MFCB

MEGA FIRST CORPORATION BERHAD

[Co. No. 6682-V]

Laporan Tahunan / Annual Report

2006

31 DECEMBER

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Goh Nan Kioh, *B.Ec.(Hons.)*

Deputy Chairman
* Dato' Haji Abu Hanifah bin Noordin, *B.Ec.(Hons.)Acc., CA(M), CPA*

Group Managing Director
Dr. Lim Thian Soo, *MBChB, MBA*

Executive Director
Goh Nan Yang, *B.Sc.(Hons.)*
(Also Alternate to Goh Nan Kioh)

Non-Executive Directors
Maisuri bin Besri, *B.Ec.(Hons.), MBA*
Tay Kheng Chiong, *B.Eng. (Hons.), MBA, C.Eng MIET (UK)*
* Yong Fook Shin, *B.Sc. (Mining Geology), ARSM, MIMM, MIME, P.Eng., C.Eng.*
* Yeow See Yuen, *B.Acc (Hons.)*
* Dato' Jorgen Bornhoft, *B.Com. (Acc. & Fin.) (Hons.)*

EXECUTIVE COMMITTEE
Dr. Lim Thian Soo (Chairman)
Goh Nan Yang
Tay Kheng Chiong

AUDIT COMMITTEE
* Yeow See Yuen (Chairman)
* Dato' Haji Abu Hanifah bin Noordin
* Dato' Jorgen Bornhoft

REMUNERATION COMMITTEE
Goh Nan Kioh (Chairman)
Maisuri bin Besri
* Dato' Jorgen Bornhoft

EMPLOYEE SHARE OPTION COMMITTEE
Dr. Lim Thian Soo
* Dato' Haji Abu Hanifah bin Noordin
* Yeow See Yuen

(*) - Independent and Non-Executive Director

GROUP COMPANY SECRETARY
Yong Lai Sim, *ACIS*

REGISTERED OFFICE
8-05, Level 8, Menara Milenium,
8 Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur
Tel: 03 2093 8818 Fax: 03 2093 7818
E-mail: mfcb@mega-first.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Symphony Share Registrars Sdn. Bhd.
(Company No. 378993-D)
Level 26, Menara Multi-Purpose,
Capital Square, 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur
Tel: 03 2721 2222 Fax: 03 2721 2530

AUDITORS
Horwath *(AF 1018)*

PRINCIPAL BANKERS
AmBank Berhad
Bank of Communications
Barclays Bank Plc
CIMB Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad,
Main Board

SECTOR
Trading/Services

STOCK CODE
3069

PROFILE OF DIRECTORS

GOH NAN KIOH

B.Ec. (Hons.)
Chairman/Non-Independent and Non-Executive Director
Malaysian

Mr Goh Nan Kioh, age 53, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Chairman of the Board on 29 July 2003. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries. Mr Goh has attended four out of the five meetings of the Board of Directors held during the financial year ended 31 December 2006.

Mr Goh is deemed to be interested in various transactions between MFCB Group and other companies entered into in the ordinary course of business by virtue of his substantial shareholdings.

Mr Goh and his wife's siblings namely Dr. Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

DATO' HAJI ABU HANIFAH BIN NOORDIN

B.Ec. (Hons.) Acc.
Deputy Chairman/Independent and Non-Executive Director
Malaysian

Dato' Haji Abu Hanifah bin Noordin, age 55, was appointed to the Board on 5 December 1990 and is the longest serving member of the Board. He is an independent and non-executive Director. He was appointed as Deputy Chairman of the Board on 29 July 2003. Dato' Hanifah graduated from University of Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was Chairman and Managing Partner of Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also President of the Malaysian Institute of Accountants for 13 years and in that capacity was a Board member of the International Accounting Standards Committee. He is also a director of Pacific & Orient Berhad (listed on Bursa Malaysia) and Pacific & Orient Insurance Co. Berhad. Dato' Hanifah has attended four out of the five meetings of the Board of Directors held during the financial year ended 31 December 2006.

DR. LIM THIAN SOO

MBChB, MBA
Group Managing Director
Malaysian

Dr. Lim Thian Soo, age 43, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Group Managing Director of the Company on 26 February 2003. Dr. Lim graduated with a Bachelor of Medicine and Bachelor of Surgery in 1986 from Edinburgh University Medical School and practised for 6 years as a doctor in the United Kingdom. He obtained his Masters of Business Administration from City University Business School in 1993. Prior to joining MFCB, he held the position of Director of Corporate Affairs of Pearl River Tyre (Holdings) Limited, a company listed on the Stock Exchange of Hong Kong. Dr. Lim is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad (subsidiary of MFCB) and D&O Ventures Berhad, both of which are listed on Bursa Malaysia. He has attended all meetings of the Board of Directors held during the financial year ended 31 December 2006.

Dr. Lim, his siblings namely Mr Lim Thiam Cheok and Ms Lim Yam Poh, and a brother-in-law namely Mr Goh Nan Kioh are substantial shareholders of the Company.

Dr. Lim is deemed to be interested in various transactions between MFCB Group and other companies entered into in the ordinary course of business by virtue of his substantial shareholdings.

PROFILE OF DIRECTORS

GOH NAN YANG

B.Sc. (Hons.)
Executive Director and Alternate Director to Goh Nan Kioh
Malaysian

Mr Goh Nan Yang, age 43, was appointed an Executive Director on 26 November 2004. He is also the alternate director to Mr Goh Nan Kioh, a position held since 13 March 2003. Mr Goh graduated from the University of Toledo with a Bachelor of Science (Honours) degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures. Mr Goh is a Non-Executive Director in D&O Ventures Berhad, a company listed on Bursa Malaysia. He is also the Chief Executive Officer and Director of Pearl River Tyre (Holdings) Limited (a company listed on the Hong Kong Stock Exchange). He has attended four out of the five meetings of the Board of Directors held during the financial year ended 31 December 2006. Mr Goh Nan Yang is the brother of Mr Goh Nan Kioh.

Mr Goh is deemed to be interested in various transactions between MFCB Group and other companies by virtue of his common directorship and substantial shareholdings.

YONG FOOK SHIN

B.Sc. (Mining Geology), ARSM, MIMM, MIME, P.Eng., C.Eng.
Independent and Non-Executive Director
Malaysian

Mr Yong Fook Shin, age 64, joined the Board on 30 March 1995. He is an Independent and Non-Executive Director. Mr Yong graduated with a Bachelor of Science in Mining Geology (Honours) degree from Imperial College, England. He is a Chartered Engineer, a Professional Engineer, an Associate of the Royal School of Mines and is a Member of the Institution of Mining and Metallurgy as well as the Institute of Mineral Engineering. He has more than 36 years of experience in the mining industry, having worked in tin mines in Malaysia and Brazil. Mr Yong was the Managing Director of Mamut Copper Mining Sdn Bhd during the last five years of the Mamut Copper Mine's operation; its closure was in October 1999. Mr Yong has attended four out of the five meetings of the Board of Directors held during the financial year ended 31 December 2006.

MAISURI BIN BESRI

B.Ec.(Hons.), MBA
Non-Independent and Non-Executive Director
Malaysian

Encik Maisuri bin Besri, age 49, joined the Board as a Non-Independent and Non-Executive Director on 1 March 2003. He holds a Bachelor of Economics (Public Administration) (Honours) degree from the University of Malaya, and a Master of Business Administration degree from Edith Cowan University of Australia. Encik Maisuri is the Group General Manager of Sabah Economic Development Corporation ("SEDCO"). Prior to joining SEDCO in November 2002, he has served for 20 years in the Sabah State Government and was attached to the State Economic Planning Unit and the State Ministry of Finance. Encik Maisuri has attended four out of the five meetings of the Board of Directors held during the financial year ended 31 December 2006.

YEOW SEE YUEN

B.Acc. (Hons.)
Independent and Non-Executive Director
Malaysian

Mr Yeow See Yuen, age 39, joined the Board as an Independent and Non-Executive Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. He started his career with Coopers & Lybrand in Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutche Securities in 2005, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy. He is presently an Independent Director of Harbour-Link Group Berhad (listed on Bursa Malaysia) and a Director of Lynck Capital Associates Sdn Bhd (a boutique financial consultancy outfit) and Farnet Global Sdn. Bhd. Mr Yeow has attended all meetings of the Board of Directors held since his appointment.

DATO' JORGEN BORNHOFT

B.Com. (Acc. & Fin.) (Hons.)
Independent and Non-Executive Director
Dane

Dato' Jorgen Bornhoft, age 65, joined the Board as an Independent and Non-Executive Director on 18 May 2006. He holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and has attended executive management courses at INSEAD. He was the Chief Executive Officer of Carlsberg Brewery Malaysia Berhad from April 1991 and was the Managing Director from October 1995. In January 2003, he was appointed as Chief Executive Officer of Carlsberg Asia Pte. Ltd. in Singapore until 30 June 2004. Prior to his appointment to Carlsberg Brewery Malaysia Berhad, he was Vice-President in Carlsberg International A/S, Denmark, responsible for foreign subsidiaries and new projects. Dato' Bornhoft has attended all meetings of the Board of Directors held since his appointment.

TAY KHENG CHIONG

B.Eng (Hons.), MBA, C.Eng MIET (UK)
Non-Independent and Non-Executive Director
Malaysian

Mr Tay Kheng Chiong, age 43, joined the Board as a Non-Independent and Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Stratchclyde, Scotland and is a Chartered Engineer with the Institution of Electrical Engineers, United Kingdom. Mr Tay has more than 15 years experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as a Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Semiconductor Sdn Bhd. He is presently the Group Managing Director of D&O Ventures Berhad, a company listed on Bursa Malaysia. He has attended all meetings of the Board of Directors held since his appointment.

Mr Tay is deemed to be interested in various transactions between MFCB Group and other companies by virtue of his common directorship.

None of the Directors of the Company has been convicted of any offence.

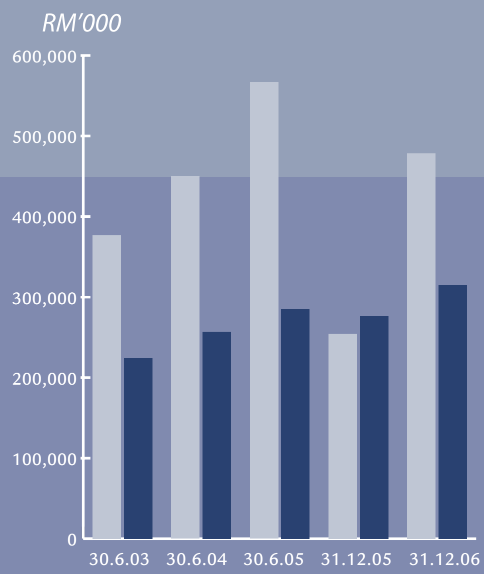
FINANCIAL HIGHLIGHTS

	Year ended			Period Ended	Year ended
	30.6.03	30.6.04	30.6.05	31.12.05	31.12.06
Financial year/period	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Results					
Revenue	376,633	450,221	566,881	254,574	**478,387**
Profit Before Tax	49,421	64,116	64,107	46,289	**94,676**
As Of 30 June/31 December					
Net Assets/Shareholders' Equity	224,105	256,873	284,808	276,139	**314,819**
Per Ordinary Share					
Earnings (sen)	11.2	12.8	13.5	8.9	**8.9**
Gross Dividend (sen)	1.0	1.5	3.0	1.5	**5.0**
Net Assets (sen)	95.0	108.8	120.7	117.0	**133.4**

REVENUE AND NET ASSETS

Revenue

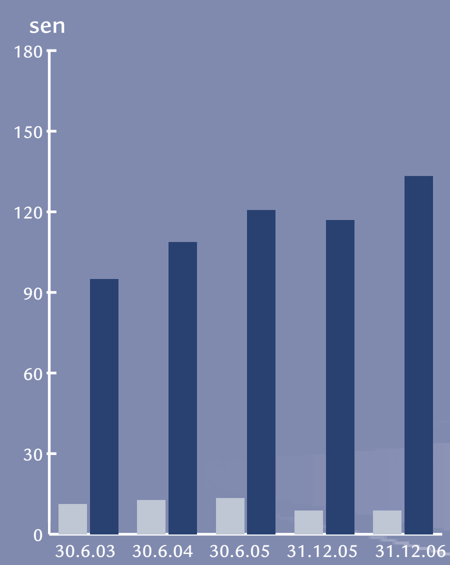
Net Assets



EARNINGS PER SHARE (SEN) AND NET ASSETS PER SHARE (SEN)

Earnings Per Share

Net Assets Per Share



CORPORATE GOVERNANCE STATEMENT

The following are statements on application of the Principles of Corporate Governance pursuant to Part 1 of Chapter 5 of the Malaysian Code on Corporate Governance ("the Code").

BOARD OF DIRECTORS

The Company's Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of economics, medicine, accountancy, business management and engineering. All these different skills working together enables the Board to effectively lead and control the Company.

The composition of the Board includes sufficient numbers of independent, executive and non-executive Directors as prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). This is to ensure that no individual or small groups of individuals dominate the Board's decision-making process.

Board meetings were held five times during the financial year ended 31 December 2006 ("FY 2006"). At least five days prior to the Board meeting, all Directors were provided with a complete set of Board papers, which includes the Company's financial position, results of operations and the key business strategies of operating units in the light of any significant shifts in risk profiles. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

The Directors have direct access to the advice and services of the Company Secretary, and they may seek external professional advice if required by them.

All Directors (including the Managing Director) will retire at regular intervals by rotation at least once in every three years and they shall be eligible for re-election.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at a Board meeting, giving ample time for deliberations on the suitability of the candidate.

All Directors have successfully completed the mandatory accreditation programme prescribed by Bursa Malaysia. They are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties.

In FY 2006, the composition of the Board, together with the attendance of the respective Directors at Board meetings are as follows:-

Name of Director	Attendance Record
Goh Nan Kioh	4/5
Dato' Haji Abu Hanifah bin Noordin	4/5
Dr. Lim Thian Soo	5/5
Yong Fook Shin	4/5
Maisuri bin Besri	4/5
Goh Nan Yang	4/5
Yeow See Yuen (appointed: 10.5.2006)	3/3
Dato' Jorgen Bornhoft (appointed: 18.5.2006)	3/3
Tay Kheng Chiong (appointed: 1.6.2006)	2/2
Chew Wei Keong (resigned: 18.9.2006)	4/4
Lim Boon Seh (resigned: 25.5.2006)	3/3
Michael Yee Kim Shing (retired: 28.4.2006)	1/1

CORPORATE GOVERNANCE STATEMENT

Dr. Lim Thian Soo and persons connected to him are involved in property development activities. Encik Maisuri bin Besri represents Perbadanan Pembangunan Ekonomi Sabah (SEDCO) on the Board. SEDCO has subsidiaries, which are involved in property development activities. Save as disclosed above, none of the directors of the Company have conflict of interest with the Company.

DIRECTORS' REMUNERATION

The Board maintains that the current remuneration for each category of directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain directors of high calibre. The Remuneration Committee reviews annually and the Board approves the remuneration for Executive Directors and senior management staff. The remuneration of Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at the annual general meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors.

The aggregate remuneration of the Directors, including former Directors, paid or payable or otherwise made available from the Company and its subsidiary companies during the year and categorized into appropriate components are as follows:-

(RM'000)	Emolument	Directors' Fee	Attendance Fee	Total
Executive Directors	1,172	-	-	1,172
Non-Executive Directors	-	164	17	181

Remuneration categories of the Directors (including former directors) of the Company during the financial year are as follows :-

Range of remuneration	Number of Directors *	
	Executive Director	Non-Executive Director
Below RM50,000	-	9
RM200,000 - RM250,000	1	-
RM350,000 - RM400,000	1	-
RM550,000 - RM600,000 #	1	-

* - *includes former directors*
# - *relates to a former director*

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability is not compromised by the band disclosure as permitted by the Bursa Malaysia Listing Requirements.

SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Company through disclosures to the Bursa Malaysia and press (where appropriate) as well as the annual report. The annual report contains all the necessary disclosures in addition to facts and figures about the Company. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the other shareholders.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the annual audited financial statements, and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the Bursa Malaysia details of the Company's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the Audit Committee and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the latest Bursa Malaysia guidelines, and is available to the public.

The Audit Committee plays an active role in helping the Board discharge its governance responsibilities. The Committee works within the purview of the terms of reference, which have been drafted in accordance with the Listing Requirements. The role of the Committee in relation to the external auditors is also embodied under its terms of reference.

The Internal Audit Department reports directly to the Audit Committee. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the Audit Committee, with copies to the parties concerned, so that timely corrective measures can be taken.

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the Listing Requirements is separately set out in this annual report.

COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Group was substantially in compliance with the Best Practices of Corporate Governance throughout FY 2006, with the exception of the following:-

- We have not appointed a senior independent non-executive director, to whom concerns can be conveyed. We do not believe there is such a necessity because all our Board members actively and freely participate during Board meetings.

- Establishment of a Nomination Committee has not been effected as the Board carries out its functions.

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**
  There were no material contracts subsisting at the end of the financial year on 31 December 2006 or entered into since the end of the financial year by the Company and its subsidiaries which involve interests of directors and major shareholders.

- **Sanctions and/or Penalties imposed**
  There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2006.

- **Share buy-backs**
  There was no share buy-back by the Company for the financial year.

- **Options, warrants or convertible securities**
  During the financial year ended 31 December 2006, the Company issued 150,000 share options pursuant to the Employee Share Option Scheme. As at 31 December 2006, employees hold 5,512,000 share options issued pursuant to the Employee Share Option Scheme. The Company has not issued any warrants or convertible securities during the financial year.

- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**
  The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2006.

- **Non-audit fees**
  The non-audit fees paid to the external auditors for the financial year ended 31 December 2006 have been reflected under Note 6 of the Financial Statements.

- **Profit estimate, forecast, projection or unaudited results**
  The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 December 2006. There is no variance between the audited results for the financial year and the unaudited results previously announced by the Company.

- **Profit guarantee**
  The Company did not give any profit guarantee during the financial year ended 31 December 2006.

- **Revaluation of landed properties**
  The Company does not have a revaluation policy on landed properties.

CHAIRMAN'S STATEMENT
PENYATA PENGERUSI

On behalf of the Board of Directors of MFCB, I have pleasure in presenting the 41st Annual Report incorporating the Financial Statements of the Group and of the Company for the financial year ended 31 December 2006.

Changes in Board of Directors

The Group would like to take this opportunity to welcome two new independent Non-Executive Directors, Mr. Yeow See Yuen and Dato' Jorgen Bornhoft who were appointed on 10 May 2006 and 18 May 2006 respectively and one non-independent Non-Executive Director, Mr. Tay Kheng Chiong who was appointed on 1 June 2006. Both Mr. Yeow See Yuen and Dato' Jorgen Bornhoft were also appointed as members of the Audit Committee ("AC") with Mr. Yeow assuming the role as AC Chairman as well. The additions will strengthen the Board given their local and international experience.

The Group would also like to record its appreciation to Messrs Lim Boon Seh and Chew Wei Keong who resigned on 25 May 2006 and 18 September 2006 respectively.

Review of Operations

For the financial year ended 31 December 2006, the Group registered a pre-tax profit of RM94.9 million (PE 31.12.05 : RM46.3 million) on the back of a revenue of RM478.4 million (PE 31.12.05 : RM254.6 million). The creditable results were largely driven by the Power Division which accounts for RM85.1 million or 90% of the total profits.

The Group is continuously reviewing its core competencies to achieve growth in synergistic and related businesses by strengthening its core businesses in its efforts to maximise shareholders' value.

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan yang Ke-41 yang menggabungkan Penyata Kewangan bagi Kumpulan dan Syarikat untuk tahun kewangan berakhir 31 Desember 2006.

Perubahan dalam Lembaga Pengarah

Kumpulan ingin mengambil kesempatan ini untuk mengalu-alukan dua orang Pengarah Bebas Bukan Eksekutif yang baru, iaitu Encik Yeow See Yuen dan Dato' Jorgen Bornhoft yang dilantik pada 10 Mei 2006 dan 18 Mei 2006 serta seorang Pengarah Bukan Bebas Bukan Eksekutif iaitu Encik Tay Kheng Chiong yang dilantik pada 1 Jun 2006. Encik Yeow See Yuen dan Dato Jorgen Bornhoft juga dilantik sebagai Ahli Jawatankuasa Audit ("JA") dimana Encik Yeow See Yuen turut berperananan sebagai Pengerusi JA. Penambahan ahli baru yang berpengalaman di dalam dan luar negeri ini akan mengukuhkan pengurusan Lembaga Pengarah.

Kumpulan juga ingin memberikan penghargaan kepada Tetuan Lim Boon Seh dan Chew Wei Keong yang meletakkan jawatan pada 25 Mei 2006 dan 18 September 2006 masing-masing.

Tinjauan Operasi

Untuk tahun kewangan berakhir 31 Desember 2006, Kumpulan telah mencatat keuntungan sebelum cukai berjumlah RM94.9 juta (31.12.05 : RM46.3 juta) dengan perolehan hasil sebanyak RM478.4 juta (31.12.05 : RM254.6 juta). Prestasi yang cemerlang ini datang daripada Divisyen Tenaga, dimana Divisyen Tenaga menyumbang sebanyak RM85.1 juta atau 90% kepada jumlah keuntungan.

Dalam usaha memaksimakan nilai kepentingan para pemegang saham, Kumpulan sentiasa meninjau bidang kepakarannya untuk mencapai perkembangan yang bersinegistik dan perniagaan yang berkaitan, dengan memperkukuhkan perniagaan terasnya.

CHAIRMAN'S STATEMENT
PENYATA PENGERUSI

The pre-tax profit at Company level is RM107.6 million (PE 31.12.05 : RM3.7 million). The exceptionally high profits resulted from write-off of amount owing to subsidiaries, gain from disposal of a subsidiary and dividends received from its subsidiaries. This is in line with the internal rationalization exercise which was approved by the Securities Commission on 27 December 2006. With the completion of the internal restructuring the Company now has a positive reserve of RM7.4 million which reflects the profitability of the Group.

Significant Corporate Events

A summary of the Group's significant corporate events is set out below :

- On 29 June 2006, Mega First Corporation Berhad ("MFCB") acquired 490,000 fully paid shares of RM1.00 each representing 2.78% shares in its 97.22% owned subsidiary Bloxwich International Sdn. Bhd. ("BISB") for a total cash consideration of RM196,000.

- On 23 March 2006, MFCB signed an agreement with the Government of the Lao People's Democratic Republic with a view to develop and implement on a build, operate and transfer basis a 240MW hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos PDR.

- On 23 May 2006, two (2) wholly-owned subsidiaries of MFCB namely Mega First Ventures Sdn. Bhd. and Mega First Corporate Services Sdn. Bhd. entered into a conditional sale and purchase agreement with Mr. Ng Meng Kee for the disposal of 51% equity interest in the jointly controlled entity, Mega Fortris (Malaysia) Sdn. Bhd., comprising 582,930 fully paid ordinary shares of RM1.00 each for a total cash consideration of RM1.4 million.

  The disposal was completed on 2 October 2006.

Keuntungan sebelum cukai diperingkat Syarikat berjumlah RM107.6 juta (31.12.05 : RM3.7 juta). Peningkatan keuntungan yang mendadak ini adalah disebabkan oleh pelupusan hutang kepada anak-anak syarikat, keuntungan daripada pelupusan anak syarikat dan dividen yang diterima daripada anak-anak syarikat. Ini adalah selaras dengan pelaksanaan rasionalisasi dalaman yang diluluskan oleh Suruhanjaya Sekuriti pada 27 Desember 2007. Dengan penyempurnaan penyusunan semula dalaman. Syarikat kini mempunyai rizab positif berjumlah RM7.4 dan justerunya menunjukkan prestasi Kumpulan yang membanggakan.

Acara Penting Korporat

Ringkasan acara korporat penting Kumpulan adalah seperti berikut :

- Pada 29 Jun 2006, Mega First Corporation Berhad ("MFCB") memperolehi 490,000 saham dibayar penuh pada harga RM1.00 setiap satu yang mewakili 2.78% saham dalam Bloxwich International Sdn. Bhd. ("BISB") anak syarikat yang 97.22% dimilikinya pada harga tunai sebanyak RM196,000.

- Pada 23 Mac 2006, MFCB telah menandatangani surat perjanjian dengan kerajaan Republik Demokratik Laos untuk membangun dan melaksanakan sebuah loji tenaga hidroelektrik yang berdaya kuasa 240MW berdasarkan pembinaan, operasi dan pemindahan di Don Sahong, Daerah Khong, Wilayah Champasak, PDR Laos.

- Pada 23 Mei 2006, dua buah anak syarikat yang dimiliki penuh oleh MFCB, iaitu Mega First Venture Sdn Bhd dan Mega First Corporate Services Sdn Bhd telah menadatangani satu surat perjanjian jual-beli yang bersyarat dengan Encik Ng Meng Kee bagi pelupusan kepentingan ekuitinya sebanyak 51% dalam satu entiti yang dikawal bersama, iaitu Mega Fortris (Malaysia) Sdn Bhd pada harga sebanyak RM1.4 juta bagi 582,930 saham biasa dibayar penuh pada harga RM1.00 satu saham.

  Pelupusan ini disempurnakan pada 2 Oktober 2006.

- On 1 September 2006, Bloxwich Engineering Limited ("BEL"), a wholly-owned subsidiary of BISB which in turn is a wholly-owned subsidiary of MFCB, entered into a sale and purchase agreement with CJC-Ingleton Limited (a company incorporated and registered in England and Wales) for the disposal of the freehold factory land for a cash consideration of £5,750,000.00.

- On 3 October 2006, Bloxwich Transportation Products Limited ("BTP") wholly-owned subsidiary of BEL entered into a sale and purchase agreement with Bloxwich Transport & Container Products Limited (a company incorporated and registered in England and Wales) for the disposal of BTP's container products business for a cash consideration of £200,000.00.

- On 2 November 2006 the Board of Directors of MFCB announced in Bursa Malaysia that the Company proposed to undertake an internal restructuring exercise to eliminate its accumulated losses of approximately RM94.17 million.

  Approvals for the proposed internal restructuring exercise were granted by the Securities Commission on 27 December 2006 and this exercise was completed on 29 December 2006.

- On 29 January 2007, MFCB announced that it proposes to seek the approval of shareholders for authority to purchase its own shares up to ten percent (10%) of its issued and paid-up share capital as quoted on the Bursa Securities as at the point of purchase.

- On 2 February 2007, Rock Chemical Industries (Malaysia) Berhad a 60.42% subsidiary of MFCB announced that it is making a conditional takeover for the remaining 3,061,000 ordinary shares representing 66.56% of the issued and paid-up capital of Batamas Sdn. Bhd. not already owned for a total cash consideration of approximately RM4.6 million or RM1.50 per Batamas ordinary share.

- Pada 1 September 2006, Bloxwich Engineering Limited ("BEL"), sebuah anak syarikat milik penuh BISB, yang juga anak syarikat milik penuh MFCB telah menandatangani satu perjanjian jual-beli dengan CJC-Ingleton Limited (sebuah syarikat yang diperbadankan dan didaftarkan di England dan Wales) untuk pelupusan tanah kilang pegangan kekal pada harga tunai sebanyak £5,750,000.00.

- Pada 3 Oktober 2006, Bloxwich Transportation Products Limited ("BTP"), sebuah anak syarikat milik penuh BEL telah menandatangani surat perjanjian jual-beli dengan Bloxwich Transport & Container Products Limited (sebuah syarikat yang diperbadankan dan didaftarkan di England dan Wales) bagi pelupusan perniagaan produk kontena BTP pada harga tunai £200,000.00.

- Pada 2 November 2006, Lembaga Pengarah MFCB telah membuat pengumuman kepada Bursa Malaysia bahawa Syarikat bercadang untuk melaksanakan penyusunan semula dalaman untuk penghapusan kerugian terkumpul sebanyak RM94.17 juta.

  Kelulusan bagi cadangan pelaksanaan penyusunan semula dalaman ini telah diperolehi daripada Suruhanjaya Sekuriti pada 27 Desember 2006 dan telah disempurnakan pada 29 Desember 2006.

- Pada 29 Januari 2007, MFCB mengumumkan bahawa syarikat bercadang mendapatkan kelulusan daripada para pemegang saham untuk membeli balik saham sendiri sebanyak sepuluh peratus (10%) daripada modal diterbit dan berbayar yang disenarai di Bursa Securities pada masa beli.

- Pada 2 Februari 2007, Rock Chemical Industries (Malaysia) Berhad, sebuah anak syarikat dimiliki 60.42% oleh MFCB mengumum untuk menjalankan pengambil-alihan bersyarat bagi 3,061,000 saham biasa yang mewakili 66.56% daripada modal diterbit dan berbayar dalam Batamas Sdn Bhd yang belum dimilikinya pada harga tunai kira-kira RM4.6 juta atau RM1.50 satu saham biasa Batamas.

CHAIRMAN'S STATEMENT
PENYATA PENGERUSI

Dividend

The Board has recommended a final dividend of 3.0% less income tax for the financial year ended 31 December 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting. This brings the total gross dividend for the financial year to 5.0%.

Corporate Social Responsibility ("CSR")

During the financial year, the Group carried out its CSR through various activities which include donations and eco-friendly land management practices.

Prospect

The Group is optimistic that the results for the next financial year will continue to be profitable.

Acknowledgement and Appreciation

The Board would like to take this opportunity to extend its appreciation to shareholders, customers, business associates and regulatory authorities for their continuing support to the Group.

The Board would also like to thank the management and staff for their commitment to the Group.

Goh Nan Kioh
Chairman
3 April 2007

Dividen

Pihak Lembaga Pengarah mencadangkan pembayaran dividen akhir sebanyak 3.0% ditolak cukai pendapatan bagi tahun kewangan berakhir 31 Desember 2006 tertakluk kepada kelulusan para pemegang pada Mesyuarat Agung Tahunan yang akan datang. Pembayaran ini menjadikan jumlah pembayaran dividen kasar sebanyak 5.0% bagi tahun kewangan.

Tanggungjawab Sosial Korporat ("TSK")

Dalam tahun kewangan ini, Kumpulan telah menjalankan TSK melalui pelbagai aktiviti, antaranya termasuk pendermaan dan pengurusan tanah bercorak sahabat ekologi.

Prospek

Kumpulan amat optimistik terhadap keuntungan bagi tahun kewangan yang akan datang.

Pengiktirafan dan Penghargaan

Lembaga Pengarah ingin mengambil kesempatan ini untuk menyampaikan penghargaannya kepada para pemegang saham, pelanggan, rakan niaga sekutu dan pihak penguatkuasa ke atas sokongan mereka kepada Kumpulan selama ini.

Lembaga Pengarah juga ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan ke atas komitment mereka terhadap Kumpulan.

Goh Nan Kioh
Pengerusi
3 April 2007

GROUP MANAGING DIRECTOR'S OPERATIONS REVIEW
For The Financial Year Ended 31 December 2006 ("FY2006")

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN
Bagi Tahun Kewangan Berakhir 31 Desember 2006 ("TK2006")

OVERVIEW

For the financial year under review, the Group achieved a pre-tax profit of RM94.9 million (PE 31.12.05 : RM46.3 million) and a revenue of RM478.4 million (PE 31.12.05 : RM254.6 million).

The strong performance is largely attributable to the Power Division which contributed about RM85.0 million or 90% of the total profits.

POWER DIVISION

The Power Division registered a pre-tax profit of RM85.0 million (PE 31.12.05 : RM47.5 million) and a revenue of RM338.0 million (PE 31.12.05 : RM171.0 million).

The power plant in Shaoxing, China continues to perform well due to strong demand for steam from the textile industry. Constant monitoring of operating efficiencies and cost also resulted in another outstanding year.

Similarly, the power plant in Tawau recorded another year of steady performance due to constant operational improvements and sound management practice.

TINJAUAN KESELURUHAN

Untuk tahun kewangan yang ditinjau, Kumpulan telah mencapai keuntungan sebelum cukai berjumlah RM94.9 juta (31.12.05: RM46.3 juta) dan perolehan sebanyak RM478.4 juta (31.12.05: RM254.6 juta).

Prestasi yang kukuh ini adalah disebabkan oleh Divisyen Tenaga, dimana Divisyen Tenaga menyumbang kira-kira RM85.0 juta atau 90% kepada jumlah keuntungan.

DIVISYEN TENAGA

Divisyen Tenaga mencatat keuntungan sebelum cukai berjumlah RM85.0 juta (31.12.05 : RM47.5 juta) dan perolehan sebanyak RM338.0 juta (31.12.05 : RM171.0 juta).

Logi tenaga di Shaoxing, China terus mencapai prestasi yang menggalakkan dengan permintaan wap yang kukuh daripada industri tekstil. Di samping itu, kawalan kecekapan operasi dan kos secara berterusan juga membolehkan syarikat mencapai perkembangan yang cemerlang dalam tahun ini.

Logi tenaga di Tawau juga mencatat prestasi yang stabil dalam tahun ini hasil dari peningkatan tahap operasi dan amalan pengurusan yang berterusan.

Power plant in China
Loji tenaga di Cina

GROUP MANAGING DIRECTOR'S OPERATIONS REVIEW
For The Financial Year Ended 31 December 2006 ("FY2006")
TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN
Bagi Tahun Kewangan Berakhir 31 Desember 2006 ("TK2006")

PROPERTY DIVISION

The Property Division recorded a revenue of RM23.6 million (PE 31.12.05 : RM13.7 million) and a pre-tax profit of RM5.2 million (PE 31.12.05 : RM1.8 million).

The improved earnings is attributed to successful implementation of the Group's strategy and being consumer oriented. Several new launches were made during the financial year and our signature project in Greentown, Ipoh in particular, is expected to perform well.

The general outlook for the mass property sector is neutral. The high-end and niche market is expected to flourish due to the recent easing of rules by the Government on foreigners owning residential properties, the stabilisation of interest rate and the healthy economic performance created by the Ninth Malaysia Plan. The Group's joint venture project "PJ Eight" with IJM Properties Sdn. Bhd. is expected to benefit from this ruling which will further boost its already encouraging response. The Group will continue focus to its investment in strategic land and to team up with suitable joint venture partners to ensure profitable growth in the future.

DIVISYEN HARTANAH

Divisyen Hartanah mencatat perolehan berjumlah RM23.6 juta (31.12.05 : RM13.7 juta) dan keuntungan sebelum cukai sebanyak RM5.2 juta (31.12.05 : RM18 juta).

Peningkatan dalam pendapatan ini adalah disebabkan oleh kejayaan pelaksanaan strategi Kumpulan yang berorentasikan pelanggan. Beberapa pelancaran baru telah dilakukan dalam tahun kewangan ini dan projek kami di Greentown, Ipoh dijangka akan mencapai prestasi yang baik.

Tinjauan umum bagi sektor hartanah adalah neutral. Pasaran hartanah bertaraf tinggi dan istimewa dijangka akan berkembang selaras dengan dasar kerajaan melonggarkan pemilikan hartanah kediaman orang asing, kestabilan kadar faedah serta pertumbuhan ekonomi yang sihat dibawah pelaksanaan Rancangan Malaysia Ke-9. Projek "PJ Eight" Kumpulan iaitu projek usahasama dengan IJM Properties Sdn. Bhd dijangka bermanfaat daripada pindaan kerajaan ini yang akan mempertingkatkan lagi sambutan yang sediaada. Kumpulan akan terus menfokuskan pelaburan dalam tanah yang strategik serta bekerjasama dengan rakan kongsi yang sesuai bagi memastikan keuntungannya akan terus menigkat pada masa depan.

Shophouse project in Greentown Ipoh
Projeck rumah kedai di Greentown Ipoh

ENGINEERING DIVISION

The Engineering Division registered a pre-tax profit of RM5.5 million (PE 31.12.05 : RM4.1 million) and a revenue of RM67.5 million (PE 31.12.05 : RM56.2 million).

Generally, the motor industry is adversely affected by a global increase in fuel prices, rising interest rates and in certain countries a softening in the domestic economy and an oversupply of vehicles. Consequently, our local subsidiary in Bota Kanan suffered a loss due to low offtake by car manufacturers. However, we anticipate new business to come on stream and return the company to profitability. Our subsidiary in South Africa remain profitable due to new products being awarded by one of our major customers and also greater operational efficiency, product quality, timely delivery and improved cost savings.

The internal restructuring exercise in our subsidiary in United Kingdom is at its final stage with the company re-sizing and consolidating its activities into a single location from three previously.

DIVISYEN KEJURUTERAAN

Divisyen Kejuruteraan mencatat keuntungan sebelum cukai berjumlah RM5.5 juta (31.12.05 : RM4.1 juta) dan perolehan sebanyak RM67.5 juta (31.12.05 : RM56.2 juta).

Secara umumnya, industri kenderaan banyak dipengaruhi oleh kenaikan harga minyak dunia, peningkatan kadar faedah dan kelemahan ekonomi domestik di negara tertentu serta penawaran kenderaan yang berlebihan. Oleh itu, anak syarikat kami di Bota Kanan mengalami kerugian yang disebabkan oleh permintaan yang rendah daripada para pembuat kereta. Namun, kami jangka akan memperolehi perniagaan baru bagi membolehkan syarikat mencapai keuntungan semula. Anak syarikat kami di Afrika Selatan mengekalkan keuntungannya disebabkan oleh penganugerahan produk baru daripada salah satu pelanggan utama kami dan peningkatan dalam kecekapan operasi, kualiti produk, penyerahan yang tepat serta pengurangan kos.

Aktiviti penyusunan-semula dalaman anak syarikat kami di United Kingdom telah berada pada peringkat akhir dengan penggabungan aktivitinya daripada 3 lokasi kepada satu.

Bloxwich Factory in Ipoh
Kilang Bloxwich di Ipoh

GROUP MANAGING DIRECTOR'S OPERATIONS REVIEW
For The Financial Year Ended 31 December 2006 ("FY2006")
TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN
Bagi Tahun Kewangan Berakhir 31 Desember 2006 ("TK2006")

LIMESTONE DIVISION

The Limestone Division registered a pre-tax profit of RM7.1 million (PE 31.12.05 : RM1.3 million loss) and a revenue of RM49.2 million (PE 31.12.05 : RM13.2 million).

The significant improvement is mainly due to higher demand for lime products particularly from the local steel industry, incinerators and water treatment plant operators. The Division also benefited from the successful commissioning of a new kiln with a capacity of 300 metric tons per day.

The Division is also embarking on a programme to expand its network both locally and overseas to diversify its customer base and at the same time develop new applications for its existing products in order to stay ahead of the competition.

DIVISYEN BATU KAPUR

Divisyen Batu Kapur mencatat keuntungan sebelum cukai berjumlah RM7.1 juta (31.12.05 : RM1.3 juta rugi) dan perolehan sebanyak RM49.2 juta (31.12.05: RM13.2 juta).

Peningkatan yang cemerlang ini adalah disebabkan oleh permintaan yang tinggi bagi produk batu kapur, terutamanya daripada industri keluli tempatan, pengendalian logi pemprosesan bahan bakar dan air. Divisyen ini juga bermanfaat daripada relau batu kapur baru yang mempunyai kapasiti pengeluaran batu kapur sebanyak 300 tan metrik sehari.

Divisyen ini juga akan memulakan rancangan perkembangan rangkaiannya di dalam dan luar negeri untuk mempelbagaikan asas pelanggannya. Pada masa yang sama, Divisyen ini juga berusaha untuk menghasilkan penggunaan baru bagi produk yang sedia ada demi meningkatkan daya persaingannya.

Lime Kiln in Gopeng
Relau kapur di Gopeng

AUDIT COMMITTEE REPORT

For The Financial Year Ended 31 December 2006

1. Composition

Chairman : Mr. Yeow See Yuen (Independent Director)

Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)
Dato' Jorgen Bornhoft (Independent Director)

2. Terms of Reference

2.1. Membership

2.1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.

2.1.2 The majority of the members, including the Chairman of the Committee, shall be Independent Directors as defined in Chapter 1 of the Listing Requirement of Bursa Malaysia.

2.1.3 The Committee shall include at least one person: -

(a) Who is a member of the Malaysian Institute of Accountants, or

(b) Who must have at least 3 years working experience and: -
- (i) Have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or
- (ii) Is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act, 1967.

2.1.4 No alternate Directors shall be appointed as a member of the Committee.

2.1.5 The members of the Committee shall elect a Chairman from amongst their number.

2.1.6 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.

2.1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2.2 Meetings

2.2.1 The quorum for a Committee meeting shall be at least two (2) members, the majority present must be Independent Directors.

2.2.2 The Committee shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide.

2.2.3 Notwithstanding paragraph 2.2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.

2.2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

2.2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.

2.2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.

2.2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

2.2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

2.2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

2.3 Rights and Authority

The Committee is authorised to: -

2.3.1 Investigate any matter within its terms of reference.

2.3.2 Have adequate resources required to perform its duties.

2.3.3 Have full and unrestricted access to information, records and documents relevant to its activities.

2.3.4 Have direct communication channels with the External and Internal Auditors.

2.3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

2.4 Functions and duties

2.4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

2.4.2 To review the following and report to the Board: -

(a) With the External Auditors: -
- (i) The audit plans and audit report and the extent of assistance rendered by employees of the Auditee,
- (ii) Their evaluation of the system of internal controls,
- (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors,
- (iv) The management letter and management's response, and
- (v) Issues and reservations arising from audits.

(b) With the Internal Audit Department: -
   (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work,
   (ii) The audit plan of work programme and results of internal audit processes including actions taken or recommendations,
   (iii) The extent of co-operation and assistance rendered by employees of Auditee, and
   (iv) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.

(c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on: -
   (i) Changes and implementation of major accounting policies and practices,
   (ii) Significant and unusual issues,
   (iii) Going concern assumption, and
   (iv) Compliance with Accounting Standards, regulatory and other legal requirements.

(d) The major findings of investigations and management response.

(e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.

2.4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to Bursa Malaysia.

2.4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering: -

(a) The composition of the Committee including the name, designation and directorship of the members,

(b) The terms of reference of the Committee,

(c) The number of meetings held and details of attendance of each member,

(d) A summary of the activities of the Committee in the discharge of its functions and duties,

(e) A summary of the activities of the Internal Audit function, and

(f) Such other matters as may be required by the relevant regulatory authorities from time to time.

2.4.5 To review the following for publication in the Company's Annual Report: -

(a) The disclosure statement of the Board on: -
   (i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance, and
   (ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas,

(b) The statement on the Board's responsibility for the preparation of the annual audited financial statement of accounts,

(c) The disclosure statement on the state of the system of internal controls of the Company and of the Group, and

(d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the Bursa Malaysia.

The above function and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board

2.5 Internal Audit Department

2.5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the Internal Audit function.

2.5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Group Chief Executive.

3. Summary of Activities of the Committee

The Audit Committee has discharged its duties and responsibilities as set out in its terms of reference. The main activities of the Committee for the year ended 31 December 2006 were as follows: -

a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit processes, with the internal audit department,

b) Reviewed the quarterly financial reports for announcement to the Bursa Malaysia and year-end statutory accounts with management and the internal audit department,

c) Reviewed with management on their preparation for the annual financial statements prior to commencement of the annual audit,

d) Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit,

e) Reviewed the annual statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors,

f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and transactions which may have an impact on management integrity,

g) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies,

h) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members,

i) Prepared the Audit Committee Report for inclusion in the Company's Annual Report,

j) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report, and

k) Verified the allocation of options pursuant to the share scheme for employees, for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial period.

4. Attendance of Meetings

During the year ended 31 December 2006, four (4) meetings of the Committee were held. The attendance record of the Committee members was as follows: -

Name of Committee member	Attendance record
Michael Yee Kim Shing	1/1
Yeow See Yuen	3/3
Dato' Haji Abu Hanifah bin Noordin	4/4
Chew Wei Keong	3/3
Dato' Jorgen Bornhoft	1/1

5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 31 December 2006 were as follows: -

a) Prepared the annual audit plan for the Audit Committee's approval.

b) Carried out risk-based audits of strategic business units of the Group, which cover reviews of the internal control system, accounting and management information systems, and risk management.

c) Co-created management corrective actions on audit issues raised, and issued audit reports to the Audit Committee and Management.

d) Reviewed the quarterly financial reports and year-end statutory accounts with management.

e) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report.

f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and questionable transactions, and report thereon in the audit report.

g) Followed up on management corrective actions on audit issues raised by the external auditors.

h) Prepared summaries of new accounting standards tabled at the Audit Committee meetings.

i) Attended the Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

j) Verified the allocation of options pursuant to the share scheme for employees, for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial period.

STATEMENT ON INTERNAL CONTROL
For The Financial Year Ended 31 December 2006

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia ("BM") require Directors of listed companies to include in their annual report a statement about the state of their internal controls as a group. The Statement on Internal Control – Guidance for Directors of Public Listed Companies ("the Guidance") issued by the BM's Taskforce on Internal Control provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Internal Control for the financial year ended 31 December 2006 which has been prepared in accordance with the Guidance.

The Board acknowledges that it is responsible for the overall internal control systems for the Group, and for reviewing its adequacy and integrity. However, the Board recognizes that such systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the year under review. This process is an integral part of the Group's system of internal control. Other key elements of this internal control system are: -

a) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.

b) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by management, focusing on variances and important operational issues, and the findings discussed with the business units.

c) On a quarterly basis, the Board reviews and discusses a comprehensive Group Managing Director's report, covering the Group's up to date performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the operating units in the light of any significant shifts in risks profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management.

d) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business and functional units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for further enhancement.

e) Regular internal audits are carried out to review the adequacy and integrity of the internal control systems of the business units based upon the audit plan. The reports are submitted to the Audit Committee, which reviews the findings with management at its quarterly meetings. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

MFCB

MEGA FIRST CORPORATION BERHAD

[Co. No. 6682-V]

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiaries and associates are set out in Notes 38 and 13 to the Financial Statements respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT CORPORATE EVENTS

a) On 29 June 2006, Mega First Corporation Berhad ("MFCB") acquired 490,000 fully paid shares of RM1.00 each representing a 2.78% share in its 97.22% owned subsidiary Bloxwich International Sdn. Bhd. ("BISB") for a total cash consideration of RM196,000. The purchase consideration was arrived at on a willing-seller willing-buyer basis. With this acquisition, BISB is now a wholly-owned subsidiary of MFCB.

b) On 23 March 2006, MFCB signed an agreement ("Agreement") with the Government of the Lao People's Democratic Republic ("PDR") on 23 March 2006 with a view to develop and implement, on a build, operate and transfer basis, a hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos PDR ("Don Sahong Project").

   Under the Agreement, MFCB is conferred the exclusive mandate to carry out studies on the feasibility of the Don Sahong Project over a period of eighteen (18) months from the signing of the Agreement or such extended period as the parties may mutually agree ("Mandate Period"). During the Mandate Period, MFCB shall, inter-alia, carry out Feasibility and Environmental Impact Assessment and Social Impact Assessment studies on the Don Sahong Project and conduct necessary field investigations in relation thereto.

   The Don Sahong Project has an expected generation capacity of 240 MW, and the development cost would be ascertained on completion of the feasibility studies.

c) On 23 May 2006, two (2) wholly-owned subsidiaries of MFCB, namely Mega First Ventures Sdn. Bhd. and Mega First Corporate Services Sdn. Bhd. entered into a conditional sale and purchase agreement with Mr. Ng Meng Kee for the disposal of its 51% equity interest in the jointly controlled entity, Mega Fortris (Malaysia) Sdn. Bhd., comprising 582,930 fully paid ordinary shares of RM1.00 each for a total cash consideration of RM1.4 million.

   The selling price was arrived at on a willing-seller willing-buyer basis.

   The disposal which is in line with MFCB's on-going rationalisation exercise to reduce the number of non-core activities of the Group was completed on 2 October 2006 and resulted in a loss of RM3.097 million arising from the reversal of profits previously consolidated. However, the loss which has been reflected in the Financial Statements under review will not have a material impact on the net assets of the Group for the financial year ended 31 December 2006.

d) On 1 September 2006, Bloxwich Engineering Limited ("BEL"), a wholly-owned subsidiary of BISB which in turn is a wholly-owned subsidiary of MFCB, entered into a sale and purchase agreement ("SPA") with CJC-Ingleton Limited (a company incorporated and registered in England and Wales) for the disposal of the freehold factory land and building bearing postal address of PO Box No. 4, Bell Lane, Bloxwich, Walsall WS3 2JR, England and measuring approximately 6.5 acres ("the Property"), for a cash consideration of £5,750,000. The sum of £500,000 equivalent to approximately 8.7% of the selling price was received by BEL on execution of the SPA. The balance of the selling price amounting to £5,250,000 is receivable within 15 months from the date of the sale and purchase agreement.

The selling price was arrived on a willing-seller and willing-buyer basis, after taking into account the net book value of the Property of approximately £2,812,000 as at 31 December 2005.

The disposal of the Property which is in line with the turnaround plan for BEL Group will raise funds for working capital requirements and repayment of bank borrowings of BEL Group.

With effect from the six month financial period ended 31 December 2005, the financial statements of BEL have been consolidated on a break-up basis. Consequently, the disposal of the Property will not have any financial impact on MFCB Group.

e) On 3 October 2006, Bloxwich Transportation Products Limited ("BTP"), a wholly-owned sub-subsidiary of Mega First Corporation Berhad ("MFCB") entered into a sale and purchase agreement with Bloxwich Transport & Container Products Limited (a company incorporated and registered in England and Wales) ("the Purchaser") for the disposal of BTP's container products business for a cash consideration of £200,000.

BTP is a wholly-owned subsidiary of BEL which in turn is a wholly-owned subsidiary of BISB. BISB is a wholly-owned subsidiary of MFCB.

The selling price was arrived on a willing-seller and willing-buyer basis.

The disposal which is in line with the turnaround plan for BEL Group will enable BEL to focus on its core business in automotive components.

With effect from the six month financial period ended 31 December 2005, the Financial Statements of BEL have been consolidated on a break-up basis. Consequently, the Disposal will not have any financial impact on MFCB Group.

The disposal is a related party transaction as Mr. Michael J Hadden, the former Chief Executive Officer of BEL and Director of BTP, is a Director and has a 70% equity share in the Purchaser.

f) On 2 November 2006 the Board of Directors of MFCB ("Board") announced in Bursa Malaysia that the Company proposes to undertake an internal restructuring exercise involving the following proposals :

(i) Proposed disposal of 8,180,400 ordinary shares of RM1.00 each held in Serudong Power Sdn. Bhd. ("SPSB") ("SPSB Shares"), representing its entire 51% equity interest in SPSB to Mega First Power Industries Sdn. Bhd. ("MFPI"), a wholly-owned subsidiary of MFCB, for a cash consideration of approximately RM39.27 million ("Proposed Disposal");

(ii) Proposed waiver of debts owed by MFCB to three (3) of its wholly-owned subsidiaries which will result in a gain of approximately RM42.9 million; and

(iii) Proposed declaration of an interim dividend by MFPI to MFCB amounting to approximately RM25.00 million.

(Collectively referred to as the "Proposals").

The Proposals will enable the Company to recognise total gains of approximately RM98.91 million and set off the accumulated losses of approximately RM94.17 million. The elimination of the accumulated losses at MFCB company level would better reflect the profitable operations of the MFCB group.

Additionally, the Proposed Disposal shall streamline the entire power plant operations of the MFCB group under MFPI.

As a result of MFPI acquiring the 51% equity interest in SPSB pursuant to the Proposed Disposal, MFPI would have the obligation under the Malaysian Code on Take-overs and Mergers 1998 ("Code"), to extend a mandatory offer for all the remaining SPSB Shares it does not already own after the Proposed Disposal. MFPI intends to seek an exemption from having to extend the mandatory offer under the provisions of Practice Note 2.9.6 of the Code ("Proposed Exemption").

The Proposed Disposal and Proposed Exemption are conditional upon the following approvals :

(i) Equity Compliance Unit of the Securities Commission ("SC") for the Proposed Disposal; and

(ii) Take-overs and Mergers Department of the SC for the Proposed Exemption.

The Proposals and Proposed Exemption are inter-conditional.

Approvals for the proposed internal restructuring exercise were granted by the SC on 27 December 2006 and this exercise was completed on 29 December 2006.

(g) On 29 January 2007, MFCB announced that it proposes to seek the approval of shareholders for authority to purchase its own shares ("Proposed Share Buy-Back") of up to ten percent (10%) of the issued and paid-up share capital of MFCB as quoted on the Bursa Securities as at the point of purchase. The Proposed Share Buy-Back is subject to compliance with Section 67A of the Act and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase. As at 29 January 2007, the issued and paid-up share capital of MFCB is RM236,658,000 comprising 236,658,000 ordinary shares of RM1 each ("Shares"), and as an illustration, the maximum number of Shares which may be purchased by the Company will not be more than 23,665,800 Shares based on the issued and paid-up share capital of the Company as at 29 January 2007.

MFCB will utilise its financial resources not immediately required for use, to purchase its own shares. The Proposed Share Buy-Back may enhance the consolidated earnings per share and net assets of MFCB. It may stabilise the supply and demand of MFCB Shares traded on Bursa Securities and thereby supports the fundamental value of the shares.

The Proposed Share Buy-Back has been approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 February 2007.

(h) On 2 February 2007, Rock Chemical Industries (Malaysia) Berhad ("RCI") a 60.42% subsidiary of MFCB made a conditional takeover offer for the remaining 3,061,000 ordinary shares representing 66.56% of the issued and paid-up capital of Batamas Sdn. Bhd. ("Batamas") not already owned for a total cash consideration of approximately RM4.6 million or RM1.50 per Batamas ordinary share.

The offer is conditional upon RCI receiving by 5:00 p.m. on 23 February 2007 or such later date(s) as the Board of Directors of RCI may decide, valid acceptances which would result in RCI holding in aggregate, together with such Batamas shares that are already acquired, held or entitled to be acquired or held by RCI, more than 50% of the voting shares of Batamas.

On 15 February 2007, RCI received valid acceptances which resulted in RCI holding more than 50% of the issued and paid-up capital of Batamas and accordingly the takeover offer has become unconditional. As of 26 February 2007, RCI has received valid acceptances of 90.7% of the issued and paid-up capital of Batamas. The closing date for the takeover offer has been extended to 9 March 2007.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows :

	GROUP RM'000	COMPANY RM'000
Profit Before Tax	94,676	109,380
Income Tax Expense	(16,968)	(1,821)
Profit For The Year	77,708	107,559
Attributable to:		
Equity holders of the parent	46,120	107,559
Minority interests	31,588	-
	77,708	107,559

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items as disclosed in Note 6 to the Financial Statements.

DIVIDEND

A first and final dividend of 1.5%, less income tax of 28%, proposed in the previous financial period amounting to RM2,548,800 was paid by the Company on 26 May 2006.

An interim dividend of 2.0% less income tax of 28% amounting to RM3,398,400 (31.12.05 : Nil) for the financial year ended 31 December 2006 was declared on 23 August 2006. The entitlement to the dividend which was determined on the basis of the record of depositors as at 22 September 2006 was paid on 10 October 2006.

The Board is pleased to propose a final dividend of 3.0%, (31.12.05 : final dividend of 1.5% less income tax of 28%) less income tax of 27%, for the financial year ended 31 December 2006. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

SHARE OPTIONS

An Employee Share Option Scheme ("ESOS") of the Company was implemented on 1 October 2001 for the benefit of eligible employees and Executive Directors of the Company and its subsidiaries incorporated in Malaysia. The initial five-year term of the ESOS which expired on 30 September 2006 was renewed for a further five years by the Board as recommended by the ESOS Committee.

The main features of the ESOS are as follows :

(a) Employees and Executive Directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.

(b) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the term of the ESOS.

(c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.

(d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the ESOS committee, which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.

(e) An eligible employee can only participate in one ESOS implemented by any company within the Group.

(f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, other than as may be specified in a resolution approving the distribution of dividends prior to the allotment dates.

The movement in the number of options granted, exercised and lapsed during the financial year is as follows :

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.1.2006	1.00	6,233,000
Granted	1.00	150,000
		6,383,000
Lapsed	1.00	(871,000)
Balance as of 31.12.2006		5,512,000

The Company has been granted exemption by the Companies Commission of Malaysia for non-disclosure of the names of new option holders granted below 150,000 share options during the financial year. The options granted to Executive Directors are disclosed under Directors' Interests.

Details of share options granted to other employees totalling 150,000 ordinary shares and above are as follows :

Option holder	Exercise price RM	Number of share options
Foo Kah Heng	1.00	210,000
Liew Leong Ting	1.00	210,000
Wong Seow Kwang	1.00	210,000
Chan Hock Huat	1.00	150,000
Chiew Kiam Boo	1.00	150,000
Yong Lai Sim	1.00	150,000

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps :

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances :

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the Financial Statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the Financial Statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the Financial Statements which would render any amount stated in the Financial Statements of the Group and of the Company misleading.

Other than as disclosed in Note 34 of the Financial Statements, at the date of this report, there does not exist :

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors :

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The following Directors served on the Board of the Company since the date of the last report :

- Goh Nan Kioh
- Dr. Lim Thian Soo
- Yong Fook Shin
- Dato' Haji Abu Hanifah bin Noordin
- Maisuri Bin Besri
- Goh Nan Yang (also alternate to Goh Nan Kioh)
- Yeow See Yuen (appointed on 10.5.2006)
- Dato' Jorgen Bornhoft (appointed on 18.5.2006)
- Tay Kheng Chiong (appointed on 1.6.2006)
- Chew Wei Keong (resigned on 18.9.2006)
- Michael Yee Kim Shing (retired on 28.4.2006)
- Lim Boon Seh (resigned on 25.5.2006)

Dato' Haji Abu Hanifah bin Noordin and Yong Fook Shin retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Yeow See Yuen, Dato' Jorgen Bornhoft and Tay Kheng Chiong, who were appointed to the Board since the date of the last Annual General Meeting, retire in accordance with Article 104 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company are as follows :

	Number of ordinary shares of RM1 each			
	Balance as of 1.1.2006/ Date of appointment	**Addition**	**Disposal**	**Balance as of 31.12.2006**
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	713,600	-	-	**713,600**
- Deemed	60,915,500	6,865,900	-	**67,781,400**
Dr. Lim Thian Soo				
- Direct	90,000	-	-	**90,000**
- Deemed	48,500,000	1,222,200	-	**49,722,200**
Yong Fook Shin				
- Direct	60,000	-	-	**60,000**
Goh Nan Yang				
- Direct	10,000	-	-	**10,000**
Yeow See Yuen				
- Direct	250,000	-	-	**250,000**
- Deemed	26,000	-	-	**26,000**
Dato' Jorgen Bornhoft				
- Direct	150,000	-	-	**150,000**

In addition to the above, the following Executive Directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company as follows :

	Options over ordinary shares of RM1 each			
	Balance as of 1.1.2006	**Granted**	**Exercised**	**Balance as of 31.12.2006**
Dr. Lim Thian Soo	500,000	-	-	**500,000**
Goh Nan Yang	350,000	150,000	-	**500,000**

Goh Nan Kioh and Dr. Lim Thian Soo, by virtue of their interests in 29.02% (31.12.2005 : 26.11%) and 21.11% (31.12.2005 : 20.59%) of the Company respectively, are deemed to have interests in the shares of its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965. Other than as disclosed above, the Directors of the Company do not have any other interests in the shares of the Company or of its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Executive Directors pursuant to the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Horwath, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DR. LIM THIAN SOO

GOH NAN YANG

Kuala Lumpur
27 February 2007

REPORT OF THE AUDITORS

To The Members Of Mega First Corporation Berhad
(Incorporated In Malaysia)

We have audited the Financial Statements as set out on pages 36 to 98. These Financial Statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the abovementioned Financial Statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

    (i) the state of affairs of the Group and of the Company as of 31 December 2006 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date; and

    (ii) the matters required by Section 169 of the Act to be dealt with in the Financial Statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the Financial Statements and auditors' reports of the subsidiaries of which we have not acted as auditors, as shown in Note 38 to the Financial Statements, being Financial Statements that have been included in the Group Financial Statements.

We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Financial Statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the Group Financial Statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the Financial Statements of the subsidiaries were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

Horwath
AF1018
Chartered Accountants

Poon Yew Hoe
956/04/08 (J)
Partner

27 February 2007

INCOME STATEMENTS

For The Financial Year Ended 31 December 2006

		GROUP		COMPANY	
	Note	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Revenue	4	**478,387**	254,574	**40,997**	6,814
Cost Of Sales		**(355,082)**	(191,536)	**-**	-
Gross Profit		**123,305**	63,038	**40,997**	6,814
Distribution Costs		**(4,391)**	(4,706)	**-**	-
Administrative Expenses		**(25,793)**	(23,455)	**(3,302)**	(2,141)
Other Operating Expenses		**(5,660)**	(2,579)	**(56,192)**	(2)
Other Operating Income		**15,428**	17,691	**129,663**	88
Profit From Operations	6	**102,889**	49,989	**111,166**	4,759
Finance Costs	7	**(7,771)**	(4,931)	**(1,786)**	(1,033)
Share Of (Loss)/Profits in :					
- Associates		**(442)**	(76)	**-**	-
- Jointly Controlled Entity		**-**	1,307	**-**	-
Profit Before Tax		**94,676**	46,289	**109,380**	3,726
Income Tax Expense	8	**(16,968)**	(9,055)	**(1,821)**	(573)
Profit After Tax		**77,708**	37,234	**107,559**	3,153
Attributable to :					
Equity holders of the parent		**46,120**	21,041	**107,559**	3,153
Minority interests		**31,588**	16,193	**-**	-
		77,708	37,234	**107,559**	3,153
EPS - Basic (sen)	10	**19.5**	8.9		
- Diluted (sen)		**19.1**	8.9		

The accompanying Notes on pages 43 to 98 form an integral part of the Financial Statements.

BALANCE SHEETS
As Of 31 December 2006

	Note	GROUP 31.12.06 RM'000	GROUP 31.12.05 (restated) RM'000	COMPANY 31.12.06 RM'000	COMPANY 31.12.05 RM'000
ASSETS					
Non-Current Assets					
Property, Plant And Equipment	11	**234,606**	289,926	**448**	378
Subsidiaries	12	**-**	-	**151,623**	159,866
Associates	13	**6,173**	6,641	**3,500**	3,500
Jointly Controlled Entity	14	**-**	4,497	**-**	-
Investments	15	**8,329**	156	**-**	-
Prepaid Lease Payments	16	**3,496**	3,663	**-**	-
Investment Properties	17	**30,918**	24,338	**-**	-
Land Held For Property Development	18	**66,792**	82,254	**-**	-
Goodwill On Consolidation	20	**7,785**	7,785	**-**	-
		358,099	419,260	**155,571**	163,744
Current Assets					
Inventories	21	**37,593**	38,677	**-**	-
Property Development	19	**17,551**	5,517	**-**	-
Receivables	22	**126,381**	106,193	**136,920**	95,267
Bank Balances And Deposits	23	**100,750**	95,525	**533**	1,532
		282,275	245,912	**137,453**	96,799
Non-Current Asset Held For Sale	24	**40,196**	-	**-**	-
		322,471	245,912	**137,453**	96,799
TOTAL ASSETS		**680,570**	665,172	**293,024**	260,543
EQUITY AND LIABILITIES					
Share Capital	25	**236,000**	236,000	**236,000**	236,000
Reserves	26	**78,819**	40,139	**40,846**	(60,794)
Equity Attributable To Equity Holders Of The Parent		**314,819**	276,139	**276,846**	175,206
Minority Interests		**124,913**	96,139	**-**	-
Total Equity		**439,732**	372,278	**276,846**	175,206
Non-Current Liabilities					
Long Term Borrowings	27	**29,985**	40,248	**-**	-
Hire purchase payables	28	**2,622**	3,992	**28**	90
Deferred Taxation	29	**27,497**	26,170	**-**	-
		60,104	70,410	**28**	90
Current Liabilities					
Payables	30	**98,100**	123,513	**12,142**	81,237
Short Term Borrowings	31	**72,392**	91,964	**4,008**	4,010
Taxation		**10,242**	7,007	**-**	-
		180,734	222,484	**16,150**	85,247
Total Liabilities		**240,838**	292,894	**16,178**	85,337
TOTAL EQUITY AND LIABILITIES		**680,570**	665,172	**293,024**	260,543
Net Assets Per Ordinary Share (sen)	32	**133**	117		

The accompanying Notes on pages 43 to 98 form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2006

GROUP	Note	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Accumulated (Losses)/ Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		Attributable to equity holders of the parent								
			Non-Distributable Reserves *							
Balance as of 1 July 2005		236,000	33,380	2,369	-	32,628	(19,569)	284,808	101,093	385,901
Currency translation differences		-	-	-	-	(581)	-	(581)	(50)	(631)
Break-up adjustments #		-	-	(156)	-	(23,876)	-	(24,032)	-	(24,032)
Dividend	9	-	-	-	-	-	(5,097)	(5,097)	(21,097)	(26,194)
Profit for the period		-	-	-	-	-	21,041	21,041	16,193	37,234
Balance as of 1 January 2006		236,000	33,380	2,213	-	8,171	(3,625)	276,139	96,139	372,278
Currency translation differences		-	-	-	-	(1,521)	-	(1,521)	476	(1,045)
Profit for the year		-	-	-	-	-	46,120	46,120	31,588	77,708
Dividends	9	-	-	-	-	-	(5,947)	(5,947)	(3,313)	(9,260)
Dilution of investment in a subsidiary		-	-	-	-	-	-	-	63	63
Purchase of additional investment in a subsidiary		-	-	-	-	-	-	-	(40)	(40)
Share options granted under ESOS		-	-	-	28	-	-	28	-	28
Balance as of 31 December 2006		236,000	33,380	2,213	28	6,650	36,548	314,819	124,913	439,732

* These reserves are not distributable by way of cash dividends.

\# The realisation of Capital Reserve and Translation Reserve arose from the preparation of the Financial Statements of a foreign group of subsidiaries on a break-up basis as disclosed in Note 39 to the Financial Statements.

COMPANY	Note	Share Capital RM'000	Share Premium* RM'000	Share Option Reserve* RM'000	Accumulated (Losses)/ Profits RM'000	Total RM'000
Balance as of 1 July 2005		236,000	33,380	-	(92,230)	177,150
Dividend	9	-	-	-	(5,097)	(5,097)
Profit for the period		-	-	-	3,153	3,153
Balance as of 1 January 2006		236,000	33,380	-	(94,174)	175,206
Dividend	9	-	-	-	(5,947)	(5,947)
Profit for the year		-	-	-	107,559	107,559
Share options granted under ESOS		-	-	28	-	28
Balance as of 31 December 2006		**236,000**	**33,380**	**28**	**7,438**	**276,846**

* This reserve is not distributable by way of cash dividends.

The accompanying Notes on pages 43 to 98 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

GROUP	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**94,676**	46,289
Adjustments for :		
Allowance for doubtful debts written back	**(5)**	-
Amortisation of prepaid lease payments	**192**	-
Depreciation of property, plant and equipment	**24,933**	16,859
Finance costs	**7,771**	4,931
Allowance/(Reversal) for :		
Doubtful debts	**710**	5,604
Foreseeable loss on property development no longer required	**(39)**	(67)
Amortisation of goodwill	**-**	372
Impairment loss on land held for property development	**-**	4,055
Reversal of losses in excess of cost of investment	**-**	(10,867)
Write-off of :		
Property, plant and equipment	**2,361**	2,989
Inventories	**56**	2,247
(Gain)/Loss on disposal of :		
Property, plant and equipment	**(31)**	(8)
Investments	**-**	(62)
Land held for property development	**81**	-
Investment in jointly controlled entity	**3,097**	-
Share of loss/(profits) :		
Associates	**442**	76
Jointly controlled entity	**-**	(1,307)
Share options	**28**	-
Interest income	**(2,490)**	(1,177)
Operating Profit Before Working Capital Changes	**131,782**	69,934
Decrease/(Increase) in :		
Inventories	**1,028**	2,344
Property development costs	**288**	(739)
Receivables	**(27,382)**	(2,916)
Decrease in payables	**(28,096)**	(8,437)
Cash Generated From Operations	**77,620**	60,186
Income tax paid	**(5,665)**	(7,900)
Net Cash From Operating Activities	**71,955**	52,286
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest income	**2,490**	1,177
Increase in :		
Investment properties	**(6,580)**	(6)
Land held for property development	**(1,132)**	(569)
Purchase of investment	**(8,173)**	(1,600)
Proceeds from disposal of :		
Investment	**-**	2,410
Investment in jointly controlled entity	**1,400**	-
Property development	**4,230**	-
Property, plant and equipment	**10,220**	1,738
Purchase of property, plant and equipment [(a)]	**(18,716)**	(13,084)
Net Cash For Investing Activities	**(16,261)**	(9,934)

(Forward)

	Note	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES			
Finance costs paid		**(7,771)**	(5,103)
Dividends paid to minority shareholders		**(3,313)**	(1,415)
Repayment of :			
Term loans		**(8,442)**	(2,399)
Bonds		**(8,000)**	(8,000)
Dividend paid		**(5,947)**	(5,097)
Proceeds from term loans		**-**	5,232
Decrease in :			
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months		**(18,863)**	(6,780)
Hire purchase payables		**(2,672)**	(441)
Net Cash For Financing Activities		**(55,008)**	(24,003)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**686**	18,349
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		**88,179**	69,568
EFFECT OF EXCHANGE DIFFERENCES		**(244)**	262
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	**35**	**88,621**	88,179

[a] Cost of property, plant and equipment purchased	**18,716**	17,641
Amount financed through hire purchase	**-**	(4,557)
	18,716	13,084

(Forward)

COMPANY	Note	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES			
Profit before tax		**109,380**	3,726
Adjustments for :			
Finance costs		**1,786**	1,033
Depreciation of property, plant and equipment		**186**	105
Write-off of property, plant and equipment		**1**	-
Dividend income		**(40,133)**	(6,376)
Gain on disposal of a subsidiary		**(31,014)**	-
Interest income		**(3)**	-
Waiver of inter-company debts		**(98,543)**	-
Impairment loss on subsidiaries		**56,157**	-
Gain on disposal of property, plant and equipment		**(54)**	-
Gain on disposal of investment		**-**	(51)
Share options granted under ESOS		**28**	-
Loss on disposal of a subsidiary		**62**	-
Operating Loss Before Working Capital Changes		**(2,147)**	(1,563)
Increase in receivables		**(2,766)**	(23)
(Decrease)/Increase in payables		**(953)**	278
Cash Used In Operations		**(5,866)**	(1,308)
Income tax refunded		**2,326**	1,104
Net Cash For Operating Activities		**(3,540)**	(204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**37,436**	5,263
Proceeds from disposal of property, plant and equipment		**54**	-
Interest income		**3**	-
Proceeds from disposal of investment		**-**	649
Investment in subsidiary		**(296)**	-
Purchase of property, plant and equipment		**(257)**	-
Net Cash From Investing Activities		**36,940**	5,912
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES			
Decrease in :			
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months		**-**	(22,514)
Hire purchase payables		**(71)**	(36)
Finance costs paid		**(1,786)**	(1,033)
Dividend paid		**(5,947)**	(5,097)
Advance to related companies		**7**	-
Repayment of :			
Loans (to)/from subsidiaries		**(26,600)**	33,229
Net Cash (For)/From Financing Activities		**(34,397)**	4,549
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(997)**	10,257
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD		**1,522**	(8,735)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	35	**525**	1,522

The accompanying Notes on pages 43 to 98 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiaries and associates are set out in Notes 38 and 13 to the Financial Statements respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

2. BASIS OF PREPARATION

The Financial Statements of the Group and of the Company have been approved by the Board of Directors on 27 February 2007.

The Financial Statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

In the current financial year, the Group and the Company had adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to their operations and effective for financial period beginning on 1 January 2006. The adoption of the following new and revised FRS does not have any material effects on the financial statements of the Group :

FRS 1	Presentation of Financial Statements
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition, the Group has adopted FRS 117 Leases which is only effective for financial periods beginning on 1 October 2006, for the financial year ended 31 December 2006.

2. BASIS OF PREPARATION (cont'd)

The adoption of the FRS 117 has no significant impact on the Group Financial Statements except as noted below :

Restatement of prior year's Balance Sheet

Non-current assets	31 December 2005 As previously reported RM'000	Reclassification RM'000	31 December 2005 Restated RM'000
Property, plant and equipment	293,589	(3,663)	289,926
Prepaid lease payments	-	3,663	3,663

The Financial Statements of the Group and of the Company have been prepared under the historical cost convention, modified to include other bases of valuation as disclosed in the Financial Statements. Certain development properties of subsidiaries are stated in the Group Financial Statements at values reflecting approximately the effective acquisition costs of these assets to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Group Financial Statements include the Financial Statements of the Company and of all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the purchase method of accounting. Subsidiaries previously consolidated using the acquisition method have not been retrospectively restated in accordance with FRS 1. The results of the subsidiaries acquired or disposed of during the year are included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Significant intra-group transactions, balances and unrealised gains or losses are eliminated in full on consolidation; unless cost cannot be recovered.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

One of the foreign group of subsidiaries, Bloxwich Engineering Limited and its subsidiaries ("BEL Group") has been suffering losses and despite a turnaround plan which has been put in place, it is not expected to turnaround in the immediate future.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

With effect from 1 October 2005, the immediate and ultimate holding companies of BEL Group, Bloxwich International Sdn. Bhd. ("BISB") and Mega First Corporation Berhad ("MFCB") respectively have indicated that they will not provide any further financial support nor guarantee the present and future liabilities of the BEL Group.

Accordingly, the Directors of the BEL Group, having considered the BEL Group's adverse financial position and results mentioned in the preceding paragraphs, are of the opinion that the appropriate basis of preparing the Financial Statements of the BEL Group for the current financial year ended 31 December 2006 and the financial period ended 31 December 2005 is on a break-up basis, that is, to record the carrying values of assets and liabilities at their fair values and/or net realisable values and to accrue for additional relevant liabilities as appropriate.

Arising from this change in the basis of preparation of the Financial Statements of the BEL Group from a going concern to that of a break-up basis, the Group has consolidated the losses of the BEL Group up to RM36.1 million, which represents the BISB Group's cost of investment in the BEL Group. This resulted in a reversal of losses in excess of the cost of investment amounting to RM10,867,000 in the six month financial period ended 31 December 2005.

The effects on the Group Financial Statements of the BEL Group and that of MFCB Group as a result of the change in the basis of preparation of the Financial Statements for the six month financial period ended 31 December 2005 and financial year ended 31 December 2006 from the going concern basis to that of a break-up basis are disclosed in Note 39 to the Financial Statements.

Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. However, in accordance with the transitional provisions of FRS 3, the carrying amount of goodwill as at 1 January 2006 of RM7,785,000 has ceased to be amortised. The effect of this has reduced the amortisation charge by RM748,000 for the year ended 31 December 2006. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost .

The useful lives of intangible assets are assessed to be either finite or indefinite.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

Receivables

Receivables are stated at anticipated realisable value. Bad debts are written off while allowance for doubtful debts made is based on estimates of possible losses from non-collection.

Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the approval of the proposed dividend, it will be accounted for as a liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of one year or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of the Company and each of the Group's entity is measured using the currency of the primary economic environment in which the Company or that entity operates.

The Group Financial Statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currency are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Group and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(iii) Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to RM for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial year. All resulting exchange differences arising on translation are recognised as a separate component of equity. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The principal closing rates used in the translation of foreign currencies are as follows :

	31.12.06 **RM**	31.12.05 RM
1 United States Dollar	**3.533**	3.780
1 Great Britain Pound	**6.991**	6.517
1 Chinese Renminbi	**0.465**	0.459
1 South African Rand	**0.505**	0.598

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividends from subsidiaries and associates and other investments are recognised when the shareholders' right to receive is established.

Interest income on short-term deposits and advances are recognised on an accrual basis based on prevailing rates.

Revenue from the provision of management services is recognised based on services rendered.

Revenue from the sale of electricity and steam is recognised based on capacity charges, electricity billings and steam supplied.

Revenue from property development projects is accounted for based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated.

Revenue from the sale of goods is recognised upon delivery of products and when risks and rewards of ownership have passed.

Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the Financial Statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Exceptional Items

Exceptional items are those which are derived from ordinary activities of the business but are of such size, nature or incidence that their disclosures are relevant to explain the performance of the Group and of the Company.

Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiaries and associates, and goodwill on consolidation are reviewed at each balance sheet date to determine whether there are any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements unless the asset is carried at a revalued amount in which case the impairment losses are treated as a revaluation deficit to the extent of the previously recognised revaluation surplus for the same asset.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. All reversals are recognised in the income statements, unless the asset is carried at its revalued amount, in which case, the reversal is credited directly to the revaluation surplus for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Gain or loss on the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

(i) Freehold and Leasehold Quarry Land

Freehold land is not amortised.

Leasehold quarry land are amortised over the period of the leases which is 30 years.

During the previous financial period, the Group changed its method of amortising the leasehold quarry land from the output method to that of amortising over the life of the lease. This change in estimate has resulted in an additional amortisation charge of RM2.0 million reflected in the Financial Statements of the Group for the six month financial period ended 31 December 2005.

(ii) Other Property, Plant and Equipment

Other property, plant and equipment, with the exception of power plants and construction in progress, are depreciated on the straight line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are :

Buildings	1.5% to 6.5%
Machinery and equipment	7.5% to 50%
Vehicles	10% to 25%

Power plants are depreciated on the straight line basis to write off the cost less estimated residual value over the concession periods of 21 years to 22 years.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Construction in progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Construction in progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of construction in progress includes preliminary expenses direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capitalisation of Borrowing Costs

Borrowing costs incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.

Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

Assets Acquired Under Hire Purchase Arrangements

Assets acquired under hire purchase arrangements are capitalised in the Financial Statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

Subsidiaries

Subsidiaries are entities in which the Group has a long term equity interest and/or power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

On the disposal of the investments in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Associates

Associates are entities in which the Group has a long term equity investment and/or the Group is in a position to exercise significant influence through management participation.

Investments in associates are accounted for in the Group Financial Statements using the equity method and are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

The Group's share of results and reserves of associates acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where necessary, in applying the equity method, adjustments are made to the Financial Statements of associates to ensure consistency of accounting policies with the Group.

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Jointly Controlled Entities

Investments in jointly controlled entities are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

The Group's interest in jointly controlled entities is accounted for in the Group Financial Statements by the equity method. Jointly controlled entities are corporations, partnerships or other entities where there are contractual agreements in sharing of control by the Group with one or more parties.

The Group's share of results and reserves of jointly controlled entities acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Where necessary, in applying the equity method, adjustments are made to the Financial Statements of jointly controlled entities to ensure consistency of accounting policies with the Group.

On the disposal of the investments in jointly controlled entities the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Investments

Investments held on a long term basis are stated at cost. Allowance for diminution in the value of investments is made to recognise any permanent decline.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Prepaid Lease Payments

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land and are amortised on a straight line basis over the lease terms. Prior to 1 January 2006, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117, the unamortised amount of leasehold interest in land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117 and has been accounted for retrospectively.

Non-Current Assets Held For Sale And Discontinued Operations

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held For Property Development And Property Development

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement; any amount in the revaluation reserve relating to that investment property is transferred to retained earnings.

Provisions

Provisions are made when the Group has a present legal or constructive obligation resulting from a past event, which will result in a probable outflow of resources as settlement, the amount of which can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities And Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Defined Contribution And Retirement Plans

The Group's contributions to defined contribution plans are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

The Group operates an unfunded, non-contributory defined retirement benefits scheme for those employees who are eligible under a collective bargaining agreement. The retirement scheme contributions are estimated and provided for in the Financial Statements after taking into consideration the length of service and basic earnings of the eligible employees. The provisions are charged to the income statement in the period to which they relate, and represent the amount of contributions payable by the Group under the scheme.

The Group also operates a funded, defined benefit Pension Scheme ("the Scheme") for eligible employees of a foreign group of subsidiaries in the United Kingdom until January 2001 after which, it was replaced in April 2001 by a defined contribution scheme.

Contributions to the Scheme are charged to the income statements so as to spread the cost of the Scheme over the employees' service life in the foreign group of subsidiaries. The effects of variations from regular cost are taken up in the income statements. The fund is valued every three years by a professionally qualified independent Actuary, the rate of contribution being determined by the Actuary. The most recent valuation was at 30 June 2004.

In addition, the Scheme assets of the foreign group of subsidiaries are also valued yearly by a professionally qualified independent Actuary. Any shortfall in the Scheme assets is taken up in the Group income statement. However, during the financial year, the Financial Statements of the said foreign group of subsidiaries was prepared on a break-up basis as disclosed in Note 39 to the Financial Statements. Accordingly, the contributions to the Scheme were no longer taken up in the Group Financial Statements.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(iv) Share-based Compensation

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are as follows :

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

4. REVENUE

Revenue of the Group represents the gross invoiced value of the sale of electricity and steam and goods and properties sold outside of the Group net of returns and discounts.

Revenue from the sale of properties is accounted for using the stage of completion method. Sale of completed property units is recognised when the risks and rewards associated with ownership transfers to the property purchasers.

Revenue of the Company represents mainly dividends and management fees received and receivable from subsidiaries and associates, and interest income.

5. OPERATING EXPENSES

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Raw materials and consumables	**273,441**	141,481	**-**	-
Net change in inventories of finished goods and work-in-progress	**111**	1,464	**-**	-
Staff costs	**31,507**	17,983	**1,841**	1,173
Property development expenditure	**15,998**	10,058	**-**	-
Depreciation of property, plant and equipment	**24,933**	16,859	**186**	105
Amortisation of goodwill	**-**	372	**-**	-
Amortisation of prepaid lease payments	**192**	-	**-**	-
Impairment loss on investment value	**-**	-	**56,157**	-
Other administrative and operating expenses	**44,744**	34,059	**1,310**	865
	390,926	222,276	**59,494**	2,143

6. PROFIT FROM OPERATIONS

This is arrived at :

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
After crediting :				
Allowance for doubtful debts written back	**5**	-	**-**	-
Gain on disposal of :				
Property, plant and equipment	**31**	8	**54**	-
Investment	**-**	62	**-**	51
Gain on foreign exchange	**1,346**	117	**-**	-
Interest income	**2,490**	1,177	**3**	-
Dividends (gross) from subsidiaries	**-**	-	**40,133**	6,376
Management fees from subsidiaries	**-**	-	**862**	438
Exceptional Items :				
Gain on disposal of a subsidiary	**-**	-	**31,014**	-
Amount owing to subsidiaries written off	**-**	-	**98,543**	-
Insurance claim receivable	**3,777**	-	**-**	-
Rental income	**1,441**	724	**-**	-
Reversal of losses in excess of cost of investment (Note 39)	**-**	10,867	**-**	-
And charging :				
Allowance for :				
Doubtful debts	**710**	5,604	**-**	-
Impairment loss on land held for property development	**-**	4,055	**-**	-
Rental of :				
Land and buildings	**1,530**	914	**254**	121
Plant and machinery	**123**	452	**-**	-
Access road	**21**	-	**-**	-
Motor vehicle	**283**	-	**-**	-
Loss on foreign exchange	**68**	-	**34**	-
Loss on disposal of land held for property development	**81**	-	**-**	-
Directors' remuneration :				
Other emoluments	**1,168**	519	**963**	399
Fees	**164**	61	**159**	54
Auditors' remuneration :				
Statutory	**264**	290	**22**	16
Underprovision in the previous financial period	**78**	-	**-**	-
Others	**28**	19	**16**	16
Impairment loss on subsidiaries	**-**	-	**56,157**	-
Write-off of property, plant and equipment	**2,361**	2,989	**1**	-
Write-off of inventories	**56**	2,247	**-**	-
Exceptional Items :				
Loss on disposal of jointly-controlled entity	**3,097**	-	**-**	-

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM21,458 (31.12.05 : RM11,325) for the Group and RM10,358 (31.12.05 : RM8,025) for the Company.

7. FINANCE COSTS

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Interest on :				
Bonds	**2,669**	1,598	**-**	-
Term loans	**2,235**	1,433	**-**	-
Bank overdrafts	**867**	649	**107**	46
Revolving credits	**1,377**	981	**315**	246
Others	**623**	270	**1,364**	741
	7,771	4,931	**1,786**	1,033

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Income tax				
Based on results for the financial year/period :				
Malaysian taxation	**8,595**	4,219	**1,802**	465
Foreign taxation	**6,502**	5,380	**-**	-
Associates	**26**	(20)	**-**	-
Jointly controlled entity	**-**	427	**-**	-
Underprovision in prior years	**292**	431	**19**	108
	15,415	10,437	**1,821**	573
Deferred taxation (Note 29)				
For the financial year/period	**1,585**	(673)	**-**	-
Overprovision in prior years	**(32)**	(709)	**-**	-
	16,968	9,055	**1,821**	573

8. INCOME TAX EXPENSE (cont'd)

The income tax expense for the year/period can be reconciled to the profit before tax of the Group and of the Company as per the income statements as follows :

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Profit before tax	**94,676**	46,289	**109,380**	3,726
Tax at Malaysian statutory rate of 28% (31.12.05 : 28%)	**26,509**	12,961	**30,626**	1,043
Tax effects of :				
Different tax rates in other countries	**(8,024)**	(4,654)	**-**	-
Different tax rate for first RM500,000 of chargeable income	**(82)**	(5)	**-**	-
Income not subject to tax	**(3,425)**	(3,570)	**(29,106)**	(697)
Expenses not deductible	**2,221**	3,967	**282**	119
Tax losses not provided for	**-**	634	**-**	-
Utilisation of previously unrecognised tax losses	**(491)**	-	**-**	-
Under/(Over)provision in prior years	**260**	(278)	**19**	108
Income tax expense	**16,968**	9,055	**1,821**	573

9. DIVIDEND

A first and final dividend of 1.5%, less income tax of 28%, proposed in the previous financial period amounting to RM2,548,800 was paid by the Company on 26 May 2006.

An interim dividend of 2.0% less income tax of 28% amounting to RM3,398,400 (31.12.05 : Nil) for the financial year ended 31 December 2006 was declared on 23 August 2006. The entitlement to the dividend which was determined on the basis of the record of depositors as at 22 September 2006 was paid on 10 October 2006.

The Board is pleased to propose a final dividend of 3.0%, (31.12.05 : final dividend of 1.5% less income tax of 28%) less income tax of 27%, for the financial year ended 31 December 2006. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

10. EARNINGS PER ORDINARY SHARE

	GROUP	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000
Weighted average number of ordinary shares in issue during the financial year/period	**236,000**	236,000
Effect of assumed exercise of share options	**5,512**	-
Adjusted assumed weighted average number of shares in issue during the financial year/period	**241,512**	236,000

(a) The basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year/period.

(b) The diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all outstanding options granted pursuant to the ESOS will be exercised.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP 31.12.06	COST					
	Beginning of year (restated) RM'000	Additions RM'000	Disposals/ Write-off RM'000	Reclassifications RM'000 *	Exchange fluctuation adjustment RM'000	End of year RM'000
Freehold land	39,340	2,117	(5,800)	(30,320)	2,746	8,083
Short leasehold quarry land	9,211	-	-	-	-	9,211
Buildings	56,473	1,156	(1,889)	(9,669)	1,387	47,458
Plant and machinery, equipment, vehicles and construction in progress	427,046	15,443	(14,904)	(207)	7,066	434,444
Total	532,070	18,716	(22,593)	(40,196)	11,199	449,196

* The reclassification is in respect of a foreign subsidiary's freehold factory land and building disposed of during the financial year, details as disclosed in Note 24 to the Financial Statements.

GROUP 31.12.06	ACCUMULATED DEPRECIATION					NET BOOK VALUE	
	Beginning of year (restated) RM'000	Charge for the year RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	Beginning of year (restated) RM'000
Freehold land	-	-	-	-	-	8,083	39,340
Short leasehold quarry land	4,427	351	-	-	4,778	4,433	4,784
Buildings	10,712	1,976	-	118	12,806	34,652	45,761
Plant and machinery, equipment, vehicles and construction in progress	227,005	22,606	(10,043)	7,438	247,006	187,438	200,041
Total	242,144	24,933	(10,043)	7,556	264,590	234,606	289,926

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP 31.12.05 (restated)	COST: Beginning of period RM'000	Additions RM'000	Break-up Adjustments # RM'000	Disposals/ Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000	End of period RM'000
Freehold land	23,565	-	16,384	-	526	(1,135)	39,340
Long leasehold land	1,130	-	-	-	(1,130)	-	-
Short leasehold quarry land	13,133	-	-	-	(3,922)	-	9,211
Buildings	50,974	525	5,337	(29)	37	(371)	56,473
Plant and machinery, equipment, vehicles and construction in progress	450,288	17,116	(4,413)	(28,400)	(563)	(6,982)	427,046
Total	539,090	17,641	17,308	(28,429)	(5,052)	(8,488)	532,070

These adjustments arose from the preparation of the Financial Statements of a foreign group of subsidiaries on a break-up basis as disclosed in Note 39 to the Financial Statements.

GROUP 31.12.05 (restated)	ACCUMULATED DEPRECIATION						NET BOOK VALUE	
	Beginning of period RM'000	Charge for the period RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	Reclassifications RM'000	End of period RM'000	End of period RM'000	Beginning of period RM'000
Freehold land	-	-	-	-	-	-	39,340	23,565
Long leasehold land	90	6	-	-	(96)	-	-	1,040
Short leasehold quarry land	3,455	2,265	-	-	(1,293)	4,427	4,784	9,678
Buildings	9,678	961	-	-	73	10,712	45,761	41,296
Plant and machinery, equipment, vehicles and construction in progress	243,354	13,627	(23,710)	(6,193)	(73)	227,005	200,041	206,934
Total	256,577	16,859	(23,710)	(6,193)	(1,389)	242,144	289,926	282,513

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY 31.12.06	COST Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment, vehicles and construction in progress	**2,113**	**257**	**(286)**	**2,084**

	ACCUMULATED DEPRECIATION Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment, vehicles and construction in progress	**1,735**	**186**	**(285)**	**1,636**

	NET BOOK VALUE End of period RM'000	Beginning of period RM'000
Plant and machinery, equipment, vehicles and construction in progress	**448**	**378**

COMPANY 31.12.05	COST Beginning of period RM'000	Additions RM'000	Disposals RM'000	End of period RM'000
Plant and machinery, equipment and vehicles	2,125	-	(12)	2,113

	ACCUMULATED DEPRECIATION Beginning of period RM'000	Charge for the period RM'000	Disposals RM'000	End of period RM'000
Plant and machinery, equipment and vehicles	1,642	105	(12)	1,735

	NETBOOKVALUE End of period RM'000	Beginning of period RM'000
Plant and machinery, equipment and vehicles	378	483

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM134,268,000 (31.12.05 : RM140,942,000).

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment of certain subsidiaries with a carrying value of RM182,074,000 (31.12.05 : RM214,861,000) have been charged as security for banking facilities granted to those subsidiaries.

Plant and machinery, equipment and vehicles of the Group and of the Company with carrying values of RM5,193,000 (31.12.05 : RM6,921,000) and RM167,000 (31.12.05 : RM256,000), respectively were acquired under hire purchase arrangements.

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets costing RM60,069,000 (31.12.05 : RM154,724,000) and RM1,439,000 (31.12.05 : RM1,427,000), respectively, which are still in use.

12. SUBSIDIARIES

	COMPANY	
	31.12.06	31.12.05
	RM'000	RM'000
Unquoted shares at cost :		
At beginning of financial year/period	**369,745**	369,745
Additions during the financial year/period	**296**	-
Disposal during the financial year/period	**(8,254)**	-
At end of financial year/period	**361,787**	369,745
Less : Impairment loss	**(262,820)**	(206,663)
	98,967	163,082
Quoted shares at cost :		
At beginning of financial year/period	**25,243**	25,243
Less : Disposal during financial year/period	**(62)**	-
At end of financial year/period	**25,181**	25,243
Loans from subsidiaries	**-**	(55,934)
Loan to a subsidiary	**27,475**	27,475
	151,623	159,866
Market value of quoted shares	**22,604**	24,128

The loans to/(from) subsidiaries are unsecured, interest-free and have no fixed repayment terms.

The investment in quoted shares of a subsidiary of the Group and Company with carrying values of RM35,208,000 (31.12.05 : RM35,208,000) and RM18,470,000 (31.12.05 : RM18,470,000) respectively is pledged to local financial institutions as collateral for credit facilities extended to the Company.

The subsidiaries are listed in Note 38 to the Financial Statements.

13. ASSOCIATES

	GROUP		COMPANY	
	31.12.06 RM'000	31.12.05 RM'000	**31.12.06 RM'000**	31.12.05 RM'000
Unquoted shares at cost :				
At beginning of financial year/period	**6,641**	6,697	**3,500**	3,500
Share of post-acquisition reserves	**(468)**	(56)	**-**	-
At end of financial year/period	**6,173**	6,641	**3,500**	3,500

The Group's interest in associates is analysed as follows :

	GROUP	
	31.12.06 RM'000	31.12.05 RM'000
Share of net tangible assets	**6,173**	6,641

Details of the associates are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest **31.12.06 %**	Effective Group Interest 31.12.05 %
Hexachase Corporation Sdn. Bhd.	Desktop publishing and manufacturing of labels and packaging materials	Malaysia	**50.0**	50.0
Batamas Sdn. Bhd.	Manufacture of calcium silicate bricks	Malaysia	**20.2**	18.4

The Group's effective interest in Batamas Sdn. Bhd. is by virtue of its subsidiary, Rock Chemical Industries (Malaysia) Berhad's direct interest of 33% in the said company and the Group is in a position to exercise significant influence through management participation.

14. JOINTLY CONTROLLED ENTITY

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Unquoted shares at cost	**604**	604
Share of post-acquisition reserves	**3,893**	3,893
	4,497	4,497
Less : Disposal during the year	**(4,497)**	-
	-	4,497

The Group disposed of its entire equity interest in a jointly controlled entity during the financial year. The disposal resulted in a loss of RM3.1 million as disclosed in Note 6 to the financial statements.

The Group's interest in jointly controlled entity is analysed as follows :

Share of net tangible assets	**-**	4,497

Details of the jointly controlled entity are as follows :

Name of Jointly Controlled Entity	Principal Activities	Country of Incorporation	Effective Group Interest 31.12.06 %	31.12.05 %
Mega Fortris (Malaysia) Sdn. Bhd. *	Manufacturing and trading of security seals	Malaysia	**-**	51.0

* This company was treated as a Jointly Controlled Entity pursuant to FRS 127 and FRS 131 as the Group shared management control with its joint venture partner.

15. INVESTMENTS

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Quoted shares in Malaysia at cost :				
At beginning of financial year/period	**156**	904	**-**	598
Additions during the financial year/period	**8,173**	1,600	**-**	-
	8,329	2,504	**-**	598
Disposals during the financial year/period	**-**	(2,348)	**-**	(598)
At end of financial year/period	**8,329**	156	**-**	-
Market value of quoted shares in Malaysia	**8,267**	138	**-**	-

16. PREPAID LEASE PAYMENTS

	GROUP		COMPANY	
	31.12.06	31.12.05 (restated)	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Cost	**5,052**	5,052	**-**	-
Accumulated amortisation	**(1,581)**	(1,389)	**-**	-
Exchange fluctuation adjustment	**25**	-	**-**	-
Net book value	**3,496**	3,663	**-**	-
Accumulated amortisation :				
At beginning of financial year/period	**1,389**	1,293	**-**	-
Amortisation during the financial year/period	**192**	96	**-**	-
At end of financial year/period	**1,581**	1,389	**-**	-

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Analysed as :				
Long term leasehold land	**1,024**	1,034	**-**	-
Short term leasehold land	**2,472**	2,629	**-**	-
	3,496	3,663	**-**	-

Leasehold land with an aggregate carrying value of RM1,698,000 (31.12.05 : RM1,724,000) are pledged as security for borrowings (Note 27).

17. INVESTMENT PROPERTIES

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Leasehold land at cost		
At beginning of financial year/period	**24,338**	24,332
Additions during the financial year/period	**6,580**	6
At end of financial year/period	**30,918**	24,338

18. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
At Cost		
At beginning of financial year/period :		
Freehold land	**4,444**	4,444
Leasehold land	**11,780**	12,636
Development expenditure	**70,085**	70,012
Impairment loss	**(4,055)**	-
	82,254	87,092

18. LAND HELD FOR PROPERTY DEVELOPMENT (cont'd)

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
(Disposal)/Additions during the financial year/period :		
Leasehold land	**(4,311)**	-
Development expenditure	**1,132**	569
	(3,179)	569
Transfer to property development costs :		
Freehold land	**(20)**	-
Leasehold land	**(6,686)**	(856)
Development expenditure	**(5,577)**	(496)
	(12,283)	(1,352)
Impairment loss during the financial year/period	**-**	(4,055)
At end of financial year/period :		
Freehold land	**4,424**	4,444
Leasehold land	**783**	11,780
Development expenditure	**65,640**	70,085
Impairment loss	**(4,055)**	(4,055)
	66,792	82,254

Land held for property development of certain subsidiaries with carrying values of RM30,448,000 (31.12.05 : RM26,442,000) have been charged as security for banking facilities granted to those subsidiaries.

19. PROPERTY DEVELOPMENT

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
At Cost		
At beginning of financial year/period :		
Freehold land	**2,551**	2,551
Leasehold land	**2,722**	2,713
Development costs	**102,563**	101,905
	107,836	107,169
Costs incurred during the financial year/period :		
Freehold land	**20**	-
Leasehold land	**6,722**	856
Development costs	**19,599**	9,516
	26,341	10,372
Cost for completed projects :		
Leasehold land	**-**	(847)
Development costs	-	(8,858)
	-	(9,705)

19. PROPERTY DEVELOPMENT (cont'd)

	GROUP 31.12.06 RM'000	GROUP 31.12.05 RM'000
Property development cost at end of financial year/period :		
Freehold land	**2,571**	2,551
Leasehold land	**9,444**	2,722
Development costs	**122,162**	102,563
	134,177	107,836
Costs recognised in income statement :		
At beginning of financial year/period	**100,115**	99,695
Recognised during the year/period	**15,849**	10,125
Cost recognised for completed projects	**-**	(9,705)
At end of financial year/period	**115,964**	100,115
Allowance for foreseeable loss	**(606)**	(645)
Property development cost at end of financial year/period	**17,607**	7,076
Progress Billings recognised as revenue :		
Cumulative Progress Billings recognised at beginning of financial year/period	**121,582**	121,202
Progress Billings taken to Income Statement during the year/period	**23,308**	13,695
Progress Billings recognised for completed projects	**-**	(13,315)
	144,890	121,582
Progress billings :		
Cumulative Progress Billings at beginning of financial year/period	**123,141**	124,779
Progress Billings raised during the year/period	**21,805**	11,677
Progress Billings for completed projects	**-**	(13,315)
Cumulative Progress Billings at end of financial year/period	**144,946**	123,141
Progress Billings recognised but not billed	**(56)**	(1,559)
Net Balance at end of financial year/period	**17,551**	5,517

The Group considers that portion of property development projects on which development work has commenced and is expected to be completed within the normal operating cycle of two to three years as current assets.

Certain subsidiaries have entered into various joint-venture agreements with third parties to develop the joint-venture partners' land into housing estates, industrial estates and commercial properties.

Current year/period charges to the property development expenditure include the following :

	GROUP 31.12.06 RM'000	GROUP 31.12.05 RM'000
Interest on :		
Term loans	**146**	114
Bank overdrafts	**85**	10
Bridging loan	**106**	48

20. GOODWILL ON CONSOLIDATION

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
At beginning of financial year/period	**7,785**	8,157
Amortisation of goodwill	**-**	(372)
At end of financial year/period	**7,785**	7,785

21. INVENTORIES

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
At Cost :		
Finished goods and work-in-progress	**8,385**	7,327
Raw materials and consumables	**19,343**	19,853
Completed houses for sale	**7,045**	8,677
	34,773	35,857
At Net Realisable Value :		
Completed properties for sale	**3,460**	3,460
Less : Allowance for write-down	**(640)**	(640)
	2,820	2,820
	37,593	38,677

Inventories amounting to RM269,000 (31.12.05 : RM15,206,000) of certain subsidiaries have been pledged to financial institutions for credit facilities granted to those subsidiaries.

22. RECEIVABLES

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**115,461**	94,206	**-**	-
Less : Allowance for doubtful debts	**(15,098)**	(14,393)	**-**	-
	100,363	79,813	**-**	-
Other receivables				
Sundries	**24,136**	22,011	**3,413**	654
Less : Allowance for doubtful debts	**(4,418)**	(4,418)	**(100)**	(100)
	19,718	17,593	**3,313**	554
Refundable deposits	**986**	954	**105**	98
Prepaid expenses	**757**	1,047	**27**	34
Tax recoverable	**4,081**	6,489	**1,544**	2,994
Progress payments to contractors	**476**	297	**-**	-
Amount owing by subsidiaries	**-**	-	**131,931**	91,587
	26,018	26,380	**136,920**	95,267
	126,381	106,193	**136,920**	95,267

22. RECEIVABLES (cont'd)

Trade receivables of the Group represent amounts receivable for the sale of goods, electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 days to 120 days (31.12.05 : 21 days to 120 days).

The amount owing by subsidiaries is unsecured, interest-free and has no fixed repayment terms.

The currency profile of the receivables of the Group is as follows :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables				
Ringgit Malaysia	**52,170**	36,953	**-**	-
Great Britain Pound	**1,748**	1,629	**-**	-
Chinese Renminbi	**38,352**	36,827	**-**	-
United States Dollar	**39**	92	**-**	-
South African Rand	**8,054**	4,312	**-**	-
	100,363	79,813	**-**	-
Sundry receivables				
Ringgit Malaysia	**11,875**	6,962	**3,313**	554
Great Britain Pound	**-**	456	**-**	-
United States Dollar	**7,784**	9,249	**-**	-
South African Rand	**59**	926	**-**	-
	19,718	17,593	**3,313**	554

23. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed financial institutions	**47,895**	59,143	**-**	-
Cash and bank balances	**47,294**	32,468	**533**	1,532
Housing Development Accounts	**5,561**	3,914	**-**	-
	100,750	95,525	**533**	1,532

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 2.50% to 5.12% (31.12.05 : 2.40% to 4.04%) per annum and have maturity periods of one week to one year (31.12.05 : one month).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts consist of monies received from house purchasers to be utilised for property development expenditure after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

23. BANK BALANCES AND DEPOSITS (cont'd)

The currency profile of the bank balances and deposits of the Group is as follows :

	GROUP		COMPANY	
	31.12.06 RM'000	31.12.05 RM'000	**31.12.06 RM'000**	31.12.05 RM'000
Bank balances and deposits				
Ringgit Malaysia	**64,093**	71,714	**530**	1,529
Chinese Renminbi	**34,841**	21,881	**1**	1
United States Dollar	**1,813**	1,918	**1**	-
Others	**3**	12	**1**	2
	100,750	95,525	**533**	1,532

24. NON-CURRENT ASSET HELD FOR SALE

The non-current asset classified as held for sale on the Group's balance sheet as at 31 December 2006 is as follows :

	Carrying amount immediately before classification RM'000	Allocation of remeasurement RM'000	Carrying amount as at 31.12.2006 RM'000
Non-current asset held for sale	40,196	-	40,196

The non-current asset held for sale is in respect of the freehold factory land and building sold on 1 September 2006 by BEL for a cash consideration of £5,750,000. The disposal of the freehold factory land and building has not been recognised in the Financial Statements as the balance of the selling price amounting to £5,250,000 is only receivable within 15 months from the date of the sale and purchase agreement.

With effect from the six month financial period ended 31 December 2005, the financial statements of BEL have been consolidated on a break-up basis. Consequently, the disposal of the freehold factory land and building will not have any financial impact on MFCB Group.

25. SHARE CAPITAL

	GROUP/COMPANY	
	31.12.06 RM'000	31.12.05 RM'000
Ordinary shares of RM1.00 each :		
Authorised		
500,000,000 shares of RM1 each	**500,000**	500,000
Issued and fully paid		
236,000,000 shares of RM1 each	**236,000**	236,000

26. RESERVES

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable reserves *				
Share premium	**33,380**	33,380	**33,380**	33,380
Capital reserve	**2,213**	2,213	**-**	-
Share option reserve #	**28**	-	**28**	-
Translation reserve	**6,650**	8,171	**-**	-
	42,271	43,764	**33,408**	33,380
Accumulated profits/(losses)	**36,548**	(3,625)	**7,438**	(94,174)
	78,819	40,139	**40,846**	(60,794)

* These reserves are not distributable by way of cash dividends.

\# The share option reserve represents the cumulative value of options cost recognised in the Financial Statements.

27. LONG TERM BORROWINGS

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Secured :		
Bonds	**25,000**	33,000
Term loans	**28,648**	36,088
	53,648	69,088
Less : Portion payable within 12 months (Note 31)		
Secured	**(23,663)**	(28,840)
Non-current	**29,985**	40,248

The non-current portion is repayable as follows :

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Between 1 - 2 years	**16,756**	18,027
Between 2 - 5 years	**10,826**	18,436
After 5 years	**2,403**	3,785
	29,985	40,248

27. LONG TERM BORROWINGS (cont'd)

The currency profile of long term borrowings of the Group is as follows :

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Ringgit Malaysia	**29,985**	40,248

Bonds

On 11 September 2000, a subsidiary issued RM75 million fixed rate serial bonds to refinance its then existing term loans. These bonds consist of ten series and bear interest at rates ranging from 5.80% to 9.20% per annum with each series carrying varying fixed interest rates. The bonds are redeemable in full by September 2010.

The bonds are secured by way of a debenture covering first fixed and floating charges over all the assets, properties and undertakings, present and future and deeds of assignment over the said subsidiary's rights under various agreements pertaining to the operation of a power plant.

Term Loans

The term loan of a foreign subsidiary is secured by a charge over its freehold properties and plant and machinery with a total carrying value of RM49,641,000 (31.12.05 : RM51,354,000) and bears interest at a rate of 2.50% (31.12.05 : 2.50%) per annum above the cost of funds.

The term loans of certain subsidiaries are secured by charges over their property, plant and equipment with a carrying value of RM107,078,000 (31.12.05 : RM119,443,000), floating assets and certain land held under property development with a carrying value of RM30,448,000 (31.12.05 : RM26,442,000). These loans bear interest at a rate of 1.00% (31.12.05 : 0.75% to 2.50%) per annum above the base lending rate.

28. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Hire purchase payables	**3,615**	6,287	**90**	161
Less : Portion payable within 12 months (Note 30)	**(993)**	(2,295)	**(62)**	(71)
Non-current portion	**2,622**	3,992	**28**	90

The non-current portion is payable as follows :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Between 1 - 2 years	**1,305**	2,834	**28**	62
Between 2 - 5 years	**1,317**	1,158	**-**	28
	2,622	3,992	**28**	90

The hire purchase payables bear interest at rates ranging from 3.20% to 11.20% (31.12.05 : 3.20% to 11.20%) per annum.

29. DEFERRED TAXATION

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
At beginning of financial year/period	**26,170**	28,678
Transfer to income statements (Note 8)	**1,553**	(1,382)
Translation reserve	**(226)**	(31)
Break-up adjustments #	**-**	(1,095)
At end of financial year/period	**27,497**	26,170

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
The deferred taxation represents the tax effects of :		
- Temporary differences of capital allowances and depreciation	**21,922**	20,782
- Group cost from acquisition of land based companies	**5,575**	5,575
- Others	**-**	(187)
	27,497	26,170

\# These adjustments arose as a result of the preparation of the Financial Statements of a foreign group of subsidiaries on a break-up basis as disclosed in Note 39 to the Financial Statements.

As of 31 December 2006, the amount of net deferred tax asset, calculated at the current tax rate, is as follows :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Differences of capital allowances and depreciation	**(8)**	(13)	**(8)**	(1)
Unabsorbed capital allowances	**753**	290	**311**	289
Unutilised tax losses	**30,992**	30,627	**-**	-
Others	**(727)**	(727)	**-**	-
Net deferred tax asset	**31,010**	30,177	**303**	288

Deferred tax assets have not been recognised in respect of the unabsorbed capital allowances and unutilised tax losses as they have arisen in subsidiaries that have a history of losses and it is not probable that there will be future profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2006, the Group has unutilised reinvestment allowances of RM26,529,000 (31.12.05 : RM17,717,000) available to be carried forward to be offset against future taxable income. Reinvestment allowances have not been recognised as deferred tax assets as this temporary difference arose from the initial recognition of an asset in a transaction which is not a business combination and at the time of transaction, affecting neither accounting nor taxable profit.

30. PAYABLES

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**33,843**	34,781	**-**	-
Other payables				
Accrued expenses	**13,693**	11,371	**669**	615
Pension liability #	**27,669**	31,051	**-**	-
Provision	**1,000**	1,000	**-**	-
Dividend payable to minority shareholders	**-**	19,682	**-**	-
Amount due to contractors for capital expansion	**3,621**	4,592	**-**	-
Hire purchase payables (Note 28)	**993**	2,295	**62**	71
Sundries	**17,281**	18,741	**45**	1,053
Amount owing to subsidiaries	**-**	-	**11,366**	79,498
	64,257	88,732	**12,142**	81,237
	98,100	123,513	**12,142**	81,237
Provision comprises the provision for loss on liquidation of a subsidiary	**1,000**	1,000	**-**	-

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 23 days to 120 days (31.12.05 : 30 days to 90 days).

Included in the amount owing to subsidiaries is an amount of RM12,800,000 (31.12.05 : RM31,662,683) which bears interest ranging from 3.50 % to 6.72% (31.12.05 : 3.50% to 5.90%) per annum.

During the financial year, the financial statements of a foreign group of subsidiaries were prepared on a break-up basis as disclosed in Notes 3 and 38 to the Financial Statements.

The currency profile of the payables of the Group is as follows :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Trade payables				
Ringgit Malaysia	**19,807**	19,582	**-**	-
Great Britain Pound	**4,176**	4,507	**-**	-
Chinese Renminbi	**4,290**	3,596	**-**	-
South African Rand	**5,570**	7,096	**-**	-
	33,843	34,781	**-**	-
Hire purchase payables				
Ringgit Malaysia	**62**	85	**62**	71
South African Rand	**931**	2,210	**-**	-
	993	2,295	**62**	71
Sundry payables				
Ringgit Malaysia	**16,455**	14,720	**45**	1,053
Great Britain Pound	**-**	875	**-**	-
Chinese Renminbi	**4,447**	27,420	**-**	-
	20,902	43,015	**45**	1,053
Amount owing to subsidiaries				
Ringgit Malaysia	**-**	-	**11,366**	79,498

31. SHORT TERM BORROWINGS

		GROUP		COMPANY	
		31.12.06	31.12.05	**31.12.06**	31.12.05
		RM'000	RM'000	**RM'000**	RM'000
Bank overdrafts	- secured	**12,121**	7,336	**-**	-
	- unsecured	**8**	10	**8**	10
Revolving credits	- secured	**4,700**	23,563	**-**	-
	- unsecured	**4,000**	4,000	**4,000**	4,000
Short term loans	- secured	**27,900**	28,215	**-**	-
Long term borrowings due within 12 months (Note 27)		**23,663**	28,840	**-**	-
		72,392	91,964	**4,008**	4,010

The currency profile of the short term borrowings of the Group and of the Company is as follows :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**23,106**	40,171	**4,008**	4,010
Great Britain Pound	**16,415**	19,747	**-**	-
Chinese Renminbi	**27,900**	27,540	**-**	-
South African Rand	**4,971**	4,506	**-**	-
	72,392	91,964	**4,008**	4,010

The bank overdrafts and revolving credits of the Group and of the Company bear interest at rates ranging from 0.75% to 2.50% (31.12.05 : 1.25% to 2.50%) per annum above the base lending rate and/or cost of funds.

Short term loans of the Group amounting to RM27,900,000 (31.12.05 : RM27,540,000) bear interest at a rate of 5.58% (31.12.05 : 5.22%) per annum whilst the remaining balance of RM675,000 in the previous year bears interest at the rate of 1.50% per annum above the base lending rate.

In respect of secured borrowings, the nature of security is as follows :

(1) Pledges of quoted shares of a subsidiary (Note 12);

(2) Charges on land under property development with a total carrying value of RM30,448,000 (31.12.05 : RM26,442,000) of certain subsidiaries;

(3) Charges on certain property, plant and equipment with a total carrying value of RM5,574,000 in the previous period and floating assets of a subsidiary; and

(4) Charges on certain property, plant and machinery with a carrying value of RM14,880,000 (31.12.05 : RM44,064,000) of a foreign subsidiary.

32. NET ASSETS PER ORDINARY SHARE

Net assets per ordinary share has been calculated based on the Group's shareholders funds as of 31 December 2006 of RM314,819,000 (31.12.05 : RM276,139,000) and on 236,000,000 (31.12.05 : 236,000,000) ordinary shares of RM1.00 in issue.

33. COMMITMENTS

As of 31 December 2006, the Group has the following commitments :

	GROUP	
	31.12.06	31.12.05
	RM'000	RM'000
Capital commitments :		
Property, plant and equipment		
Authorised but not provided for :		
Contracted	**11,030**	1,245
Not contracted	**13,248**	5,947
	24,278	7,192

34. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Unsecured :				
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah	**5,892**	5,100	**-**	-
Secured :				
Guarantee given to a financial institution for facilities extended to a subsidiary	-	-	**9,700**	23,563

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts :

	GROUP		COMPANY	
	31.12.06	31.12.05	**31.12.06**	31.12.05
	RM'000	RM'000	**RM'000**	RM'000
Bank balances and deposits (Note 23)	**100,750**	95,525	**533**	1,532
Bank overdrafts (Note 31)	**(12,129)**	(7,346)	**(8)**	(10)
	88,621	88,179	**525**	1,522

36. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives And Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign Currency Risk

The Group has foreign subsidiaries and is exposed to various foreign currency risks. The Group borrows in the currency of the country in which the property or investment is located.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to acceptable levels.

(ii) Interest Rate Risk

The Group is exposed to interest rate risks through the impact of rate changes on interest bearing borrowings and fixed deposits. The interest rates of the Group's borrowings are disclosed in Notes 27, 28 and 31 to the Financial Statements and the interest rates of the Group's fixed deposits are disclosed in Note 23 to the Financial Statements.

(iii) Price Risk

The Group's principal exposure to price risks arises mainly from changes in quoted securities prices. Price risk is monitored closely and managed to an acceptable level.

(iv) Credit Risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

(v) Liquidity Risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirements for working capital.

(vi) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows.

Financial Assets

The Group's principal financial assets are bank balances and deposits, trade and other receivables and investments.

The Company's principal financial assets are bank balances and deposits, other receivables and the amount owing by subsidiaries.

The accounting policies applicable to the major financial assets are as disclosed in Note 3 to the Financial Statements.

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, borrowings and hire purchase payables.

Significant financial liabilities of the Company include sundry payables, borrowings and hire purchase payables.

Borrowings are recorded at the proceeds received net of transaction costs and finance charges and are accounted for on an accrual basis.

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values and the estimated fair values of the Group's and the Company's financial instruments as of 31 December 2006 are as follows :

		GROUP		COMPANY	
31.12.2006	**Note**	**Carrying Value RM'000**	**Fair Value RM'000**	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Liabilities					
Term loans	27	**28,648**	**28,648**	**-**	**-**
Bonds	27	**25,000**	**25,000**	**-**	**-**
Hire purchase payables	28	**3,615**	**3,615**	**90**	**90**

Term Loans, Bonds And Hire Purchase Payables

The fair values of term loans, bonds and hire purchase payables are estimated using the discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of these liabilities as of the balance sheet date.

Cash And Cash Equivalents, Receivables, Payables, Short-Term Borrowings and Inter-Company Indebtedness

The carrying amounts approximate fair values because of the short maturity period for these instruments.

37. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into the following main divisions :

Division	Description
Power	Build, own and operate power plants
Property	Property development
Limestone	Quarrying of limestone and manufacturing and trading of calcium carbonate powder and lime based products.
Engineering	Engineering, design and manufacturing of automotive and transportation component.
Investment holding	Investment holding

37. SEGMENT INFORMATION (cont'd)

GROUP 31.12.06	Continuing Operations					
	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
Revenue						
External sales	338,044	23,628	49,167	67,548	-	478,387
Results						
Profit/(Loss) from operations	89,968	5,224	8,226	6,764	(7,293)	102,889
Finance costs						(7,771)
Share of results in associates						(442)
Share of results in jointly controlled entity						-
Income tax expense						(16,968)
Profit after tax						77,708
Minority interests						(31,588)
Net profit for the year						46,120
Other information						
Capital expenditure	9,936	564	2,832	5,124	260	18,716
Depreciation and amortisation	17,711	463	4,681	2,072	198	25,125
Assets						
Segment assets	316,818	152,219	102,290	85,802	17,268	674,397
Investment in associates	-	-	2,400	-	3,773	6,173
Consolidated total assets						680,570
Liabilities						
Segment liabilities	104,190	25,859	26,435	71,096	13,258	240,838

37. SEGMENT INFORMATION (cont'd)

GROUP 31.12.05	Continuing Operations Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
Revenue						
External sales	171,019	13,695	13,183	56,239	438	254,574
Results						
Profit/(Loss) from operations	49,946	(51)	(1,034)	5,237	(4,109)	49,989
Finance costs						(4,931)
Share of results in associates						(76)
Share of results in jointly controlled entity						1,307
Income tax expense						(9,055)
Profit after tax						37,234
Minority interests						(16,193)
Net profit for the period						21,041
Other information						
Capital expenditure	4,560	8	6,511	6,562	-	17,641
Depreciation and amortisation	8,868	286	3,897	3,934	246	17,231
Assets						
Segment assets	293,907	144,725	99,289	87,470	28,643	654,034
Investment in associates	-	-	2,892	-	3,749	6,641
Investment in jointly controlled entity	-	-	-	-	4,497	4,497
Consolidated total assets						665,172
Liabilities						
Segment liabilities	147,909	31,842	23,548	81,548	8,047	292,894

37. SEGMENT INFORMATION (cont'd)

Geographical segments

Analysis by geographical segments :

	Revenue		Carrying value of segment assets		Capital additions	
	31.12.06 RM'000	31.12.05 RM'000	**31.12.06 RM'000**	31.12.05 RM'000	**31.12.06 RM'000**	31.12.05 RM'000
Malaysia	**179,203**	83,339	**420,530**	409,305	**9,143**	7,099
United Kingdom	**-**	24,598	**50,040**	57,492	**2,446**	448
The People's Republic of China	**237,117**	118,940	**186,678**	177,639	**5,781**	4,554
South Africa	**62,067**	27,697	**23,322**	20,736	**1,346**	5,540
	478,387	254,574	**680,570**	665,172	**18,716**	17,641

38. SUBSIDIARIES

Details of the subsidiaries as of 31 December 2006 are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest 31.12.06 %	Effective Group Interest 31.12.05 %
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Equity Group Investments Ltd	Investment holding	British Virgin Islands	**100**	100
Mamut Copper Mining Sdn. Bhd.	Dormant	Malaysia	**100**	100
Geo-Mobile Asia (HK) Limited	Dormant	Hong Kong	**100**	100
MCM Nurseries Sdn. Bhd.	Dormant	Malaysia	**100**	100
Cheng Sun Industries Sdn. Bhd.	Investment holding	Malaysia	**99.6**	99.6
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	**99.6**	99.6
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	**100**	100
Propera Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Industries Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Consotech Sdn. Bhd.	Dormant	Malaysia	**100**	100
MFCB Marketing Sdn. Bhd.	Dormant	Malaysia	**100**	100
Grassum Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Development Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Ventures Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	**100**	97.2
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, design and manufacture of automotive and transportation components	Malaysia	**95.0**	92.3

38. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 31.12.06 %	31.12.05 %
Bloxwich Engineering Limited **#	Engineering, design and manufacture of automotive and transportation components	United Kingdom	**100**	97.2
Bloxwich Automotive Limited **#	Engineering, design and manufacture of components for automotive and building industries	United Kingdom	**100**	97.2
Bloxwich Transportation Products Limited **#	Engineering, design and manufacture of components for transportation and security industries	United Kingdom	**100**	97.2
Bloxwich Security Products Limited **#	Dormant	United Kingdom	**100**	97.2
APM (Advanced Presswork Manufacturers) Limited **#	Dormant	United Kingdom	**100**	97.2
Bloxwich Fabrications Limited **#	Dormant	United Kingdom	**100**	97.2
Bloxwich Group Pensions Limited **#	Pension Fund Trustee	United Kingdom	**100**	97.2
Bloxwich South Africa (Pty) Limited **	Dormant	Republic of South Africa	**100**	97.2
Bloxwich Forgings (Pty) Limited **	In liquidation	Republic of South Africa	**100**	97.2
Bloxwich Industries (Pty) Limited **	Manufacture of automotive components	Republic of South Africa	**100**	97.2
Bloxwich Tool & Die (Pty) Limited **	Dormant	Republic of South Africa	**100**	97.2
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	**100**	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	**100**	100

38. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 31.12.06 %	31.12.05 %
Mega First Properties Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Property Management Sdn. Bhd.	Dormant	Malaysia	**100**	100
Gombak Land Sdn. Bhd.	Property development	Malaysia	**100**	100
Community Consortium Sdn. Bhd.	Property development	Malaysia	**100**	100
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	**100**	100
Empayar Permai Sdn. Bhd.	Property development	Malaysia	**100**	100
Highland Resources Sdn. Bhd.	Property development	Malaysia	**100**	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	**60.0**	60.0
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	**65.0**	65.0
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	**100**	100
Serudong Power Sdn. Bhd.	Build, own and operate a power plant	Malaysia	**51.0**	51.0
Mega First Power Industries Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of power plants	Malaysia	**100**	100
Shaoxing Mega Heat And Power Co. Limited *	Own and operate a power plant	The People's Republic of China	**60.0**	60.0
Rock Chemical Industries (Malaysia) Berhad	Investment holding and provision of management consultancy services	Malaysia	**60.4**	60.5
RCI Ventures Sdn. Bhd. (formerly known as RCI Concrete Products Sdn. Bhd.)	Investment holding	Malaysia	**60.4**	60.5
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and as limestone quarry operator	Malaysia	**60.4**	60.5

38. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 31.12.06 %	31.12.05 %
RCI Minerals Sdn. Bhd.	Dormant	Malaysia	**60.4**	60.5
RCI Marketing Sdn. Bhd.	Trading of building and construction materials	Malaysia	**60.4**	60.5
Bayangan Sutera Sdn. Bhd.	Investment holding	Malaysia	**100**	100
MFFB International Ltd	Trading in food and beverages	British Virgin Islands	**100**	100
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Authentic Excellence Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Mega First Resources Sdn. Bhd.	Dormant	Malaysia	**100**	100
Jitu Optima Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Online Sdn. Bhd.	Dormant	Malaysia	**100**	100

* The Financial Statements of these companies are examined by auditors other than the auditors of the Company.

** The Financial Statements of these companies are examined by member firms of Horwath International.

The Financial Statements of the BEL Group have been prepared on a break-up basis.

39. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

One of the foreign group of subsidiaries, Bloxwich Engineering Limited and its subsidiaries ("BEL Group") has been suffering losses and despite a turnaround plan which has been put in place, it is not expected to turnaround in the immediate future.

With effect from 1 October 2005, the immediate and ultimate holding companies of BEL Group, Bloxwich International Sdn. Bhd. ("BISB") and Mega First Corporation Berhad ("MFCB") respectively have indicated that they will not provide any further financial support nor guarantee the present and future liabilities of the BEL Group.

Accordingly, the Directors of the BEL Group, having considered the BEL Group's adverse financial position and results mentioned in the preceding paragraphs, are of the opinion that the appropriate basis of preparing the Financial Statements of the BEL Group for the financial period ended 31 December 2005 and financial year ended 31 December 2006 is on a break-up basis, that is, to record the carrying values of assets and liabilities at their fair values and/or net realisable values and to accrue for additional relevant liabilities as appropriate.

For the financial period ended 31 December 2005, arising from this change in the basis of preparation of the Financial Statements of the BEL Group from a going concern to that of a break-up basis, the Group has consolidated the losses of the BEL Group up to RM36.1 million, which represents the BISB Group's cost of investment in the BEL Group. This resulted in a reversal of losses in excess of the cost of investment amounting to RM10,867,000.

39. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS (cont'd)

The effects on the Group Financial Statements of BEL Group as a result of the change in the basis of preparation of Financial Statements from the going concern basis to that of a break-up basis are as follows :

	31.12.06		31.12.05	
Summarised Balance Sheet	**BEL Group Going concern basis RM'000**	**BEL Group Break-up basis RM'000**	**BEL Group Going concern basis RM'000**	**BEL Group Break-up basis RM'000**
Property, plant and equipment	**11,215**	**9,130**	34,046	51,354
Inventories	**5,936**	**2,377**	9,451	3,975
Trade receivables	**3,495**	**1,748**	2,139	1,629
Other receivables	**573**	**84**	17,096	534
Amount owing by related companies	**-**	**-**	121	-
Non-current asset held for sale	**40,196**	**40,196**	-	-
Trade payables	**(13,713)**	**(13,716)**	(11,974)	(13,073)
Other payables	**(13,215)**	**(15,666)**	(8,674)	(11,933)
Amount owing to related companies	**(3,559)**	**-**	(4,575)	-
Loan	**(12,758)**	**(12,758)**	(18,557)	(17,466)
Overdraft	**(3,657)**	**(3,657)**	(2,292)	(2,281)
Deferred tax	**-**	**-**	(1,095)	-
Pension liability	**-**	**(120,238)**	(30,213)	(116,003)
	14,513	**(112,500)**	(14,527)	(103,264)
Represented by :				
Share capital	**13,435**	**13,435**	13,435	13,435
Share premium	**238**	**238**	238	238
Capital reserve	**5,908**	**5,908**	5,908	5,908
Translation reserve	**23,876**	**23,876**	23,876	23,876
Accumulated losses	**(28,944)**	**(155,957)**	(57,984)	(146,721)
	14,513	**(112,500)**	(14,527)	(103,264)

39. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS (cont'd)

The effects on MFCB Group Financial Statements as a result of the change in the basis of preparation of BEL Group Financial Statements from the going concern basis to that of a break-up basis are as follows :

	31.12.06		31.12.05	
Summarised Balance Sheet	**BEL Group Break-up basis for consolidation RM'000**	**Losses not covered by assets of BEL Group RM'000**	**BEL Group Break-up basis for consolidation RM'000**	**Losses not covered by assets of BEL Group RM'000**
Property, plant and equipment	**9,130**	**-**	51,354	-
Inventories	**2,377**	**-**	3,975	-
Trade receivables	**1,748**	**-**	1,629	-
Other receivables	**84**	**-**	534	-
Non-current asset held for sale	**40,196**	**-**	-	-
Trade payables	**(3,391)**	**(10,325)**	(3,500)	(9,573)
Other payables	**(4,105)**	**(11,561)**	(3,194)	(8,739)
Loan	**(12,758)**	**-**	(17,466)	-
Overdraft	**(3,657)**	**-**	(2,281)	-
Pension liability	**(29,624)**	**(90,614)**	(31,051)	(84,952)
	-	**(112,500)**	-	(103,264)
Represented by :				
Share capital	**13,435**	**-**	13,435	-
Share premium	**238**	**-**	238	-
Capital reserve	**3,076**	**2,832**	3,076	2,832
Translation reserve	**-**	**23,876**	-	23,876
Accumulated losses	**(16,749)**	**(139,208)**	(16,749)	(129,972)
	-	**(112,500)**	-	(103,264)

The BEL Group Financial Statements are consolidated up to MFCB Group cost of investment. Accordingly, adjustments have been made to the BEL Group Financial Statements to reduce the liabilities to the extent that they can be covered by the assets of BEL Group. The excess of liabilities over the assets of the BEL Group amounted to RM112,500,000 (31.12.05 : RM103,264,000).

40. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows :

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
Executive Directors				
- basic salaries, bonus and Employees Provident Fund	**853**	519	**648**	399
- ex-gratia	**315**	-	**315**	-
Non-executive Directors				
- fee	**164**	61	**159**	54
	1,332	580	**1,122**	453

The details of Directors' remuneration received and receivable for the financial year in bands of RM50,000 are as follows :

	GROUP		COMPANY	
	1.1.06 to 31.12.06 RM'000	1.7.05 to 31.12.05 RM'000	**1.1.06 to 31.12.06 RM'000**	1.7.05 to 31.12.05 RM'000
RM100,001 – RM150,000	**-**	1	**-**	-
RM150,001 – RM200,000	**-**	1	**-**	1
RM200,001 – RM250,000	**1**	1	**-**	1
RM250,001 – RM300,000	**-**	-	**-**	-
RM300,001 – RM350,000	**-**	-	**-**	-
RM350,001 – RM400,000	**1**	-	**-**	-
RM400,001 – RM450,000	**-**	-	**-**	-
RM450,001 – RM500,000	**-**	-	**-**	-
RM500,001 – RM550,000	**-**	-	**-**	-
RM550,001 – RM600,000	***1**	-	***1**	-
Non-executive directors				
- Below RM50,000	**9**	6	**9**	6

* Amount includes an ex-gratia payment of RM315,000 to a former Executive Director of the Company.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

There was no significant related party transaction during the financial year other than as disclosed in Note 43(e).

42. GENERAL INFORMATION

The total number of employees, including Directors, of the Group and of the Company at the end of the financial year was 728 (31.12.05 : 784) and 17 (31.12.05 : 19), respectively.

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office and principal place of business is located at 8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

43. SIGNIFICANT CORPORATE EVENTS

(a) On 29 June 2006, Mega First Corporation Berhad ("MFCB") acquired 490,000 fully paid shares of RM1.00 each representing a 2.78% share in its 97.22% owned subsidiary Bloxwich International Sdn. Bhd. ("BISB") for a total cash consideration of RM196,000. The purchase consideration was arrived at on a willing-seller willing-buyer basis. With this acquisition, BISB is now a wholly-owned subsidiary of MFCB.

(b) On 23 March 2006, MFCB signed an agreement ("Agreement") with the Government of the Lao People's Democratic Republic ("PDR") on 23 March 2006 with a view to develop and implement on, a build, operate and transfer basis, a hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos PDR ("Don Sahong Project").

Under the Agreement, MFCB is conferred the exclusive mandate to carry out studies on the feasibility of the Don Sahong Project over a period of eighteen (18) months from the signing of the Agreement or such extended period as the parties may mutually agree ("Mandate Period"). During the Mandate Period, MFCB shall, inter-alia, carry out Feasibility and Environmental Impact Assessment and Social Impact Assessment studies on the Don Sahong Project and conduct necessary field investigations in relation thereto.

The Don Sahong Project has an expected generation capacity of 240 MW, and the development cost would be ascertained on completion of the feasibility studies.

(c) On 23 May 2006, two (2) wholly-owned subsidiaries of MFCB, namely Mega First Ventures Sdn. Bhd. and Mega First Corporate Services Sdn. Bhd. entered into a conditional sale and purchase agreement with Mr. Ng Meng Kee for the disposal of its 51% equity interest in the jointly controlled entity, Mega Fortris (Malaysia) Sdn. Bhd., comprising 582,930 fully paid ordinary shares of RM1.00 each for a total cash consideration of RM1.4 million.

The selling price was arrived at on a willing-seller willing-buyer basis.

The disposal which is in line with MFCB's on-going rationalisation exercise to reduce the number of non-core activities of the Group was completed on 2 October 2006 and resulted in a loss of RM3.097 million arising from the reversal of profits previously consolidated. However, the loss which has been reflected in the financial statements under review will not have a material impact on the net assets of the Group for the financial year ended 31 December 2006.

43. SIGNIFICANT CORPORATE EVENTS (cont'd)

(d) On 1 September 2006, Bloxwich Engineering Limited ("BEL"), a wholly-owned subsidiary of BISB which in turn is a wholly-owned subsidiary of MFCB, entered into a sale and purchase agreement ("SPA") with CJC-Ingleton Limited (a company incorporated and registered in England and Wales) for the disposal of the freehold factory land and building bearing postal address of PO Box No. 4, Bell Lane, Bloxwich, Walsall WS3 2JR, England and measuring approximately 6.5 acres ("the Property"), for a cash consideration of £5,750,000. The sum of £500,000 equivalent to approximately 8.7% of the selling price was received by BEL on execution of the SPA. The balance of the selling price amounting to £5,250,000 is receivable within 15 months from the date of the sale and purchase agreement.

The selling price was arrived on a willing-seller and willing-buyer basis, after taking into account the net book value of the Property of approximately £2,812,000 as at 31 December 2005.

The disposal of the Property which is in line with the turnaround plan for BEL Group will raise funds for working capital requirements and repayment of bank borrowings of BEL Group.

With effect from the six month financial period ended 31 December 2005, the financial statements of BEL have been consolidated on a break-up basis. Consequently, the disposal of the Property will not have any financial impact on MFCB Group.

(e) On 3 October 2006, Bloxwich Transportation Products Limited ("BTP"), a wholly-owned sub-subsidiary of Mega First Corporation Berhad ("MFCB") entered into a sale and purchase agreement with Bloxwich Transport & Container Products Limited (a company incorporated and registered in England and Wales) ("the Purchaser") for the disposal of BTP's container products business for a cash consideration of £200,000.

BTP is a wholly-owned subsidiary of BEL which in turn is a wholly-owned subsidiary of BISB. BISB is a wholly-owned subsidiary of MFCB.

The selling price was arrived on a willing-seller and willing-buyer basis.

The disposal which is in line with the turnaround plan for BEL Group will enable BEL to focus on its core business in automotive components.

With effect from the six month financial period ended 31 December 2005, the financial statements of BEL have been consolidated on a break-up basis. Consequently, the Disposal will not have any financial impact on MFCB Group.

The disposal is a related party transaction as Mr. Michael J Hadden, the former Chief Executive Officer of BEL and Director of BTP, is a Director and has a 70% equity share in the Purchaser.

(f) On 2 November 2006 the Board of Directors of MFCB ("Board") announced in Bursa Malaysia that the Company proposes to undertake an internal restructuring exercise involving the following proposals :

(i) Proposed disposal of 8,180,400 ordinary shares of RM1.00 each held in Serudong Power Sdn. Bhd. ("SPSB") ("SPSB Shares"), representing its entire 51% equity interest in SPSB to Mega First Power Industries Sdn. Bhd. ("MFPI"), a wholly-owned subsidiary of MFCB, for a cash consideration of approximately RM39.27 million ("Proposed Disposal");

(ii) Proposed waiver of debts owed by MFCB to three (3) of its wholly-owned subsidiaries which will result in a gain of approximately RM42.9 million; and

43. SIGNIFICANT CORPORATE EVENTS (cont'd)

(iii) Proposed declaration of an interim dividend by MFPI to MFCB amounting to approximately RM25.00 million.

(Collectively referred to as the "Proposals").

The Proposals will enable the Company to recognise total gains of approximately RM98.91 million and set off the accumulated losses of approximately RM94.17 million. The elimination of the accumulated losses at MFCB company level would better reflect the profitable operations of the MFCB group.

Additionally, the Proposed Disposal shall streamline the entire power plant operations of the MFCB Group under MFPI.

As a result of MFPI acquiring the 51% equity interest in SPSB pursuant to the Proposed Disposal, MFPI would have the obligation under the Malaysian Code on Take-overs and Mergers 1998 ("Code"), to extend a mandatory offer for all the remaining SPSB Shares it does not already own after the Proposed Disposal. MFPI intends to seek an exemption from having to extend the mandatory offer under the provisions of Practice Note 2.9.6 of the Code ("Proposed Exemption").

The Proposed Disposal and Proposed Exemption are conditional upon the following approvals :

(i) Equity Compliance Unit of the Securities Commission ("SC") for the Proposed Disposal; and

(ii) Take-overs and Mergers Department of the SC for the Proposed Exemption.

The Proposals and Proposed Exemption are inter-conditional.

Approvals for the proposed internal restructuring exercise were granted by the SC on 27 December 2006 and this exercise was completed on 29 December 2006.

(g) On 29 January 2007, MFCB announced that it proposes to seek the approval of shareholders for authority to purchase its own shares ("Proposed Share Buy-Back") of up to ten percent (10%) of the issued and paid-up share capital of MFCB as quoted on the Bursa Securities as at the point of purchase. The Proposed Share Buy-Back is subject to compliance with Section 67A of the Act and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase. As at 29 January 2007, the issued and paid-up share capital of MFCB is RM236,658,000 comprising 236,658,000 ordinary shares of RM1 each ("Shares"), and as an illustration, the maximum number of Shares which may be purchased by the Company will not be more than 23,665,800 Shares based on the issued and paid-up share capital of the Company as at 29 January 2007.

MFCB will to utilise its financial resources not immediately required for use, to purchase its own shares. The Proposed Share Buy-Back may enhance the consolidated earnings per share and net assets of MFCB. It may stabilise the supply and demand of MFCB Shares traded on Bursa Securities and thereby supports the fundamental value of the shares.

The Proposed Share Buy-Back has been approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 February 2007.

43. SIGNIFICANT CORPORATE EVENTS (cont'd)

(h) On 2 February 2007, Rock Chemical Industries (Malaysia) Berhad ("RCI") a 60.42% subsidiary of MFCB made a conditional takeover offer for the remaining 3,061,000 ordinary shares representing 66.56% of the issued and paid-up capital of Batamas Sdn. Bhd. ("Batamas") not already owned for a total cash consideration of approximately RM4.6 million or RM1.50 per Batamas ordinary share.

The offer is conditional upon RCI receiving by 5:00 p.m. on 23 February 2007 or such later date(s) as the Board of Directors of RCI may decide, valid acceptances which would result in RCI holding in aggregate, together with such Batamas shares that are already acquired, held or entitled to be acquired or held by RCI, more than 50% of the voting shares of Batamas.

On 15 February 2007, RCI received valid acceptances which resulted in RCI holding more than 50% of the issued and paid-up capital of Batamas and accordingly the takeover offer has become unconditional. As of 26 February 2007, RCI has received valid acceptances of 90.7% of the issued and paid-up capital of Batamas. The closing date for the takeover offer has been extended to 9 March 2007.

STATEMENT BY DIRECTORS

The Directors of **MEGA FIRST CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2006 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance
with a resolution of the Directors,

DR. LIM THIAN SOO

GOH NAN YANG

Kuala Lumpur
27 February 2007

STATUTORY DECLARATION

I, **CHIEW KIAM BOO**, the officer primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
CHIEW KIAM BOO at **KUALA LUMPUR** this
27 February 2007

Before me,

DATO' NG MANN CHEONG
COMMISSIONER FOR OATHS

LIST OF PROPERTIES HELD

As of 31 December 2006

No.	Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
1	Factory land and building	Lot PT839 Mukim of Sg. Raia Kinta District, Perak	19	28,850	Leasehold 60 years (Expires on 2047)	18 Dec 87	n/a	674
2	Quarrying Limestone hill	Lot PT 132 Mukim of Sg. Raia Kinta District, Perak	n/a	36,367	Leasehold 30 years (Expires on 2011)	28 Jul 81	n/a	649
3	Quarrying Limestone hill	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak	n/a	8,099	Leasehold 30 years (Expires on 2022)	26 Feb 92	n/a	3
4	Factory land and building	PT2620 & PT2621 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak	10	12,565	Leasehold 99 years (Expires on 2095)	22 Nov 96	n/a	1,022
5	Factory land and building	Fryers Road / Commercial Road Bloxwich, Walsall, England	44	3,120	Freehold	1970	1993*	8,389
6	Factory land and building	Bell Lane, Bloxwich, Walsall England	91	11,900	Freehold	1915	1993**	15,980
7	Factory land and building	Qi Yang Gong Lu Qi Xian Town Shaoxing County Zhejiang Province People's Republic of China	10	61,960	Leasehold 22 years (Expires on 2019)	1997	n/a	29,287
8	Vacant land held for development	P.T. Nos. 2388,2397 2398, 2401 Mukim Setapak	n/a	5,322	Leasehold 99 years (Expires on 2086)	21 Sep 87	n/a	513
9	Vacant land held for development	P.T. Nos. 134908 134914 Daerah Kinta, Ipoh	n/a	10,072	Leasehold 99 years (Expires on 2094)	30 Mar 95	n/a	3,873
10	Vacant land held for development	P.T. Nos. 1006 to 1037 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	5,248	Leasehold 99 years (Expires on 2082)	27 Mar 93	n/a	1,015
11	Vacant land held for development	P.T. Nos. 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	n/a	191,924	Freehold	31 May 93	n/a	9,100
12	Vacant land held for development	P. T. No. 134909 Greentown	n/a	8,094	Leasehold 99 years (Expires on 2094)	26 Jan 05	n/a	5,548
13	Vacant land held for development	P.T. Nos. 1076 to 1389 1391, 1393, 1395 to 1418 1421-1492 Mukim Dengkil	n/a	345,622	Leasehold 99 years (Expires on 2097)	20 Jun 96	n/a	36,864

No.	Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
14	Quarry and limestone hill	HS(D) KA46712 PT3997 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expires on 29.12.2025)	1996	1996	3,781
15	Office and warehouse	Lot 45158 Gunung Panjang Gopeng Perak Darul Ridzuan	4	22,600	Freehold	1997*	1997*	1,400
16	Integrated lime klin and hydration plant	Lot 45157 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	163
17	Stockyard	Lot 21487 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
18	Stockyard	Lot 45156 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	271
19	Office and warehouse	Lot No. 28 Jalan Pengacara U1/48, Temasya Industrial Park Mukim Damansara District of Petaling Selangor Darul Ehsan	7	892	Freehold	2000*	2000*	1,290

* Subsidiary was acquired after the valuation date.
** The carrying amount of this property has been presented as a non-current asset held for sale on the Group's balance sheet as at 31 December 2006.
n/a Not applicable

STATISTICS ON SHAREHOLDINGS

As at 8 March 2007

ANALYSIS OF SHAREHOLDINGS

Authorised Capital	:	RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.
Issued and Paid-up Capital	:	RM237,245,000 divided into 237,245,000 ordinary shares of RM1.00 each fully paid-up.
Class of Shares	:	Ordinary shares of RM1.00 each.
Voting Rights	:	One vote per ordinary share on a poll One vote per shareholder on a show of hands

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	775	43,970	0.02
100 to 1,000	6,340	5,982,942	2.52
1,001 to 10,000	9,377	35,449,065	14.94
10,001 to 100,000	1,089	28,600,976	12.06
100,001 to less than 5% of issued shares	129	104,475,567	44.04
5% and above of issued shares	2	62,692,480	26.42
Total	17,712	237,245,000	100.00

THIRTY LARGEST SHAREHOLDERS

No.	Name of Securities Account Holder	No. of shares held	%
1)	Amsec Nominees (Tempatan) Sdn Bhd *A/C for Rubber Thread Industries (M) Sdn Bhd*	47,905,000	20.19
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.23
3)	HLB Nominees (Asing) Sdn Bhd *A/C for Keen Capital Investments Limited (SIN 9534-6)*	7,643,000	3.22
4)	PRT Capital Pte Ltd	5,916,500	2.49
5)	Lembaga Tabung Haji	5,000,000	2.11
6)	Amanah Raya Nominees (Tempatan) Sdn Bhd *A/C for Skim Amanah Saham Bumiputera*	4,730,000	1.99
7)	Lembaga Tabung Angkatan Tentera	4,686,200	1.98
8)	ECM Libra Avenue Nominees (Asing) Sdn Bhd *A/C for Keen Capital Investments Ltd (N2-60391)*	4,499,700	1.90
9)	Omega Semiconductor Sdn Bhd	4,340,300	1.83
10)	DB (Malaysia) Nominee (Asing) Sdn Bhd *A/C for Devonshire Assets Limited*	3,218,300	1.36
11)	Grand Terrace Sdn Bhd	2,950,600	1.24
12)	Koay Keng Ling	2,569,800	1.08
13)	Cimsec Nominees (Tempatan) Sdn Bhd *A/C for Yong Ah Ku @ Yeoh Kok Wah (MM 1152)*	1,939,900	0.82
14)	Lanai Etika Sdn Bhd	1,927,200	0.81
15)	Malaysia Nominees (Tempatan) Sdn Bhd *A/C for Great Eastern Life Assurance (M) Bhd*	1,812,200	0.76
16)	AllianceGroup Nominees (Tempatan) Sdn Bhd *A/C for Employees Provident Fund*	1,770,000	0.75
17)	Koay Keng Teik @ Koay Chia Wah	1,760,000	0.74
18)	Shoptra Jaya (M) Sdn Bhd	1,676,000	0.71
19)	HSBC Nominees (Asing) Sdn Bhd *A/C for Dynamic Growth Equity Limited*	1,618,800	0.68
20)	Kumpulan YR Sdn Bhd	1,544,000	0.65
21)	JF Apex Nominees (Tempatan) Sdn Bhd *A/C for Teo Kwee Hock*	1,536,200	0.65
22)	JF Apex Nominees (Tempatan) Sdn Bhd *A/C for Teo Siew Lai*	1,534,800	0.65
23)	Zulkifli bin Hussain	1,515,000	0.64
24)	Koay Keng Huat	1,515,000	0.64
25)	Zulkifli Bin Hussain	1,490,000	0.63
26)	Kah Hin Loong Sdn Bhd	1,467,500	0.62
27)	Shoptra Jaya (M) Sdn Bhd	1,413,300	0.60
28)	Lim Gaik Bway @ Lim Chiew Ah	1,318,900	0.55
29)	HSBC Nominees (Asing) Sdn Bhd *A/C for Tenacious Hold Limited*	1,271,800	0.54
30)	Chong Wai Lin	1,250,000	0.53
	Total	**136,607,480**	57.59

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest Shares	%	Deemed Interest Shares	%
1)	Goh Nan Kioh	713,600	0.30	67,891,400 (a)	28.62
2)	Rubber Thread Industries (M) Sdn. Bhd.	47,905,000	20.19	1,927,200 (b)	0.81
3)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.23	-	-
4)	Keen Capital Investments Limited	12,142,700	5.12	-	-
5)	Laju Riang Sdn. Bhd.	-	-	49,832,200 (c)	21.00
6)	Kema Development Sdn. Bhd.	-	-	49,832,200 (c)	21.00
7)	Cambrew (Malaysia) Sdn. Bhd.	-	-	49,832,200 (c)	21.00
8)	Dr. Lim Thian Soo	90,000	0.04	49,832,200 (c)	21.00
9)	Lim Thiam Cheok	10,000	*	49,832,200 (c)	21.00
10)	Lim Yam Poh	-	-	49,832,200 (c)	21.00

DIRECTORS' INTEREST IN SHARES

No.	Name of Director	Direct Interest Shares	%	Deemed Interest Shares	%
Shares in the Company					
1)	Goh Nan Kioh	713,600	0.30	67,891,400 (a)	28.62
2)	Dr. Lim Thian Soo	90,000	0.04	49,832,200 (c)	21.00
3)	Goh Nan Yang	10,000	*	-	-
4)	Yong Fook Shin	60,000	0.03	-	-
5)	Yeow See Yuen	250,000	0.11	26,000	0.01
6)	Dato' Jorgen Bornhoft	175,000	0.07	-	-
Shares in Rock Chemical Industries (Malaysia) Berhad (Subsidiary)					
1)	Goh Nan Kioh	-	-	25,594,300 (d)	60.42
2)	Dr. Lim Thian Soo	-	-	25,594,300 (d)	60.42
3)	Goh Nan Yang	100	*	-	-
4)	Dato' Jorgen Bornhoft	30,000	0.07	-	-

Name of Director	Options Granted	Option Price	Options Exercised	Balance of Options
Share Options in the Company				
Dr. Lim Thian Soo	500,000	RM1.00	-	500,000
Goh Nan Yang	500,000	RM1.00	-	500,000

Notes:

** - less than 0.01%*

(a) Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd, PRT Capital Pte Ltd, Keen Capital Investments Limited

(b) Deemed interest by virtue of interest in Lanai Etika Sdn. Bhd.

(c) Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd

(d) Deemed interest by virtue of interest in Mega First Corporation Berhad

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-First Annual General Meeting of the Company will be held at the Berjaya Hall, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 27 April 2007 at 3:00 p.m. for the following purposes:-

AGENDA

1) To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2006. *(Resolution 1)*

2) To declare a final dividend of 3% less income tax in respect of the year ended 31 December 2006. *(Resolution 2)*

3) To approve the payment of Directors' fees amounting to RM159,000 (2005: RM130,700) in respect of the year ended 31 December 2006. *(Resolution 3)*

4) To re-elect the following Directors who are retiring by rotation pursuant to Article 99 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-

4.1 Dato' Haji Abu Hanifah bin Noordin *(Resolution 4)*
4.2 Mr Yong Fook Shin *(Resolution 5)*

5) To re-elect the following Directors who are retiring pursuant to Article 104 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-

5.1 Mr Yeow See Yuen *(Resolution 6)*
5.2 Dato' Jorgen Bornhoft *(Resolution 7)*
5.3 Mr Tay Kheng Chiong *(Resolution 8)*

6) To re-appoint Messrs Horwarth as auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Resolution 9)*

7) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-

7.1 **Ordinary Resolution** *(Resolution 10)*
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting."

7.2 **Ordinary Resolution** *(Resolution 11)*
Authority to issue shares pursuant to the Employee Share Option Scheme

"THAT, pursuant to the Company's Employee Share Option Scheme ("the Scheme"), the Directors of the Company be and are hereby empowered and authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."

7.3 **Ordinary Resolution** *(Resolution 12)*
Authority to Directors on purchase of the Company's own shares

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to :-

(i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company as quoted on BMSB as at the point of purchase and the total funds allocated shall not exceed the total retained earnings and share premium of the Company which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

(ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;

(iii) deal with the shares purchased in the manner prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of BMSB and any other relevant authorities for the time being in force; and

(iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares."

8) To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board
YONG LAI SIM
Group Company Secretary

3 April 2007
KUALA LUMPUR

NOTES:

1) *A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.*

2) *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.*

3) *In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.*

4) *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

5) *The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur* ***not less than forty-eight (48) hours*** *before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.* ***Fax copy of duly executed form of proxy is not acceptable.***

EXPLANATORY NOTE ON SPECIAL BUSINESS

(a) Ordinary Resolution No: 10 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

(b) Ordinary Resolution No: 11 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company to those employees who have exercised their options under the Employee Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

(c) Ordinary Resolution No: 12 if passed, will empower the Directors of the Company to purchase the Company's shares up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information, please refer to the Circular to Shareholders dated 3 April 2007 which is despatched together with the Company's 2007 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1) **Directors who are standing for re-election**

The Directors who are offering themselves for re-election at the Forty-First Annual General Meeting of the Company are as follows:-

1.1	Dato' Haji Abu Hanifah bin Noordin	(Resolution 4)
1.2	Mr Yong Fook Shin	(Resolution 5)
1.3	Mr Yeow See Yuen	(Resolution 6)
1.4	Dato' Jorgen Bornhoft	(Resolution 7)
1.5	Mr Tay Kheng Chiong	(Resolution 8)

Dato' Haji Abu Hanifah bin Noordin, Mr Yong Fook Shin, Mr Yeow See Yuen and Dato' Jorgen Bornhoft are Independent and Non-Executive Directors. Mr Tay Kheng Chiong is a Non-Independent and Non-Executive Director. The profile and interests in shares of the respective gentlemen can be found in the section on Profile of Directors and the Statistics on Shareholdings in the Annual Report. None of these Directors have been convicted of offences other than traffic offences, if any.

2) **Details of attendance of Directors at Board meetings**

The Board met for five times during financial year ended 31 December 2006 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of the Annual Report.

3) **Date, time and venue of the 41st Annual General Meeting**

Date :	27 April 2007
Time :	3:00 p.m.
Venue :	Berjaya Hall Bukit Kiara Equestrian and Country Resort Jalan Bukit Kiara Off Jalan Damansara 60000 Kuala Lumpur

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the final dividend of 3% less income tax in respect of the financial year ended 31 December 2006 if approved by the shareholders at the 41st Annual General Meeting, will be payable on 29 May 2007 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 11 May 2007.

A depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares deposited into the Depositor's securities account before 12:30 p.m. on 9 May 2007 in respect of shares exempted from mandatory deposit;
b) Shares transferred into the Depositor's securities account before 4:00 p.m. on 11 May 2007 in respect of ordinary transfer; and
c) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
YONG LAI SIM
Group Company Secretary

3 April 2007
KUALA LUMPUR

DIRECTORY

No.	Company name & E_mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
1.	Gombak Land Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
2.	Gombak Land Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 12-1, Persiaran Greentown 10, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.	05-2433093/92	05-2433094	Mr. Ong Kiok Teng
3	Gombak Land Sdn. Bhd. ***mfcb.property@mega-first.com***	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Mr. Foo Kah Heng
4	Gombak Land Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 64-1, Jalan 8/23E, Taman Danau Kota, Off Jalan Genting Klang, 53300 Kuala Lumpur.	03-41428898	03-41420898	Mr. Thien Tien Soong
5	Mega First Housing Development Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 34 & 36, Jalan Mawar 1B, Taman Mawar, Bandar Baru Salak Tinggi, 43900 Selangor Darul Ehsan.	03-87060088/8800	03-87060808	Mr. Thien Tien Soong
6.	Paya Emas Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
7.	Community Consortium Sdn. Bhd. ***mfcb.property@mega-first.com***	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
8.	Bloxwich (Malaysia) Sdn. Bhd. ***bmsbip@tm.net.my***	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan	05-3711516/17/18	05-3711520	Mr. Yong Kheng Sang
9.	Bloxwich Industries (Pty) Limited T/A Rockham Industries ***info@rockham.co.za***	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. Coen Calitz
10.	Bloxwich Tool & Die (Pty) Limited T/A Rockham Tool & Die ***info@rockham.co.za***	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. Coen Calitz

No.	Company name & E_mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
11.	Mega First Power Services Sdn. Bhd. ***mfcb@mega-first.com***	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
12.	Shaoxing Mega Heat And Power Co. Ltd ***ltliew@smhp.sxmail.net***	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	00865755181025	00865755182287	Mr. Liew Leong Ting
13.	Serudong Power Sdn. Bhd. ***s-powert@streamyx.com***	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
14.	Mega First Power Industries Sdn. Bhd. ***mfcb@mega-first.com***	8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818	Dr. Lim Thian Soo
15.	Syarikat Cheng Sun Quarry Sdn. Bhd. ***csquarry@tm.net.my***	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. Chris Chow
16.	Rock Chemical Industries (Malaysia) Berhad ***info@rci.com.my***	Lot 45157 & 45158, Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	05-359 3188	05-359 3228	Mr. Chris Chow

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MFCB

MEGA FIRST CORPORATION BERHAD

(CO. NO. 6682-V)

(Incorporated in Malaysia)

FORM OF PROXY

No. of Shares	CDS Account No.

*I/*We, ____________________

of ____________________

being a member of MEGA FIRST CORPORATION BERHAD, hereby appoint ____________________

____________________ NRIC No: ____________________

of ____________________

or failing whom ____________________ NRIC No: ____________________

of ____________________

as *my/*our proxies to attend and, on a poll, to vote for *me/*us on *my/*our behalf at the 41st Annual General Meeting of the Company, to be held on 27 April 2007 and at any adjournment thereof.

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows :-

First Proxy: ____________________ %

Second Proxy: ____________________ %

*My/*Our proxy/proxies is/are to vote as indicated hereunder.

Resolution	For	Against	Abstain
1) Receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2006.	☐	☐	☐
2) Declare a final dividend of 3% less income tax.	☐	☐	☐
3) Approve Directors' fees.	☐	☐	☐
4) Re-elect Dato' Haji Abu Hanifah bin Noordin as Director.	☐	☐	☐
5) Re-elect Mr Yong Fook Shin as Director.	☐	☐	☐
6) Re-elect Mr Yeow See Yuen as Director.	☐	☐	☐
7) Re-elect Dato' Jorgen Bornhoft as Director.	☐	☐	☐
8) Re-elect Mr Tay Kheng Chiong as Director.	☐	☐	☐
9) Re-appoint Messrs Horwath as auditors and authorise the Board of Directors to fix their remuneration.	☐	☐	☐
10) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	☐	☐	☐
11) Authority to issue shares pursuant to the Employee Share Option Scheme.	☐	☐	☐
12) Authority to Directors on purchase of the Company's own shares.	☐	☐	☐

Please indicate with an (✓) in the spaces above how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/ proxies will vote or abstain at his/her discretion.

[Delete if not applicable]*

Dated this __________ day of April 2007

Contact Number: ____________________

____

[Signature/Common Seal of Member(s)]

NOTES:

1) *A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.*
2) *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.*
3) *In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.*
4) *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5) *The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur* ***not less than forty-eight (48) hours*** *before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.* ***Fax copy of duly executed form of proxy is not acceptable.***

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Postage
Stamp

The Group Company Secretary
MEGA FIRST CORPORATION BERHAD
8-05, Level 8, Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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