,236,796	156,409	1,393,205

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the 6-month period ended 30 June 2017

		Current Year To Date 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Cash flows from operating activities			
Profit before tax		122,573	88,302
Adjustments for non-cash flow	- Non-cash items	(50,982)	(19,463)
	- Non-operating items	64	194
Operating profit before working capital changes		71,655	69,033
Changes in working capital	- Net change in assets	(7,958)	8,461
	- Net change in liabilities	13,833	4,512
Cash from operations		77,530	82,006
Income tax paid		(18,759)	(13,530)
Retirement benefits paid		-	(196)
Net cash from operating activities		58,771	68,280
Cash flows for investing activities			
Interest received		2,553	1,882
Dividend received		283	206
Increase in land held for property development		-	110
Cash outflow for project development		(143,586)	(66,946)
Proceeds from disposal of property, plant and equipment		63	293
Purchase of property, plant and equipment		(25,222)	(11,609)
Purchase of land use rights		(274)	-
Proceeds from disposal of quoted shares		570	3,775
Purchase of quoted shares		(1,243)	(140)
Increase in equity interest in subsidiaries		(11,229)	-
Net cash for investing activities		(178,085)	(72,429)

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

Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the 6-month period ended 30 June 2017

	Current Year To Date 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Cash flows from financing activities		
Interest paid	(3,045)	(3,377)
Dividends paid to shareholders of the Company	(11,447)	-
Dividends paid to subsidiaries' non-controlling interests	(18,065)	(7,417)
Net drawdown/(repayment) of:		
- Revolving credits and trust receipts	6,840	(53,215)
- Hire purchase payables	6,296	(445)
- Term loans	15,898	(5,226)
Proceeds from issuance of shares pursuant to exercise of ESOS options	256	2,265
Proceeds from issuance of shares pursuant to Rights Issue with Warrants	22	243,735
Proceeds of rights issue received from non-controlling interests	750	-
Withdrawal/(Placement) of deposits pledged to licensed banks	26,579	(5,172)
Net cash from financing activities	24,084	171,148
Effect of foreign exchange translation	9,752	(7,029)
Net (decrease)/increase in cash and cash equivalents	(85,478)	159,970
Cash and cash equivalents at beginning of the period	263,142	172,830
Cash and cash equivalents at end of the period	177,664	332,800

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

Bank balances and deposits	182,277	365,827
Bank overdrafts	(3,008)	(3,157)
	179,269	362,670
Deposits pledged to licensed banks	(1,605)	(29,870)
	177,664	332,800

The notes set out on pages 7 to 33 form an integral part and should be read in conjunction with this interim financial report.

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

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

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

(a) During the 6-month period ended 30 June 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 6-month period ended 30 June 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

(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)
New shares issued pursuant to exercise of:				
- ESOS options	136	-	256	-
- Warrants	10	-	21	-
At 30.6.2017	402,046	(20,497)	402,177	(30,046)

During the 6-month period ended 30 June 2017, the Company:-

(a) Issued 25,000 and 111,241 new ordinary shares of RM1 each for cash at the price of RM1.34 and RM2.00 per share, respectively, arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

(b) Issued 9,884 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 30 June 2017, the total number of warrants which remained unexercised was 67,296,526 (31.12.2016 : 67,306,410).

(c) Granted the following share options under the Company's ESOS:

(i) 10,870,000 with an exercise price of RM2.41 per share.
(ii) 300,000 with an exercise price of RM3.45 per share.
(iii) 160,000 with an exercise price RM3.40 per share.

These options are exercisable on or after 31 March 2017. The ESOS will be expiring on 31 July 2020.

Of the total 402,046,415 (31.12.2016 : 401,900,290) issued ordinary shares as at 30 June 2017, 20,497,300 (31.12.2016 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue as at 30 June 2017 was therefore 381,475,132 (31.12.2016 : 381,402,990).

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

A7. Segment information for the 6-month period ended 30 June 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	527,125	54,648	4,866	25,582	-	612,221
Inter-segment revenue	-	-	-	39,512	(39,512)	-
Consolidated revenue	527,125	54,648	4,866	65,094	(39,512)	612,221
Results						
Profit from operations	120,821	11,140	5,484	26,926	(38,753)	125,618
Finance costs						(3,045)
Profit before tax						122,573
Income tax expense						(26,940)
Profit after tax						95,633
Total assets						
At 30.6.2017	950,240	283,159	301,621	899,120	(734,549)	1,699,591

A7. Segment information for the 6-month period ended 30 June 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	336,527	47,953	11,460	19,542	-	415,482
Inter-segment revenue	-	-	-	7,441	(7,441)	-
Consolidated revenue	336,527	47,953	11,460	26,983	(7,441)	415,482
Results						
Profit from operations	82,427	7,095	5,733	3,054	(6,630)	91,679
Finance costs						(3,377)
Profit before tax						88,302
Income tax expense						(20,485)
Profit after tax						67,817
Total assets						
At 30.6.2016	538,397	254,704	295,793	714,101	(337,529)	1,465,466

A8. Dividend paid

No dividend was paid during the current quarter and 6-month period ended 30 June 2017.

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

There was no significant event during the period reported up to 18 August 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 18 August 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements

A12. Changes in composition of the Group

(a) Hexachase Corporation Sdn. Bhd. ("HCSB"), a 52.4% owned subsidiary of the Company, increased its equity interest in its subsidiary, Hexachase Flexipack Sdn. Bhd. ("HFSB") from 65% to 80% as at 30 June 2017 through the acquisition of 100,000 existing shares and the subscription of 3,250,000 new shares in HFSB.

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

Other than as disclosed above, there was no change in the composition of the Group for the 6-month period ended 30 June 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.

There has been no further update since the last quarterly financial report.

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

Other than as disclosed above, there was no material contingent liability as at 18 August 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 18 August 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A14. Capital commitments

As at 30 June 2017, the Group has the following commitments:

	RM'000
Property, plant and equipment	
Authorised but not provided for:	
Contracted	3,182
Not contracted	1,722
	4,904
Project development expenditure	
Authorised but not provided for:	
Contracted	916,305
Not contracted	218,855
	1,140,064

A15. Significant related party transactions

There was no significant related party transaction during the 6-month period ended 30 June 2017.

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

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

	2Q 2017 RM'000	2Q 2016 RM'000	Changes RM'000	%
Revenue	333,467	197,575	135,892	68.8%
Other income, net	3,713	6,396	(2,683)	-41.9%
Operating profit	58,071	40,575	17,496	43.1%
Profit before interest and tax	67,810	49,457	18,353	37.1%
Profit before tax	66,076	47,993	18,083	37.7%
Profit after tax	50,270	36,342	13,928	38.3%
Profit after tax attributable to owners of the Company	39,390	26,653	12,737	47.8%
Segmental revenue				
Power	287,749	158,011	129,738	82.1%
Resources	29,701	23,743	5,958	25.1%
Property	2,133	5,736	(3,603)	-62.8%
Sub-total	319,583	187,490	132,093	70.5%
Investment holding & others	13,884	10,085	3,799	37.7%
Total revenue	333,467	197,575	135,892	68.8%
Segmental profit before tax				
Power	67,125	39,261	27,864	71.0%
Resources	5,860	2,329	3,531	151.6%
Property	1,266	3,937	(2,671)	-67.8%
Sub-total	74,251	45,527	28,724	63.1%
Investment holding & others	(8,175)	2,466	(10,641)	-431.5%
Total profit before tax	66,076	47,993	18,083	37.7%
Significant income/(expense) items:				
Construction revenue	*171,446*	*61,129*	*110,317*	*180.5%*
Construction profit	*45,472*	*16,213*	*29,259*	*180.5%*
ESOS expense	*(8,835)*	*(1,466)*	*(7,369)*	*502.7%*
Fair value gain on investment properties	*-*	*-*	*-*	*0.0%*
Gain from quoted investments	*277*	*458*	*(181)*	*-39.5%*
Gain/(Loss) on foreign exchange	*1,648*	*4,781*	*(3,133)*	*-65.5%*

The Group's revenue in 2Q 2017 was RM333.5 million, representing an increase of 68.8% from RM197.6 million in 2Q 2016. The increase was mainly attributable to higher recognition of construction revenue of RM171.4 million (2Q 2016: RM61.1 million) for the Don Sahong Hydropower Project. The construction revenue and profit recognition in this quarter was based on 7.9% (2Q 2016: 2.8%) physical completion. Cumulative physical completion up to 30 June 2017 has reached 30.9% (up to 30 June 2016: 7.4%).

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

Excluding the Don Sahong Hydropower Project, the Group's core revenue rose 17.2% to RM148.1 million (2Q 2016: RM126.4 million) on higher revenue contribution from the existing power operations in China and the Resources Division. In the absence of development income, revenue contribution from the Property Division fell 62.8% to RM2.1 million.

The Group's pre-tax profit rose 37.7% to RM66.1 million in 2Q 2017 from RM48 million in 2Q 2016. The increase was mainly attributable to higher recognition of construction profit of RM45.5 million (2Q 2016: 16.2 million) and higher contribution from the Resources Division (+151.6%), partially offset by lower contribution from the existing power operations (-6.1%) and the Property Division (-67.8%), higher ESOS expense and lower forex gain.

Power Division

Excluding construction revenue, the Power Division's revenue increased 20% to RM116.3 million (2Q 2016: RM96.9 million). Revenue contribution from the China operations rose 25.8% to RM98.1 million on higher steam selling price (+37.3% resulting from a 44.4% coal price increase pass-through) and higher energy tariff (+2.4% resulting from tariff adjustment in January 2017), a RM7.1 million one-off tariff incentive from the local government for environmental compliance and translation gain (average exchange rate +1.7% to RMB0.6385: MYR1), partially offset by a 10% decline in steam sales volume to 735,761 tonnes. Sales volume of steam has been on a declining trend due to tightening environmental control policies and increased supervision and enforcement, which resulted in an overall decline in industrial output by our customers.

Revenue contribution from the Tawau plant slipped 3.8% to RM18.2 million on lower energy sales volume (-33.5%), largely offset by higher energy tariff (+45.3% resulting from a 45.1% fuel price increase pass-through). Energy sales volume during the quarter was adversely affected by lower capacity availability (during peak hours) due to major unscheduled machine and equipment repair works. Capacity availability, measured in terms of 12-month rolling EAF (Equivalent Availability Factor), declined from the normal 87% to 83.7% during the quarter, resulting in lower energy sales volume and a 4.9% decline in capacity charges to RM5.3 million payable by SESB.

Pre-tax profit, excluding construction profit of RM45.5 million and one-off RM7.1 million tariff incentive from the Chinese government, declined 36.8% to RM14.6 million. The decline in operational pre-tax profit was mainly attributable to lower steam and energy sales volume for both the China and Tawau plants, lower operating efficiencies due to lower sales volume in China and Tawau, lower capacity charges received from SESB, higher compliance costs from environmental policies in China and higher repair and maintenance expenses for the aging plant and machinery.

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

Resources Division

The Resources Division recorded a 25.1% increase in revenue to RM29.7 million (2Q 2016: RM23.7 million) mainly due to a 32.7% increase in sales revenue of Lime products to RM26.6 million and a 12.6% increase in sales revenue of Calcium Carbonate Powder to RM2.8 million. Performance of the Lime segment was bolstered by a 30.5% increase in sales volume to 80,261 tonnes while the average unit selling price registered a marginal 1.7% improvement to RM332 per tonne on export sales currency gain. While the sales volume of Calcium Carbonate Powder declined marginally to 12,326 tonnes, sales revenue was lifted by better average selling price on a favorable sales mix change. Contributions from the quarry and cement brick operations remained immaterial.

The Lime segment has been aggressively adding kiln and its supporting and downstream capacities over the past 2 years in preparation for its on-going push into the regional export markets. Management believes there is a sizable untapped business opportunities in countries such as Indonesia, India, Papua New Guinea, Australia and the Philippines given its excellent product quality, strategic location and effective cost structure. Upon completion of the Phase 2 expansion in March 2017, the segment now operates a total rated kiln capacity of 1,560 ton/day, representing a 105% increase from 760 ton/day in 2015. During the current quarter, the export-to-domestic sales ratio increased from 43% : 57% in 2Q 2016 to 53% : 47% in 2Q 2017. Domestic sales in this quarter increased 6.7% year-on-year.

Divisional pre-tax profit rose 151.6% to RM5.9 million due to higher sales volume which also resulted in higher capacity utilisation rates and better operating efficiencies.

Property Division

The Property Division posted lower revenue of RM2.1 million (2Q 2016: RM5.7 million) on the absence of contribution from property development. Rental income increased marginally to RM2.1 million. The Division has mothballed the property development segment since 2015. Remaining unsold development units remained unchanged at about RM11 million (inventory balance) during the quarter. Pre-tax profit, derived from rental income, came in at RM1.3 million.

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

Assets and liabilities

Significant changes in key asset and liability items during the 6-month period ended 30 June 2017:

Asset/Liability Items	As At 30.6.2017 RM'000	As At 31.12.2016 RM'000	Changes RM'000	Explanation
Property, plant and equipment	330,282	315,511	14,771	The Group added RM36 million in capital expenditure in 1H 2017 comprising mainly RM11.8 million for capacity expansion by the Resources Division, acquisition of additional limestone reserves land through the acquisition of 50.25% of Premier Capacity (RM10.8 million) and RM10.5 million mainly for the expansion of Hexachase's flexible packaging manufacturing line. Depreciation for the period was RM19.1 million.
Investment in quoted shares	52,637	40,315	12,322	There were no significant transactions in quoted securities during the period. The increase in book value represented changes in market values of existing quoted securities recognised in Other Comprehensive Income.
Investment properties	159,526	149,356	10,170	The increase was attributable to the reclassification from development property inventory to investment property of certain residential and commercial units, and the subsequent fair value adjustment (RM2.8 million) of these units.
Land held for property development	44,438	44,438	-	There were no acquisition of new development land or development of existing land during the period.
Project development expenditure	58,627	169,049	(110,422)	Project development expenditure captures the costs incurred for Don Sahong Hydropower Project and Agricultural Development in Cambodia, less amount recognised as cost of sales in the calculation of construction profit of the Don Sahong Hydropower Project. During the period, the Group spent RM143.6 million mainly on the Don Sahong Hydropower Project.
Intangible asset	663,954	370,391	293,563	Intangible asset represents cumulative construction revenue recognised for the Don Sahong Hydropower Project. During the period, the Group recognised RM316.3 million in construction revenue.
Inventories	60,849	59,874	975	There is no significant change in inventory balance.
Receivables	126,910	127,046	(136)	There is no significant change in receivables.
Deferred taxation	44,441	33,054	11,387	Increased in deferred tax mainly relates to deferred tax provision for construction profit.
Payables – current	135,598	133,283	2,315	There is no significant change in payables.

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

Cash flow for the 6-month period ended 30 June 2017

The Group generated a total of RM58.8 million in positive cash flow after tax from its operating activities during the 6-month period ended 30 June 2017. In the same period, the Group spent RM178.1 million on investing activities, comprising mainly RM141.6 million on Don Sahong Hydropower Project and RM36 million on capital expenditure as described in earlier section.

During the period, total dividend paid amounted to RM29.5 million, comprising RM11.4 million to shareholders of the Company and RM18.1 million to non-controlling interests in subsidiaries.

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

Group borrowings and debt securities

As at 30 June 2017, the total amount outstanding under our long-term and short-term borrowings was RM114.4 million. The table below sets out salient information on our bank borrowings:

		Long-term		Short-term		Total Borrowings	
	Interest Rate	Foreign Currency	RM	Foreign Currency	RM	Foreign Currency	RM
Secured							
Trust receipts	Floating	-	-	-	6,422	-	6,422
Term loans	Fixed	-	805	-	270	-	1,075
	Floating	-	24,127	-	12,081	-	36,208
Bank overdrafts	Floating	-	-	-	279	-	279
Revolving credits	Floating	-	-	-	48,000	-	48,000
		-	24,932	-	67,052	-	91,984
Unsecured							
Term loans	Fixed	-	-	12,664 ^	-	12,664 ^	-
Bank overdrafts	Floating	-	-	-	2,729	-	2,729
Revolving credits	Floating	-	-	-	7,000	-	7,000
		-	-	12,664	9,729	12,664	9,729
		-	24,932	12,664	76,781	12,664	101,713

^ *Borrowing at the Group's Chinese subsidiary level, which is denominated in Chinese Renminbi.*

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

B2. Earnings performance review for the 6-month period ended 30 June 2017

	YTD 2017 RM'000	YTD 2016 RM'000	Changes RM'000	%
Revenue	612,221	415,482	196,739	47.4%
Other income, net	9,607	2,599	7,008	269.6%
Operating profit	106,558	73,826	32,732	44.3%
Profit before interest and tax	125,618	91,679	33,939	37.0%
Profit before tax	122,573	88,302	34,271	38.8%
Profit after tax	95,633	67,817	27,816	41.0%
Profit after tax attributable to owners of the Company	76,767	50,248	26,519	52.8%
Segmental revenue				
Power	527,125	336,527	190,598	56.6%
Resources	54,648	47,953	6,695	14.0%
Property	4,866	11,460	(6,594)	-57.5%
Sub-total	586,639	395,940	190,699	48.2%
Investment holding & others	25,582	19,542	6,040	30.9%
Total revenue	612,221	415,482	196,739	47.4%
Segmental profit before tax				
Power	120,580	82,417	38,163	46.3%
Resources	10,438	6,392	4,046	63.3%
Property	5,483	5,693	(210)	-3.7%
Sub-total	136,501	94,502	41,999	44.4%
Investment holding & others	(13,928)	(6,200)	(7,728)	124.6%
Total profit before tax	122,573	88,302	34,271	38.8%
Significant income/(expense) items:				
Construction revenue	*316,333*	*154,344*	*161,989*	*105.0%*
Construction profit	*83,896*	*40,933*	*42,963*	*105.0%*
ESOS expense	*(13,982)*	*(1,466)*	*(12,516)*	*853.8%*
Fair value gain on investment properties	*2,816*	*-*	*2,816*	*100.0%*
Gain from quoted investments	*397*	*1,073*	*(676)*	*-63.0%*
Gain/(Loss) on foreign exchange	*2,571*	*(2,357)*	*4,928*	*-209.1%*

The Group's revenue was RM612.2 million, an increase of 47.4% as compared to RM415.5 million in 1H 2016. The higher revenue was mainly due to the recognition of construction revenue of RM316.3 million (1H 2016: RM154.3 million) for the Don Sahong Hydropower Project and higher contribution from the existing power operations and the Resources Division. The construction revenue and profit recognition in the first 6-month period was based on 14.4% (1H 2016: 7.4%) physical completion. Cumulative physical completion up to 30 June 2017 has reached 30.9% (up to 30 June 2016: 7.4%).

The Property Division recorded weaker performance after its decision to suspend new property development projects in 2015.

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

The Group's pre-tax profit jumped 38.8% to RM122.6 million in 1H 2017 from RM88.3 million in 1H 2016. The higher pre-tax profit was mainly attributable to higher recognition of construction profit of RM83.9 million (1H 2016: RM40.9 million), higher contribution from the Resources Division and forex gain (versus a loss in 1H 2016), partially offset by weaker operational performance from the existing power operations and the Property Division, higher ESOS expense and lower gain from quoted investments.

Power Division

Revenue (excluding construction revenue) increased 15.7% to RM210.8 million (1H 2016: RM182.2 million). Sales revenue from China increased 14.5% to RM169.7 million due to higher steam selling price (+19.9% resulting from 42.8% coal price increase pass-through), higher energy tariff (+2.4% resulting from tariff adjustment in January 2017), one-off tariff incentive of RM7.1 million for environmental compliance and translation gain (average exchange rate +1.7% to RMB0.6385: MYR1), partially offset by a 13.6% decline in steam volume to 1,327,268 tonnes due to tightening environmental control policies and increased supervision and enforcement, resulting in significant decline in customer demand for steam.

Tawau's revenue rose 21.2% to RM41.1 million owing to a 61.3% increase in energy tariff resulting from a 61.6% fuel price increase pass-through) which more than offset a 19.1% slide in energy sales volume to 78,268 MWh. The decline in energy volume was caused by lower capacity availability in 2Q 2017 as explained earlier.

Excluding the construction profit for both periods (1H 2017: RM83.9 million; 1H 2016: RM40.9 million), the one-off RM7.1 million tariff incentive in China in 1H 2017 and RM1 million partial arbitration award in 1H 2016, pre-tax profit in the 6-month period ended 30 June 2017 fell 26.9% to RM29.6 million (1H 2016: RM40.5 million). The decline in operational pre-tax profit was due to lower steam and energy sales volume in China and Tawau, lower operating plant efficiencies in both factories, higher environmental regulatory compliance expenses, partially offset by positive translation gain of the China operations.

Resources Division

Revenue from Resources Division was 14% higher at RM54.6 million (1H 2016: RM48 million). Lime products recorded a 25.1% increase in sales volume to approximately 148,182 tonnes mainly due to higher demand from local customers as a result of increased steel output and increased penetration of the export markets. The average selling price of lime products was fairly stable at RM328 per tonne during the period. Export-to-domestic sales ratio increased from 43% : 57% in 1H 2016 to 47% : 53% in 1H 2017. Revenue from Calcium Carbonate Powder rose 3% to RM5.5 million on higher average selling price while volume was flat at 25,548 tonnes. Contributions from the quarry and cement brick operations were immaterial.

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

Margin improved on better operating efficiencies and higher capacity utilisation. Together with higher sales volume, pre-tax profit therefore increased 63.3% to RM10.4 million (1H 2016: RM6.4 million).

Property Division

Revenue from Property Division of RM4.9 million (1H 2016: RM11.5 million) was 57.5% lower as compared to the corresponding period last year, largely due to a 91% decrease in development revenue while the rental income from the investment portfolio remained fairly stable. Excluding RM2.8 million fair value gain on certain residential and commercial units reclassified from property held for sale to investment property, pre-tax profit fell 53.2% to RM2.7 million (1H 2016: RM5.7 million) on lower development revenue.

B3. Variation of current quarter against preceding quarter

	2Q 2017 RM'000	1Q 2017 RM'000	Changes RM'000	%
Revenue	333,467	278,754	54,713	19.6%
Other income, net	3,713	5,894	(2,181)	-37.0%
Operating profit	58,071	48,487	9,584	19.8%
Profit before interest and tax	67,810	57,808	10,002	17.3%
Profit before tax	66,076	56,497	9,579	17.0%
Profit after tax	50,270	45,363	4,907	10.8%
Profit after tax attributable to owners of the Company	39,390	37,377	2,013	5.4%
Segmental revenue				
Power	287,749	239,376	48,373	20.2%
Resources	29,701	24,947	4,754	19.1%
Property	2,133	2,733	(600)	-22.0%
Sub-total	319,583	267,056	52,527	19.7%
Investment holding & others	13,884	11,698	2,186	18.7%
Total revenue	333,467	278,754	54,713	19.6%
Segmental profit before tax				
Power	67,125	53,455	13,670	25.6%
Resources	5,860	4,578	1,282	28.0%
Property	1,266	4,217	(2,951)	-70.0%
Sub-total	74,251	62,250	12,001	19.3%
Investment holding & others	(8,175)	(5,753)	(2,422)	42.1%
Total profit before tax	66,076	56,497	9,579	17.0%
Significant income/(expense) items:				
Construction revenue	*171,446*	*144,887*	*26,559*	*18.3%*
Construction profit	*45,472*	*38,424*	*7,048*	*18.3%*
ESOS expense	*(8,835)*	*(5,147)*	*(3,688)*	*71.7%*
Fair value gain on investment properties	-	*2,816*	*(2,816)*	*-100.0%*
Gain from quoted investments	*277*	*120*	*157*	*130.8%*
Gain/(Loss) on foreign exchange	*1,648*	*923*	*725*	*78.5%*

Compared to the preceding quarter, the Group's revenue in the current quarter increased 19.6% to RM333.5 million from RM278.8 million in 1Q 2017. The higher revenue was mainly due to the higher recognition of construction revenue of RM171.4 million (1Q 2017: RM144.9 million) on higher physical completion (7.9% in 2Q 2017 versus 6.5% in 1Q 2017) of the Don Sahong Hydropower Project and higher contribution from the existing power operations and the Resources Division. Revenue from the Property Division fell 22% to RM2.1 million due to the absence of property sales in the current quarter (1Q 2017: RM0.7 million).

The Group's pre-tax profit of RM66.1 million (1Q 2017: RM56.5 million) was 17% higher mainly attributable to the higher recognition of construction profit of RM45.5 million (1Q 2017: RM38.4 million), higher contribution from the existing power operations and the Resources Division and higher forex gain, partially offset by lower contribution from the Property Division and higher ESOS expense.

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

Power Division

Revenue (excluding construction revenue) rose 23.1% to RM116.3 million (1Q 2017: RM94.5 million) mainly on higher contribution from the China operations. Steam and energy sales volumes increased 24.4% and 20.4% respectively on low base effect (shorter work days during the Chinese New Year festive period). The average coal price and therefore the average selling prices of steam were flat quarter-on-quarter. The one-off tariff incentive of RM7.1 million further bolstered revenue in 2Q 2017.

In Tawau, revenue decreased 20.4% to RM18.2 million (1Q 2017: RM22.9 million) due to a 20.4% decline in energy sales volume and lower energy tariff resulting from a 7.9% reduction in the average fuel cost. Capacity charges posted a 1.9% decline to RM5.3 million due to lower capacity availability resulting from the unscheduled repair works of machinery. The lower energy volume was attributable to significant downtime from the repair works.

Pre-tax profit (excluding construction profit) rose 44.1% to RM21.7 million (1Q 2017: RM15 million) mainly due to the one-off tariff incentive in China, without which pre-tax profit would have decreased 3.1% to RM14.6 million, as higher costs (particularly plant maintenance costs, higher environmental compliance cost and higher borrowing cost) more than offset increased earnings from higher sales volume.

Resources Division

The Resources Division's revenue improved sequentially by 19.1% to RM29.7 million (1Q 2017: RM24.9 million) mainly due to a 21% increase in sales of Lime products and a 2% increase in sales of Calcium Carbonate Powder. Lime products sales volume rose 18.2% to 80,261 tonnes on 2.4% improvement in average selling price. The Resources Division continues to make inroads into the export markets, resulting in the export-to-domestic sales ratio increasing from 40% : 60% to 53% : 47%.

Pre-tax profit increased 28% to RM5.9 million (1Q 2017: RM4.6 million) on higher sales volume and lower production cost from efficiency gains.

Property Division

Property revenue declined 22% to RM2.1 million as compared to 1Q 2017 (RM2.7 million). There was no property unit sales in 2Q 2017 compared to RM0.7 million in 1Q 2017. Consequently, pre-tax profit (excluding fair value gain on investment properties) dropped 9.6% to RM1.3 million (1Q 2017: RM1.4 million).

B4. Prospects

Power Division

Don Sahong Hydropower Project ("the Project")

Since the start of the rainy season in May, on site construction work has temporarily slowed down. Underwater excavation came to a complete halt in the middle of June while other on site activities has temporarily slowed down as planned. These activities will be ramped up again in November once the rainy season ends.

Off-site activities such as the manufacturing of the main turbine and generator components on the other hand are in full swing after the turbine model test was successfully concluded in May. The transmission line contract will be awarded by the end of the third quarter of this financial year.

As at 30 June 2017, construction progress stood at 31% and is on track to reach 45-50% completion at the end of this financial year. This will result in additional recognition of construction revenue and profit in the remaining quarters. Total construction revenue and profit for 2017 is expected to be significantly higher than 2016 based on the projected higher percentage physical completion.

The Company expects to finalise and sign a US$150 million syndicated term loan facility agreement before the end of third quarter to help fund the Project. Together with proceeds from the April 2016 Rights Issue and internal cash reserves, the Company estimates it will have sufficient financial resources to complete the project by end 2019.

China Power Plant

Earnings from the China steam plant continues to decline since the beginning of 2015 due to a combination of factors outside the company's control. Steam demand from our customers is slowing as the textile and garment manufacturers grapple with increasingly stringent and onerous central government policies on environmental protection, rising compliance costs and increasing competition from lower cost producing countries. Smaller and financially weaker manufacturers are being pushed to merge or consolidate in order to raise efficiencies and competitiveness.

Being a coal fired thermal plant, the tightening environmental protection policies also have the effect of pushing up steam production cost. Heavy investments are necessary to add or modify existing plant and machinery to comply with new emission standards. Additional control, monitoring and surveillance procedures that have to be put in place have also contributed to higher operating expenses for the company.

Earnings contribution from China is therefore expected to remain weak in the remaining quarters of this year. Management is doing its best to operate the plant as efficiently as possible to prevent further earnings erosion.

B4. Prospects (Cont'd)

Tawau Power Plant

The Tawau power plant serves as a peaking plant to the energy supply grid for eastern Sabah. The existing Power Purchase Agreement (PPA) with Sabah Electricity Sdn Bhd (SESB) is due to expire on 2 December 2017. Negotiation is underway with the Energy Commission of Malaysia to extend the PPA and is expected to conclude before the expiry. Management is optimistic the agreement will be extended given the shortage of cost effective energy generation capacity in the area.

The unscheduled repair works of critical power generating equipment in May-June period will not have a material impact to the capacity charges receivable from SESB in the remaining quarters of this year. However, earnings contribution from the Tawau plant will be significantly lower in the fourth quarter if the PPA is not extended as there will only be two months of operations during that quarter.

Resources Division

The Resources Division has in the past three years invested a total of RM78 million to expand the production capacities of quicklime and its downstream products. The commissioning of the latest kiln with a rated capacity of 400 tonnes per day in March 2017 has propelled the division to become one of the largest Lime producers in region with a total rated capacity of 1,560 tonnes per day. In the same period, the Group has also acquired an additional 201 acres of limestone reserve land for RM23 million, bringing the total reserve land size to more than 1,000 acres, which is sufficient to ensure supply security of good quality feed stock for more than 100 years.

Armed with an expanded capacity, adjacent good quality limestone reserves and competitive cost structure, the Resources Division is embarking on a major export drive into key markets within the region. Management is confident the division will be able to fill up the added capacity within the next 12-24 months through increased penetration into the mining and steel industries such as India, Indonesia and Australia.

Management expects the earnings growth momentum of the Resources Division to be sustained in the remaining quarters of this year.

Property Division

In view of Malaysia's subdued property market and macro-economic environment, the Group has mothballed its property development segment since 2015. Focus is now confined to selling off its remaining RM10 million worth of completed property inventory located in Melaka, Salak Tinggi and Ipoh. The division will continue to manage its investment properties, comprising mainly the PJ8 office buildings cum commercial lots and more than 900 parking bays in Greentown, Ipoh. The investment properties are expected to generate continuous stable income stream to the Group in the second half of 2017.

B4. Prospects (Cont'd)

Foreign Exchange Exposure

The Group's major exposure to foreign exchange fluctuations are as follows:

Don Sahong Hydropower Project

Investment in the Project is denominated principally in US Dollar. Total project cost including interest during construction is estimated at USD417 million. The cumulative investment made up to 30 June 2017 is approximately USD113.5 million.

The exchange rate fluctuation between the Malaysia Ringgit and US Dollar is not expected to have a significant impact to the commercial merits and viability of the Project given that the future income stream and operating cost would be primarily denominated in the US Dollar. It would however have an impact on the future earnings when translated into Malaysia Ringgit for reporting.

To mitigate the foreign exchange risk, the Group has and will continue to match as far as possible its current cash holdings and future cash inflow, including the planned USD150 million syndicated term loan facility from banks, to its future payment obligations for the Project. The Company has also arranged for 30% of the EPC contract value of USD265 million to be settled in Renminbi at an agreed exchange rate of RMB6.205:1USD in order to match the Company's Renminbi cash holding and future dividend income from China operations.

China Power Operations

Both the income and expenses of the China operations are primarily denominated in Renminbi. Dividend income from the China operations in Renminbi will be utilised for the Don Sahong Hydropower Project.

The China operations exposure to foreign exchange fluctuation is limited to the extent of translation gain/loss from Renminbi into the reporting Malaysia Ringgit.

Resources Division

The Resources Division operations are located in Malaysia. Exports sales, which account for 52% of total divisional revenue in 1H 2017, are denominated primarily in the US Dollar and Australian Dollar. Therefore, the Malaysia Ringgit fluctuation against the US Dollar and Australian Dollar will have an impact to earnings and margins. In short, the Resources Division is a net beneficiary of a weaker Malaysia Ringgit, while the reverse is true.

In managing the currency risk, management monitors the exchange rates closely and will adjust prices whenever possible after taking account the competitive environment in the market in which it sells to.

B5. Profit forecast

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

B6. Income tax expense

	Quarter Ended 30 June		Year Ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense:				
- Malaysian	2,513	1,706	5,860	3,599
- Overseas	13,293	9,945	21,080	16,886
	15,806	11,651	26,940	20,485

The effective tax rate of the Group for the current quarter approximated the Malaysian statutory tax rate of 24%.

The effective tax rate of the Group for the 6-month period ended 30 June 2017 was lower than the Malaysian statutory tax rate of 24% mainly due to lower effective tax rate for construction profit from the Don Sahong Hydropower Project and foreign exchange translation gains which are non-taxable. The lower effective tax rate of the Group was partially offset by the withholding tax of 10% for dividends repatriated from China.

B7. Status of corporate proposal

There was no corporate proposal announced but not completed at 18 August 2017, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

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

The final oral arguments were heard before the Tribunal on 3 July 2017. At the close of the hearing, the Tribunal indicated that the Partial Award on Liability would be delivered 3 months after receipt of the last written submissions as directed by the Tribunal. The arbitration with SESB is expected to conclude in November 2017.

Other than as disclosed above, there was no material litigation at 18 August 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 amounting to RM11,446,473.45 was paid on 7 July 2017. This dividend has been included as a liability in these financial statements.

(b) The Board has declared an interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2017 (31 December 2016 : interim tax-exempt dividend of 2.0 sen).

The interim dividend will be paid on 13 October 2017 to the Depositors who are registered in the Record of Depositors at the close of business on 29 September 2017. This dividend has not 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 June 2016 : 2.0 sen) per ordinary share.

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

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

	Quarter Ended 30 June		Period Ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After crediting:				
Dividend income	277	204	283	206
Fair value adjustment on investement properties	-	-	2,816	-
Gain on disposal of:				
- property, plant and equipment	13	161	43	228
- quoted shares	-	254	102	867
Gain on foreign exchange, net:				
- realised	2,522	-	5,059	-
- unrealised	-	5,221	-	-
Interest income	1,147	862	2,553	1,882
Write-back of:				
- impairment loss on quoted shares	-	-	12	-
- inventories written off	-	7	-	175
After charging:				
Amortisation of land use rights	(57)	(55)	(114)	(112)
Depreciation of property, plant and equipment	(9,739)	(8,882)	(19,060)	(17,853)
Interest expense	(1,734)	(1,464)	(3,045)	(3,377)
Loss on foreign exchange, net:				
- realised	-	(440)	-	(385)
- unrealised	(874)	-	(2,488)	(1,972)
Provision for and write-off of inventories	(3)	(3)	(8)	(5)
Provision for and write-off of receivables	-	(2)	-	(2)
Write-off of property, plant and equipment	-	5	(37)	(229)
After other comprehensive (expenses)/income				
Foreign currency translation difference for foreign operations	(15,797)	5,803	(21,598)	(26,825)
Reversal of share of associate's foreign currency translation	-	-	-	-
Fair value changes of available-for-sale financial assets	657	(2,268)	11,534	(3,582)

B11. Earnings per share

(a) Basic earnings per share

	Quarter ended 30 June 2017 RM'000	Quarter ended 30 June 2016 RM'000	Period ended 30 June 2017 RM'000	Period ended 30 June 2016 RM'000
Profit after tax attributable to owners of the Company	39,390	26,653	76,767	50,248
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	67	1,064	67	1,064
- Rights Issue with Warrants	5	88,186	5	88,186
	381,475	312,098	381,475	312,098
Basic earnings per share (sen)	10.33	8.54	20.12	16.10

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 6-month period ended 30 June 2017 excluding treasury shares held by the Company.

(b) Diluted earnings per share

	Quarter ended 30 June 2017 RM'000	Quarter ended 30 June 2016 RM'000	Period ended 30 June 2017 RM'000	Period ended 30 June 2016 RM'000
Profit after tax attributable to owners of the Company	39,390	26,653	76,767	50,248
Weighted average number of ordinary shares ('000)	381,475	312,098	381,475	312,098
Weighted average number of shares under options and warrants ('000)	92,219	311	92,219	311
Weighted average number of shares that would have been issued at average market price ('000)	(56,043)	(235)	(63,734)	(212)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	417,651	312,174	409,960	312,197
Diluted earnings per share (sen)	9.43	8.54	18.73	16.09

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

B12. Retained profits

	At 30.6.2017 RM'000	At 31.12.2016 RM'000
Total retained profits:		
- realised	434,921	373,149
- unrealised	65,750	77,612
	500,671	450,761
Consolidation adjustments	145,132	130,088
Total Group retained profits	645,803	580,849

B13. Status of Utilisation of Rights Issue Proceeds

As at 30 June 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		139,335		10,665	Within 36 months
Working capital and other general corporate purposes	25,035	(3)	25,035		-	Within 36 months
Repayment of short-term bank borrowings	65,000		65,000		-	Within 12 months
Estimated expenses in relation to the Corporate Exercises	3,700		3,700	(4)	-	Within 3 months
	243,735	(1)(2)	233,070		10,665	

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

B14. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 25 August 2017.