

**Mega First Corporation Berhad**  
Registration No. 196601000210 (6682-V)  
Incorporated in Malaysia

**Interim Financial Report**  
**31 March 2023**

**Mega First Corporation Berhad**  
**Registration No. 196601000210 (6682-V)**

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other  
Comprehensive Income  
For The 3-Month Period Ended 31 March 2023**

	1st Quarter Ended		3-Month Period Ended		
	31.3.2023	31.3.2022	31.3.2023	31.3.2022	
	RM'000	RM'000	RM'000	RM'000	
Revenue	347,353	272,384	347,353	272,384	
Cost of sales	(226,220)	(153,616)	(226,220)	(153,616)	
Gross profit	121,133	118,768	121,133	118,768	
Other income	18,324	6,986	18,324	6,986	
Other operating expenses	(25,098)	(9,735)	(25,098)	(9,735)	
Administrative and distribution expenses	(15,537)	(13,642)	(15,537)	(13,642)	
Profit from operations	98,822	102,377	98,822	102,377	
Finance costs	(9,130)	(6,060)	(9,130)	(6,060)	
Share of results in equity accounted investments, net of tax	2,311	4,141	2,311	4,141	
Profit before tax	92,003	100,458	92,003	100,458	
Income tax expense	(14,828)	(3,975)	(14,828)	(3,975)	
Profit after tax for the period	77,175	96,483	77,175	96,483	
Other comprehensive income/(loss)	10,585	(23,132)	10,585	(23,132)	
Total comprehensive income for the period	87,760	73,351	87,760	73,351	
Profit after tax attributable to:					
Owners of the Company	70,548	81,338	70,548	81,338	
Non-controlling interests	6,627	15,145	6,627	15,145	
	77,175	96,483	77,175	96,483	
Total comprehensive income attributable to:					
Owners of the Company	79,226	56,040	79,226	56,040	
Non-controlling interests	8,534	17,311	8,534	17,311	
	87,760	73,351	87,760	73,351	
EPS - Basic (sen)	B11	7.46	8.60	7.46	8.60

The notes set out on pages 7 to 24 form an integral part and should be read in conjunction with this interim financial report.

**Unaudited Condensed Consolidated Statement of Financial Position**  
**As at 31 March 2023**

	<b>Unaudited As At 31.3.2023 RM'000</b>	<b>Audited As At 31.12.2022 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Service concession asset	1,931,301	1,940,823
Property, plant and equipment	484,017	481,679
Investment properties	165,203	165,203
Right of use assets	117,991	119,021
Investment in quoted shares	154,870	152,305
Inventories	43,443	43,443
Joint Ventures and Associates	179,585	174,561
Development Expenditures	96,310	74,574
Goodwill on consolidation	54,673	54,673
Other assets	353	353
	<b>3,227,746</b>	<b>3,206,635</b>
<b>Current Assets</b>		
Inventories	141,917	147,882
Receivables and prepayments	426,679	437,252
Short-term investment	10,000	5,000
Bank balances and deposits	563,514	492,254
	<b>1,142,110</b>	<b>1,082,388</b>
<b>TOTAL ASSETS</b>	<b>4,369,856</b>	<b>4,289,023</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Owners Of The Company</b>		
Share capital	743,121	743,121
Treasury shares	(37,261)	(37,261)
Reserves	2,087,619	2,044,787
	<b>2,793,479</b>	<b>2,750,647</b>
Non-Controlling Interests	448,913	440,379
<b>Total Equity</b>	<b>3,242,392</b>	<b>3,191,026</b>
<b>Non-Current Liabilities</b>		
Long-term borrowings	384,513	396,749
Deferred tax liabilities	124,783	124,320
Put option liability	85,723	84,702
Lease and hire purchase liabilities	4,157	4,155
Payables	8,979	9,149
	<b>608,155</b>	<b>619,075</b>
<b>Current Liabilities</b>		
Payables and accruals	223,276	155,726
Short-term borrowings	290,400	316,204
Lease and hire purchase liabilities	5,633	6,992
	<b>519,309</b>	<b>478,922</b>
<b>Total Liabilities</b>	<b>1,127,464</b>	<b>1,097,997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,369,856</b>	<b>4,289,023</b>
<b>Net Assets Per Ordinary Share (RM)</b>	<b>2.96</b>	<b>2.91</b>

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Changes in Equity**  
**For the 3-month period ended 31 March 2022**

	← Non-Distributable				→ Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2022	743,121	(36,869)	847	140,324	27,394	(88,556)	1,606,843	2,393,104	346,472	2,739,576
Total comprehensive income for the period	-	-	14,292	(39,590)	-	-	81,338	56,040	17,311	73,351
Total transactions with owners										
- Dividends to shareholders of the Company	-	-	-	-	-	-	(33,086)	(33,086)	-	(33,086)
- Purchase of treasury shares	-	(392)	-	-	-	-	-	(392)	-	(392)
	-	(392)	-	-	-	-	(33,086)	(33,478)	-	(33,478)
Subscription of shares in subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	1,366	1,366
Balance at 31.3.2022	743,121	(37,261)	15,139	100,734	27,394	(88,556)	1,655,095	2,415,666	365,149	2,780,815

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)**  
**For the 3-month period ended 31 March 2023**

	← Non-Distributable				→ Distributable					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Translation Reserve/ (Deficit) RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non- Controlling Interests RM'000	
Balance at 1.1.2023	743,121	(37,261)	77,088	92,331	27,394	(88,556)	1,936,530	2,750,647	440,379	3,191,026
Total comprehensive income for the year	-	-	6,114	2,564	-	-	70,548	79,226	8,534	87,760
Total transactions with owners										
- Dividends to shareholders of the Company	-	-	-	-	-	-	(36,394)	(36,394)	-	(36,394)
Balance at 31.3.2023	743,121	(37,261)	83,202	94,895	27,394	(88,556)	1,970,684	2,793,479	448,913	3,242,392

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Cash Flows**  
**For the 3-month period ended 31 March 2023**

	<b>3-Month Period Ended</b>	
	<b>31.3.2023</b>	<b>31.3.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	92,003	100,458
Adjustments for non-cash flow - Non-cash items	33,922	30,064
- Non-operating items	(1,405)	2,121
Operating profit before working capital changes	124,520	132,643
Changes in working capital - Net change in assets	11,588	7,446
- Net change in liabilities	17,170	22,893
Cash from operations	153,278	162,982
Income tax paid	(3,543)	(1,164)
<b>Net cash from operating activities</b>	<b>149,735</b>	<b>161,818</b>
<b>Cash flows for investing activities</b>		
Cash outflow for Don Sahong Hydropower Project	(21,901)	(9,944)
Dividends received	229	18
Interest received	11,270	3,233
Investment in joint ventures and associates	(2,713)	(2,970)
Payments for purchase of:		
- property, plant and equipment	(11,344)	(22,720)
- right of use assets	(70)	(851)
- short-term investment	(5,000)	-
Proceeds from disposal of:		
- property, plant and equipment	57	8
<b>Net cash for investing activities</b>	<b>(29,472)</b>	<b>(33,226)</b>

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**Mega First Corporation Berhad**  
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**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)**  
**For the 3-month period ended 31 March 2023**

	<b>3-Month Period Ended</b>	
	<b>31.3.2023</b>	<b>31.3.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows for financing activities</b>		
Finance costs paid	(9,130)	(5,380)
Net repayment of:		
- Revolving credits, trade financing and loans	(11,112)	(988)
- Lease and hire purchase liabilities	(1,889)	(1,698)
- Term loans	(30,230)	(24,735)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	-	1,366
Purchase of treasury shares	-	(392)
Withdrawal/(Placement) of deposits with original maturity period of more than 3 months or pledged with licensed banks	461	(25)
<b>Net cash for financing activities</b>	<u>(51,900)</u>	<u>(31,852)</u>
<b>Effect of foreign exchange translation</b>	<u>2,594</u>	<u>1,955</u>
<b>Net increase in cash and cash equivalents</b>	<u>70,957</u>	<u>98,695</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>482,773</u>	<u>251,937</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>553,730</u></u>	<u><u>350,632</u></u>

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

Bank balances and deposits	563,514	356,076
Bank overdrafts	(764)	(637)
	<u>562,750</u>	<u>355,439</u>
Less:		
- Deposits placed with licensed banks with original maturity period of more than 3 months	(5,755)	(2,569)
- Deposits pledged with licensed banks	(3,265)	(2,238)
	<u>553,730</u>	<u>350,632</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 MFRS 134**

**A1. Basis of preparation**

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

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

- (a) 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 2022, except for the following new accounting standards and interpretations (including the consequential amendments) which were adopted at the beginning of the financial year ending 31 December 2023. These pronouncements are either not relevant or do not have material impact on the Group’s financial statements for the current financial year.

**MFRSs and/or IC Interpretations (including the Consequential Amendments)**

MFRS 17 Insurance Contracts

Amendments to MFRS 17 - Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction



**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 financial year ending 31 December 2023:

<b>MFRSs and/or IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

The above pronouncements are either not relevant or are not expected to have any material impact on the Group's financial statements.

**A2. Qualification of financial statements**

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The Group's principal business operations were not significantly affected by seasonal or cyclical factors other than its Renewable Energy Division where hydropower generation is subject to seasonal fluctuation of the water level. Normally, the water level will peak between June and November during the wet season. More detailed commentary is set out in B3 and B4 to these financial statements.

**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 other than as disclosed in Note A10.

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

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

**A6. Debt and equity securities**

	Number of Ordinary Shares		← Amount →	
	Share Capital (Issued and Fully Paid) '000	Treasury Shares '000	Share Capital (Issued and Fully Paid) RM'000	Treasury Shares RM'000
At 1 January 2023	988,352	(43,046)	743,121	(37,261)
Shares repurchased in current period	-	-	-	-
At 31 March 2023	<u>988,352</u>	<u>(43,046)</u>	<u>743,121</u>	<u>(37,261)</u>

Of the total 988,352,102 issued ordinary shares as at 31 March 2023, 43,046,300 ordinary shares were held as treasury shares by the Company. Accordingly, the number of outstanding ordinary shares in issue as at 31 March 2023 was 945,305,802.

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**

3-Month Period Ended 31 March 2023	Renewable			Investment Holding & Others	Eliminations RM'000	Consolidated RM'000
	Energy RM'000	Resources RM'000	Packaging RM'000	RM'000		
<b>Revenue</b>						
External revenue	128,467	55,811	103,525	59,550	-	347,353
Inter-segment revenue	-	-	-	564	(564)	-
Consolidated revenue	<u>128,467</u>	<u>55,811</u>	<u>103,525</u>	<u>60,114</u>	<u>(564)</u>	<u>347,353</u>
<b>Results</b>						
Profit from operations	<u>94,591</u>	<u>5,971</u>	<u>9,173</u>	<u>(9,806)</u>	<u>(1,107)</u>	<u>98,822</u>
Finance costs						(9,130)
Share of profit in equity accounted investments						<u>2,311</u>
Profit before tax						92,003
Income tax expense						<u>(14,828)</u>
Profit after tax						<u>77,175</u>
<b>Total assets</b>						
At 31 March 2023	<u>2,744,032</u>	<u>355,563</u>	<u>485,966</u>	<u>971,029</u>	<u>(186,734)</u>	<u>4,369,856</u>

**A7. Segment information (Cont'd)**

3-Month Period Ended 31 March 2022	Renewable Energy RM'000	Resources RM'000	Packaging RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue	125,358	45,320	94,790	6,916	-	272,384
Inter-segment revenue	-	-	-	459	(459)	-
Consolidated revenue	125,358	45,320	94,790	7,375	(459)	272,384
<b>Results</b>						
Profit from operations	86,504	5,442	10,007	1,230	(806)	102,377
Finance costs						(6,060)
Share of profit in equity accounted investments						4,141
Profit before tax						100,458
Income tax expense						(3,975)
Profit after tax						96,483
<b>Total assets</b>						
At 31 December 2022	2,700,607	337,685	496,788	922,690	(168,747)	4,289,023

**A8. Dividend paid**

Details of dividend declared and paid during the current quarter and 3-month period ended 31 March 2023 are disclosed in B9 to these financial statements.

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

There was no revaluation of property, plant and equipment during the period reported up to 17 May 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

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

Tax dispute between 65%-owned subsidiary, Idaman Harmoni Sdn. Bhd. ("IHSB") and the Inland Revenue Board of Malaysia ("IRBM") in relation to notices of additional tax assessment and penalties amounting to RM22,795,912 (before late payment penalty) served by IRBM to IHSB on 5 October 2016 for Year of Assessment ("YA") 2009 and 2010.

On 2 March 2023, the Court of Appeal (the apex court for this case) allowed the IRBM's appeal against the High Court's decision. This effectively reinstates the decision of the Special Commissioners of Income tax ("SCIT") made on 1 September 2021 which affirmed the assessments.

**A10. Significant event during the reporting period (Cont'd)**

Consequently, a one-off provision of RM11.4 million income tax and RM14.9 million penalties were made in the current quarter.

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

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

There was no significant event subsequent to the end of the period reported up to 17 May 2023, 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**

Change in the composition of the Group during current quarter and 3-month period ended 31 March 2023 is disclosed as follows:

1. On 20 March 2023, the Company incorporated an indirect 99%-owned subsidiary, namely Mega First Solar (Maldives) Consortium Pvt Ltd (“MFSMC”) with an authorised capital of Maldivian Rufiyaa 100,000. The principal activity of MFSMC is to install solar photovoltaic system under design, build, finance, own, operate and transfer (“DBFOOT”) basis.

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

(a) Contingent liability

The Group has no contingent liability as at 17 May 2023, 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 17 May 2023, 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 2023, the Group has the following capital commitments:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Approved and contracted for	263,112
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**A15. Significant related party transactions**

There was no significant related party transaction during the current quarter and 3-month period ended 31 March 2023 other than the following commitment made by the Company:

	<b>As at 31.3.2023</b>
	<b>RM'000</b>
Corporate guarantees given to lenders and supplier of joint ventures and associates	304,629
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**A16. Derivative financial instruments**

	<b>31.3.2023</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Derivative liability</u></b>		
Put option liability over shares of a subsidiary held by non-controlling interest	85,723	84,702
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The Company entered into a Put Option Agreement with the minority shareholders of Stenta Group whereby the minority shareholders have the right to require the Company to buy their equity interest in the subsidiary in accordance to the terms of the Put Option Agreement.

The obligation by the Company to purchase Stenta Group's equity interest held by the minority shareholders is initially recognised as put option liability with a corresponding charge direct to equity (classified as "Other Reserve"). Subsequent to the initial recognition, the put option will be remeasured at fair value and any changes in fair value is recognised in profit or loss.

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

**B1. Performance review - Current quarter ended 31 March 2023 (“1Q2023”) versus (“vs”) the corresponding quarter ended 31 March 2022 (“1Q2022”)**

	1Q2023 RM'000	1Q2022 RM'000	Changes	
			RM'000	%
Revenue	347,353	272,384	74,969	27.5%
Other loss, net	(6,774)	(2,749)	(4,025)	146.4%
Earning before interest, tax, depreciation and amortisation ("EBITDA")	119,146	128,851	(9,705)	-7.5%
Operating profit	98,822	102,377	(3,555)	-3.5%
Profit before tax	92,003	100,458	(8,455)	-8.4%
Profit after tax	77,175	96,483	(19,308)	-20.0%
Profit after tax attributable to owners of the Company	70,548	81,338	(10,790)	-13.3%
<b>Revenue</b>				
Renewable Energy	128,467	125,358	3,109	2.5%
Resources	55,811	45,320	10,491	23.1%
Packaging	103,525	94,790	8,735	9.2%
Sub-total	287,803	265,468	22,335	8.4%
Investment Holding & Others	59,550	6,916	52,634	761%
Total revenue	347,353	272,384	74,969	27.5%
<b>Profit before tax</b>				
Renewable Energy	88,539	82,991	5,548	6.7%
Resources	5,769	5,299	470	8.9%
Packaging	7,311	8,846	(1,535)	-17.4%
Sub-total	101,619	97,136	4,483	4.6%
Investment Holding & Others	(9,616)	3,322	(12,938)	N.M.
Total profit before tax	92,003	100,458	(8,455)	-8.4%
<b>Additional Information:</b>				
Share of profit in equity accounted investments	2,311	4,141	(1,830)	-44.2%
Gain on foreign exchange	5,786	2,268	3,518	155.1%
Income tax penalties	(14,900)	-	(14,900)	N.M.

Group revenue in the current quarter rose 27.5% to RM347.4 million (1Q2022: RM272.4 million). All core divisions posted positive growth rates. The Renewable Energy Division’s revenue grew 2.5% to RM128.5 million, while that of the Packaging Division and the Resources Division increased 9.2% to RM103.5 million and 23.1% to RM55.8 million, respectively. Revenue of Investment Holding & Others was boosted by RM48.4 million sales contribution from the Tawau power plant which recommenced commercial operations in May 2022.

Before the one-off RM14.9 million tax penalty provision recognised under Investment Holding & Others (as further explained in Note A10), Group pre-tax profit increased 6.4% from RM100.5 million to RM106.9 million, bolstered by a 6.7% increase in PBT of the Renewable Energy Division to RM88.5 million and an 8.9% increase in the Resources Division to RM5.8 million, partially offset by a 17.4% decline in PBT of the Packaging Division. Joint venture and associates reported lower share of profit at RM2.3 million (1Q2022: RM4.1 million) due mainly to lower profit contribution from Edenor.

**B1. Performance review - 1Q2023 vs 1Q2022 (Cont'd)**

**Renewable Energy Division**

Revenue came in 2.5% higher at RM128.5 million (1Q2022: RM125.4 million), mainly supported by a 4.7% currency gain and a 1% hydro tariff adjustment on 1 October 2022, partly offset by a 3.4% drop in hydro energy sales volume.

Don Sahong achieved an average Equivalent Availability Factor ("EAF") of 81.9% in the current quarter, 2.8% lower than 84.7% in 1Q2022 due to the annual turbine maintenance in February/March period. No annual maintenance was carried out in 1Q2022.

Solar energy sales rose 26.0% to RM1.8 million (1Q2022: RM1.4 million) on higher installed C&I solar capacity of 20.5 MW (1Q2022: 14.5 MW).

Pre-tax profit advanced 6.7% to RM88.5 million (1Q2022: RM83.0 million), mainly on higher hydropower energy income and lower net interest expenses.

**Resources Division**

The Resources Division registered sales growth of 23.1% from RM45.3 million posted a year ago to RM55.8 million. Sales of lime products rose 23.7% to RM50.4 million (1Q2022: RM40.7 million), bolstered by shift of sales mix towards overseas customers (which registered 17.6% growth in sales volume) and a favourable impact from a stronger USD against RM (for USD-denominated sales in Ringgit term). Sales of non-lime products (including calcium carbonate powder, quarry by-products and cement bricks) grew 17.8% to RM5.4 million (1Q2022: RM4.6 million).

Pre-tax profit rose 8.9% to RM5.8 million (1Q2022: RM5.3 million) on higher sales volume and efficiency gain from higher production volume.

**Packaging Division**

Despite a slowing consumer market, revenue posted a 9.2% increase to RM103.5 million (1Q2022: RM94.8 million) on higher sales of both flexible packaging and paper bag products when compared to a year ago.

During the current quarter, cost pressure has shifted from rising raw material/commodity prices to increasing labour and electricity cost. Together with weaker pricing power due to intensifying competition amidst a slowing consumption demand, the division reported a 17.4% decline in pre-tax profit to RM7.3 million (1Q2022: RM8.8 million).

**B2. Performance review – 31.3.2023 vs 31.12.2022 (Cont'd)**

(a) Assets and Liabilities as at 31 March 2023

Changes in key assets and liabilities since 31 December 2022 are explained below:

<b>Asset/Liability Items</b>	<b>As At 31.3.2023 RM'000</b>	<b>As At 31.12.2022 RM'000</b>	<b>Changes RM'000</b>	<b>Explanation</b>
Service concession asset	1,931,301	1,940,823	(9,522)	The decrease was due to RM21.3 million amortisation charge, partially offset by translation gain of RM11.8 million.
Property, plant and equipment ("PPE")	484,017	481,679	2,338	The increase was due to RM11.3 million CAPEX comprising mainly the followings:  (a) RM4.2 million for plantation development; (b) RM3.8 million by Packaging Division for plant expansion; and (c) RM1.7 million for C&I solar power development.  partially offset by RM9.0 million depreciation charge for the period.
Investment properties	165,203	165,203	-	No movement in the current year.
Right-Of-Use ("ROU") assets	117,911	119,021	(1,030)	The decrease was largely due to RM1.1 million depreciation charge.
Development expenditures	96,310	74,574	21,736	The increase was attributable to progressive development of Don Sahong 5 <sup>th</sup> turbine expansion project.
Joint ventures and associates	179,585	174,561	5,024	The increase was due to RM2.7 million new investment and RM2.3 million share of profit for the period.



**B2. Performance review - 31.12.2023 vs 31.12.2022 (Cont'd)**

(a) Assets and Liabilities as at 31 March 2023 (Cont'd)

Changes in key assets and liabilities since 31 December 2022 are explained below: (Cont'd)

<b>Asset/Liability Items</b>	<b>As At 31.3.2023 RM'000</b>	<b>As At 31.12.2022 RM'000</b>	<b>Changes RM'000</b>	<b>Explanation</b>
Investment in quoted shares	154,870	152,305	2,565	The increase was due to fair value gain of quoted securities.
Inventories (non-current)	43,443	43,443	-	No movement in the current year.
Inventories (current)	141,917	147,882	(5,965)	The decrease was mainly due to lower stock level recorded by the Packaging Division.
Receivables and prepayments	426,679	437,252	(10,573)	The decrease was mainly due to lower balance outstanding from Électricité du Laos ("EDL"), partially offset by higher receivables of the Packaging and Resources divisions.
Deferred tax liabilities	124,783	124,320	463	The increase was mainly due to translation difference arising from the strengthening of the US Dollar against Ringgit Malaysia.
Payables and accruals (current)	223,276	155,726	67,550	The increase was mainly due to accrual of RM36.4 million final dividend for FY2022 and RM26.3 million provision for additional income tax and penalties as explained in Note A10.

**B2. Performance review – 31.3.2023 vs 31.12.2022 (Cont'd)**

(b) Group borrowings and debt securities

The Table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD RM'000	RM RM'000	USD RM'000	RM RM'000	As at 31.3.2023 RM'000
<b>Secured</b>					
Trade financing and loans	-	-	-	45,248	45,248
Term loans	-	92,991	-	25,712	118,703
Bank overdrafts	-	-	-	764	764
Revolving credit	-	-	-	95,000	95,000
	-	92,991	-	166,724	259,715
<b>Unsecured Loan</b>					
Term loan	291,522	-	123,676	-	415,198
<b>Total Borrowings</b>	<b>291,522</b>	<b>92,991</b>	<b>123,676</b>	<b>166,724</b>	<b>674,913</b>

At 31 March 2023, total borrowings (exclude lease and hire purchase liabilities) amounted to RM674.9 million, a decrease of RM38.1 million from RM713.0 million at the end of 2022. The decrease was mainly due to RM40.6 million net loan repayment, partially offset by RM2.5 million translation loss on USD-denominated loan.

Interest rates on the Group's bank borrowings are floating in nature. The Group has no debt securities as at 31 March 2023.

(c) Cash flow analysis for the 3-month period ended 31 March 2023

During the 3-month period ended 31 March 2023, the Group generated RM149.7 million after tax cash from its operating activities and RM11.5 million investment income, of which RM52.0 million was deployed for the following:-

1. RM33.3 million for Capex (as explained above);
2. RM7.7 million for strategic investments;
3. RM11.0 million for financing costs (including hire purchase) paid to lenders.

The balance was retained by the Group resulting in a 49.5% improvement in net debt position from RM220.6 million at the beginning of the year to RM111.4 million at 31 March 2023.

**B3. Variation of Current Quarter (“1Q2023”) versus (“vs”) Preceding Quarter (“4Q2022”)**

	<b>1Q2023</b>	<b>4Q2022</b>	<b>Changes</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	347,353	363,857	(16,504)	-4.5%
Other loss, net	(6,774)	(8,576)	1,802	-21.0%
Earning before interest, tax, depreciation and amortisation ("EBITDA")	119,146	155,571	(36,425)	-23.4%
Operating profit	98,822	130,135	(31,313)	-24.1%
Profit before tax	92,003	117,453	(25,450)	-21.7%
Profit after tax	77,175	115,839	(38,664)	-33.4%
Profit after tax attributable to owners of the Company	70,548	95,170	(24,622)	-25.9%
<b>Revenue</b>				
Renewable Energy	128,467	161,597	(33,130)	-20.5%
Resources	55,811	50,098	5,713	11.4%
Packaging	103,525	98,869	4,656	4.7%
Sub-total	287,803	310,564	(22,761)	-7.3%
Investment Holding & Others	59,550	53,293	6,257	11.7%
Total revenue	347,353	363,857	(16,504)	-4.5%
<b>Profit before tax</b>				
Renewable Energy	88,539	114,279	(25,740)	-22.5%
Resources	5,769	3,400	2,369	69.7%
Packaging	7,311	6,617	694	10.5%
Sub-total	101,619	124,296	(22,677)	-18.2%
Investment Holding & Others	(9,616)	(6,843)	(2,773)	40.5%
Total profit before tax	92,003	117,453	(25,450)	-21.7%
<b>Additional Information:</b>				
Share of profit/(loss) in equity accounted investments	2,311	(4,599)	6,910	N.M.
Fair value (loss)/gain on put option liability	(1,021)	6,998	(8,019)	N.M.
Gain/(Loss) on foreign exchange	5,786	(7,006)	12,792	N.M.
Income tax penalties	(14,900)	-	(14,900)	N.M.

Compared to the preceding quarter, Group turnover fell 4.5% from RM363.9 million to RM347.4 million. The decline was attributable primarily to a 20.5% decline in renewable energy sales as a result of the onset of dry season in December 2022 and scheduled annual turbine maintenance in February/March 2023, partly offset by higher revenue contributions from the Resources Division (up 11.4%) and the Packaging Division (up 4.7%).

Before the one-off RM14.9 million tax penalty provision recognised under Investment Holding & Others, Group pre-tax profit fell 9.0% to RM106.9 million, (4Q2022: RM117.5 million) mainly due to a 22.5% decline in profit contribution from the Renewable Energy Division to RM88.5 million (4Q2022: RM114.3 million), partially mitigated by a 69.7% increase in PBT of the Resources Division, a 10.5% rise in profit of the Packaging Division and an overall better result (exclude one-off tax penalty) in Investment Holding & Others. The key contributing figures in Investment Holding & Others are summarised in the earnings table above.

**B3. Variation of 1Q2023 vs 4Q2022 (Cont'd)**

**Renewable Energy Division**

Don Sahong hydropower plant registered an EAF of 81.9%, compared to 97.4% in the preceding quarter. The sequential decline in EAF was attributable to lower water level following the onset of dry season and annual turbine maintenance in February/March 2023. Together with a stronger Ringgit Malaysia (+4% to RM4.39/USD from RM4.574), revenue came in 20.5% lower at RM128.5 million (4Q2022: RM161.6 million).

C&I solar revenue improved 14.8% from RM1.6 million to RM1.8 million, on progressive installation of solar capacity to 20.5 MW (4Q2022: 17.8 MW).

Pre-tax profit decreased 22.5% to RM88.5 million (4Q2022: RM114.3 million) in the current quarter mainly on lower revenue.

**Resources Division**

Revenue registered a 11.4% sequential growth in the current quarter to RM55.8 million (4Q2022: RM50.1 million) on improved sales performance of lime products, in both export and domestic markets. Sales volume of lime products registered an 18.2% growth, but average selling price ("ASP") declined 6.7% on currency loss (a stronger Ringgit eroded USD-denominated ASP in Ringgit term) and lower spot prices.

Pre-tax profit rose 69.7% from RM3.4 million to RM5.8 million mainly on higher sales revenue and improved plant efficiency.

**Packaging Division**

Despite a challenging operating environment amidst slowing consumer demand, high supply chain inventory and intensifying competition, the Division posted a 4.7% sequential growth in revenue to RM103.5 million, against RM98.9 million in preceding quarter. Both paper and flexible plastic products registered positive growth rates.

Pre-tax profit grew 10.5% sequentially to RM7.3 million on higher revenue.

#### **B4. Prospects**

The global economy is expected to continue to face strong headwinds from high interest rates and elevated cost environment and tightening credit conditions, which in turn, will dampen economic activities and overall consumer spending.

Nonetheless, we do not expect these headwinds to materially impact the Group's earnings in the remaining period of this year. We expect earnings to remain highly resilient given the Group's strong business foundation, low leverage, high cash generation from existing renewable energy portfolio and prudent capital deployment strategy. We are confident our proactive management teams will be able to ride out these challenges with relative success.

#### **Renewable Energy Division**

##### Hydropower - Don Sahong

Based on year-to-date water data, and after factoring in turbine maintenance in February/March, we expect the average EAF for 2023 to moderate to about 91%, lower than 94.6% recorded in 2022 but higher than the estimated long-term simulation average of 89%.

The average EAF of 94.6% in 2022 was atypically high for two reasons: 1) near historical-high water level during last year's dry season; and, 2) the deferment of 2022 annual turbine maintenance to February/March 2023.

Assuming a stable MYR:USD exchange rate at around RM4.40, we expect Don Sahong to post marginally lower year-on-year pre-tax profit in Ringgit term in 2023 on lower estimated EAF and higher interest expense (due to interest rate hikes), largely offset by a 1% tariff adjustment (annually on 1 October) and lower estimated expected credit loss.

Construction of the 5th turbine is progressing well and according to schedule with completion targeted sometime in 3Q2024.

##### Solar - Commercial & Industrial ("C&I") Projects

Solar energy earnings are expected to continue to improve progressively in tandem with the Group's expanding C&I solar portfolio. Currently, projects amounting to 20.5 MW are already operational and we expect the remaining 19.9 MW (including 11.4 MW with a state utility company in the Republic of Maldives) executed Power Purchase Agreements ("PPAs") to be energised and commissioned over the next 15 months. These would bring the cumulative capacity to 40.4 MW by the middle of 2024.

**B4. Prospects (Cont'd)**

Solar - Commercial & Industrial ("C&I") Projects (Cont'd)

The Ministry of Natural Resources, Environment and Climate Change (NRECC) recently announced plans to further expand the new renewable energy (RE) initiatives and programs to drive the development of Malaysia's RE industry. Notably, the implementation of RE development will be expanded to include the concept of self-contained systems based on willing buyer, willing seller approach to encourage corporate involvement and policy on cross-border trading through electricity exchange system. The Ministry anticipates the RE capacity in the electricity supply system will reach about 70% by 2050. These initiatives when implemented will open more RE investment opportunities in Malaysia for corporates like MFCB.

**Resources Division**

Despite the global recession risk and ongoing geopolitical conflict, the underlying demand for lime products in the region is expected to remain robust.

Fuel cost has stabilised, but overall production cost is expected to remain elevated due to higher electricity surcharge and rising labour costs. Management will continue to monitor production cost closely and make progressive adjustments to selling price where necessary to defend its margin.

We expect 2023 earnings to be better than 2022.

**Packaging Division**

The Packaging Division is expected to face strong headwinds from high supply chain inventory, slowing consumer demand and intensifying price competition.

In navigating these challenges, management will strive to expand its customer base, raise production efficiency and reduce wastage. Barring unforeseen circumstances, we expect the results of Packaging Division to be satisfactory in 2023.

Construction of the two new factory buildings in Melaka (Hexachase) and Bangi (Stenta) remains on track for completion by the end of 2023. Following which production capacity will be progressively added according to prevailing demand and market condition.

**Joint Venture Investment, Edenor Technology**

We expect the global industry demand for oleochemical products to remain soft under this challenging macro environment. Industry players are also more aggressive in their pricing strategy to defend production and sales volume.

**B5. Profit forecast**

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

**B6. Income tax expense**

	1st Quarter Ended 31 March		3-Month Period Ended 31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Tax expense in Malaysia:				
- current period	3,428	3,975	3,428	3,975
- additional assessment (Note A10)	11,400	-	11,400	-
	<u>14,828</u>	<u>3,975</u>	<u>14,828</u>	<u>3,975</u>

Excluding additional tax assessment explained in Note A10, the Group's effective tax rate for the current quarter ended 31 March 2023 was significantly lower than the Malaysia's statutory tax rate of 24% mainly because the profit derived from energy sales in the Lao People's Democratic Republic ("Lao PDR") is exempted from income tax during the period until the end of the 5<sup>th</sup> anniversary of Don Sahong Plant's commercial operation date ("COD").

**B7. Status of corporate proposal**

There was no corporate proposal announced but not completed at 17 May 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B8. Material litigations**

The Group has no material litigation as at 17 May 2023, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**B9. Dividends**

A final single-tier dividend of 3.85 sen per ordinary share for the financial year ended 31 December 2022 was declared on 27 February 2023 and paid to entitled shareholders on 25 April 2023. The aforesaid dividend has been included as a liability in these financial statements.

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

	1st Quarter Ended 31 March		3-Month Period Ended 31 March	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>After crediting:</b>				
Dividend income	229	18	229	18
Gain on disposal of:				
- property, plant and equipment	57	8	57	8
Gain on foreign exchange:				
- realised	3,891	-	3,891	-
- unrealised	1,895	2,347	1,895	2,347
Interest income	11,270	3,233	11,270	3,233
Write-back of:				
- impairment loss on receivables	11	77	11	77
<b>After charging:</b>				
Impairment losses on:				
- receivables, net	(6,587)	(6,290)	(6,587)	(6,290)
Amortisation of:				
- service concession asset	(21,336)	(20,371)	(21,336)	(20,371)
- other intangible asset	(165)	(79)	(165)	(79)
Depreciation of:				
- property, plant and equipment	(8,990)	(7,332)	(8,990)	(7,332)
- right-of-use assets	(1,103)	(1,925)	(1,103)	(1,925)
Finance costs	(9,130)	(6,060)	(9,130)	(6,060)
Fair value loss on put option liability	(1,021)	(680)	(1,021)	(680)
Loss on foreign exchange:				
- realised	-	(79)	-	(79)
Tax penalties	(14,900)	-	(14,900)	-
<b>After other comprehensive income/(expenses)</b>				
Foreign currency translation difference for foreign operations	8,021	16,458	8,021	16,458
Fair value changes of equity investments	2,564	(39,590)	2,564	(39,590)



**B11. Earnings per share**

	1st Quarter Ended		3-Month Period Ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit after tax attributable to owners of the Company	70,548	81,338	70,548	81,338
Weighted average number of ordinary shares ('000):				
Issued ordinary shares outstanding at beginning of the period	988,352	988,352	988,352	988,352
Effect of treasury shares held	(43,046)	(42,961)	(43,046)	(42,961)
	945,306	945,391	945,306	945,391
Basic earnings per share (sen)	7.46	8.60	7.46	8.60

The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and 3-month period ended 31 March 2023, excluding treasury shares held by the Company.

The diluted earnings per share is equal to the basic earnings per share as there are no outstanding potentially dilutive equity instruments issued by the Company as at 31 March 2023.

**B12. Authorised for issue**

These interim financial statements were authorised for issue by the Board of Directors on 24 May 2023.