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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

Lim Thian Soo, MBChB, MBA

Group Chief Operating Officer

Chew Wei Keong, FCCA, CPA, CA(M)

Executive Director

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

Non-Executive Directors

- * Yong Fook Shin, B.Sc. (Mining Geology), ARSM,
MIMM, MIME, P.Eng., C.Eng.
 - * Michael Yee Kim Shing, B.Comm. (Melb.), ACA
(Aust.), CA(M), CPA(S)
- Lim Boon Seh
Maisuri bin Besri, B.Ec.(Hons.), MBA

EXECUTIVE COMMITTEE

Lim Thian Soo (Chairman)
Chew Wei Keong
Goh Nan Yang

AUDIT COMMITTEE

- * Michael Yee Kim Shing (Chairman)
- * Dato' Haji Abu Hanifah bin Noordin
Chew Wei Keong

REMUNERATION COMMITTEE OF THE BOARD

Goh Nan Kioh (Chairman)
Maisuri bin Besri

EMPLOYEE SHARE OPTION COMMITTEE

- Lim Thian Soo
- * Michael Yee Kim Shing
- * Dato' Haji Abu Hanifah bin Noordin

(*) - 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: mfcfb@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
Bumiputra-Commerce 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 52, 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. He is presently the Chief Executive Officer of Cambrew Group of companies, a brewery and soft drinks company, and Deputy Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company listed on the Stock Exchange of Hong Kong. Mr Goh has attended both meetings of the Board of Directors held during the six month financial period ended 31 December 2005. He is the brother-in-law of Mr Lim Thian Soo and the brother of Mr Goh Nan Yang.

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.

DATO' HAJI ABU HANIFAH BIN NOORDIN

B.Ec. (Hons.) Acc., CA(M), CPA

Deputy Chairman/Independent and non-executive Director
Malaysian

Dato' Haji Abu Hanifah bin Noordin, age 54, was appointed to the Board on 5 December 1990 and is one of the longest serving independent and non-executive member of the Board. 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 Turquand Young & Co./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 one out of the two meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

LIM THIAN SOO

MBChB, MBA

Group Managing Director
Malaysian

Mr Lim Thian Soo, age 42, 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. Mr Lim graduated from Edinburgh University Medical School in 1986 and worked for six years as a doctor in the United Kingdom. He completed his Masters degree in Business Administration at City University Business School in London 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. Mr 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 both meetings of the Board of Directors held during the six month financial period ended 31 December 2005. He is the brother-in-law of Mr Goh Nan Kioh.

Mr 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

CHEW WEI KEONG

FCCA, CPA, CA (M)

Group Chief Operating Officer

Malaysian

Mr Chew Wei Keong, age 49, was appointed an Executive Director of the Company on 30 March 1995. He is a Fellow of the Chartered Association of Certified Accountants and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He joined the Company in September 1990 as Group Accountant after having spent more than 10 years with a major accounting firm as well as other public listed companies, holding management positions. Mr Chew is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad, a subsidiary company listed on Bursa Malaysia. He has attended one out of the two meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

GOH NAN YANG

B.Sc. (Hons.)

Executive Director and Alternate Director to Goh Nan Kioh

Malaysian

Mr Goh Nan Yang, age 42, 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 degree majoring in Engineering. Mr Goh 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 a Director of Pearl River Tyre (Holdings) Limited (a company listed on the Hong Kong Stock Exchange). He has attended one out of the two meetings of the Board of Directors held during the six month financial period ended 31 December 2005. 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 in the other companies.

MICHAEL YEE KIM SHING

B. Comm. (Melb.), ACA (Aust.), CA(M), CPA(S)

Independent and non-executive Director

Malaysian

Mr Michael Yee Kim Shing, age 68, joined the Board on 5 April 1990 and is the longest serving member of the Board. He graduated from the University of Melbourne with a Bachelor of Commerce degree, and is a member of the Institute of Chartered Accountants in Australia, a member of the Malaysian Institute of Accountants and the Singapore Society of Public Accountants. He has been actively involved with the Company since 1990. He has held the position as Chairman of the Board from April until December 1990 after which, he assumed the position of Director in charge of Finance and Administration until February 1992, and thereafter continued to serve as a non-executive director. He is presently the Chairman of the Audit Committee. Prior to joining the Company, Mr Yee spent 26 years in the accounting profession before retiring as a Senior Partner of Ernst & Whinney (now known as Ernst & Young). He has successfully implemented several schemes of corporate reconstruction, restructuring and re-listing of public listed companies and handled all facets of professional services as a practising accountant. Mr Yee is also an independent and non-executive director of Dataprep Holdings Berhad, Pacific & Orient Berhad (both listed on Bursa Malaysia), Pacific & Orient Insurance Co. Berhad and VXL Capital Limited (a company incorporated and listed on the Hong Kong Stock Exchange). Mr Yee has attended both meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

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 63, joined the Board on 30 March 1995. He 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 both meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

LIM BOON SEH

Non-independent and non-executive Director

Malaysian

Mr Lim Boon Seh, age 52, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He completed his secondary school education and had wide knowledge in rubber-based businesses. He also has more than 20 years' experience in latex thread production and is currently the Managing Director of Rubber Thread Industries (M) Sdn Berhad, a substantial shareholder of Mega First Corporation Berhad. Mr Lim has attended both meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

MAISURI BIN BESRI

B.Ec.(Hons.), MBA

Non-independent and non-executive Director

Malaysian

Encik Maisuri bin Besri, age 48, 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. He was appointed a Director of the Company on 1 March 2003, and is a non-independent and non-executive Director. He is the Group General Manager of Sabah Economic Development Corporation ("SEDCO"). Prior to joining SEDCO in November 2002, Encik Maisuri 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 one out of the two meetings of the Board of Directors held during the six month financial period ended 31 December 2005.

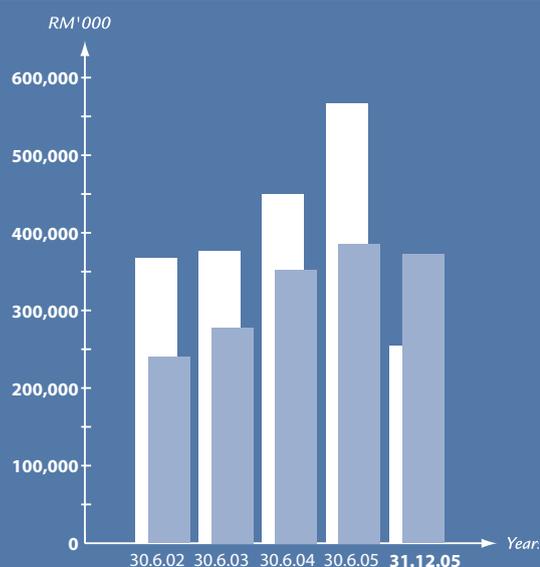
None of the Directors of the Company has been convicted of any offence.

FINANCIAL HIGHLIGHTS

Financial year/period	Year ended				1.7.05
	30.6.02	30.6.03	30.6.04	30.6.05	to 31.12.05
	RM'000	RM'000	RM'000	RM'000	RM'000
Results					
Revenue	366,828	376,633	450,221	566,881	254,574
Profit Before Tax	43,615	49,421	64,116	64,107	46,289
As Of 30 June/31 December					
Shareholders' Equity	193,047	224,105	256,873	284,808	276,139
Minority Interests	47,232	53,894	95,548	101,093	96,139
Net Assets	240,279	277,999	352,421	385,901	372,278
Per Ordinary Share					
Earnings (sen)	10.3	11.2	12.8	13.5	8.9
Gross Dividend (sen)	1.0	1.0	1.5	3.0	1.5
Net Assets (sen)	101.8	117.8	149.3	163.5	157.7

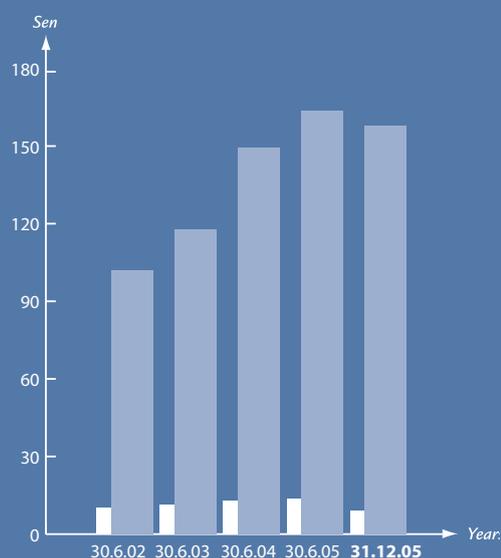
REVENUE AND NET ASSETS

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.

Two (2) Board meetings were held during the six month financial period ended 31 December 2005 (“Financial Period”). At least four 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. Mr Goh Nan Kioh and Mr Goh Nan Yang did not accumulate any point under the Continued Education Programme (“CEP”) due to their hectic schedules and frequent business trips overseas. Mr Yong Fook Shin, who is overseas, has accumulated 64 CEP points out of 72 points required of him consequent upon the cancellation of a course. All the other directors have accumulated their required CEP points, and some of them have also attended public courses related to financial reporting standards.

The composition of the Board, together with the attendance of the respective Directors at Board meetings during the Financial Period are as follows:-

<u>Name of Director</u>	<u>Attendance Record</u>
Goh Nan Kioh	2/2
Dato’ Haji Abu Hanifah bin Noordin	1/2
Lim Thian Soo	2/2
Chew Wei Keong	1/2
Yong Fook Shin	2/2
Michael Yee Kim Shing	2/2
Lim Boon Seh	2/2
Maisuri bin Besri	1/2
Goh Nan Yang	1/2

CORPORATE GOVERNANCE STATEMENT

Mr Lim Thian Soo and persons connected to him are involved in property development activities. Encik Maisuri bin Besri represents 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, paid or payable or otherwise made available from the Company and its subsidiary companies during the Financial Period and categorized into appropriate components are as follows:-

(RM'000)	Emolument	Fee	Total
Executive Directors	517.0	-	517.0
Non-Executive Directors	-	53.5	53.5

Remuneration categories of the Directors of the Company during the Financial Period are as follows :-

Range of remuneration	Number of Directors	
	Executive Director	Non-Executive Director
Below RM50,000	-	6
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-

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 also 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 the Financial Period, 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 six month financial period on 31 December 2005 or entered into since the end of the financial period by the Company and its subsidiaries which involve interests of directors and major shareholders except for the following:-

Bloxwich Industries (Proprietary) Limited (“BIL”), a 100% owned subsidiary of Bloxwich International Sdn Bhd which in turn is a 97.2% owned subsidiary of Mega First Corporation Berhad, have entered into two lease agreements with The Trustees of The Rockingham Trust for the rental of the factory land and buildings as follows:-

Address	Land Area (sq. metre)	Lease Term	Total Rental (Rand)
No: 1631, 1633, 1635 and 1637, South Coast Road, Durban	6,548	01.10.2004 – 30.09.2007	3,500,000
245 Chamberlain Road, Durban	4,027	01.10.2004 – 30.09.2007	1,750,000

A former director of BIL was a beneficiary of The Rockingham Trust.

- **Sanctions and/or Penalties imposed**

There were no sanctions or material penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the six month financial period ended 31 December 2005.

- **Share buy-backs**

There was no share buy-back by the Company for the six month financial period ended 31 December 2005.

- **Options, warrants or convertible securities**

The Company did not issue any share options during the six month financial period ended 31 December 2005. As at 31 December 2005, employees hold 6,233,000 share options issued pursuant to the Employee Share Option Scheme. The Company has not issued any warrants or convertible securities during the said financial period.

- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**

The Company did not sponsor any ADR or GDR programme during the six month financial period ended 31 December 2005.

- **Non-audit fees**

The non-audit fees paid to the external auditors for the six month financial period ended 31 December 2005 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 six month financial period ended 31 December 2005. There is no variance between the audited results for the said financial period and the unaudited results previously announced by the Company.

ADDITIONAL COMPLIANCE STATEMENT

- **Profit guarantee**
The Company did not give any profit guarantee during the six month financial period ended 31 December 2005.
- **Revaluation of landed properties**
The Company does not have a revaluation policy on landed properties.

CHAIRMAN'S STATEMENT

PENYATA PENERUSI

On behalf of the Board of Directors of MFCB, I have pleasure in presenting the 40th Annual Report incorporating the Financial Statements of the Group and the Company for the six month financial period ended 31 December 2005.

Review of Operations

The review of operations covers a period of six months only i.e. from 1 July 2005 to 31 December 2005 as the Group has changed its financial year end from 30 June to 31 December as announced in the Bursa Malaysia Securities Bhd on 26 May 2005.

For the six month financial period ended 31 December 2005, the Group registered a pre-tax profit of RM46.3 million (30.6.05 : RM64.1 million) on the back of a revenue of RM254.6 million (30.6.05 : RM566.8 million). The outstanding performance of the Power Division was largely responsible for the sustainable profit.

The Group remains committed to rationalising and streamlining its activities by strengthening its core businesses in particular power generation and manufacture of automotive components.

The profit before tax recorded at Company level is RM3.7 million (30.6.05 : RM7.1 million) due mainly to dividends received from its subsidiaries.

Significant Corporate Event

There was no significant corporate event during the period under review.

Dividend

The Board has recommended a first and final dividend of 1.5% less income tax of 28% for the six month financial period ended 31 December 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan ke-40, menggabungkan Penyata Kewangan Kumpulan dan Syarikat untuk tempoh kewangan enam bulan berakhir 31 Disember 2005.

Tinjauan Operasi

Tinjauan operasi merangkumi tempoh enam bulan sahaja, iaitu dari 1 Julai 2005 ke 31 Disember 2005 kerana Kumpulan telah menukar tahun kewangannya dari 30 Jun ke 31 Disember seperti yang diumumkan di Bursa Malaysia Securities Berhad pada 26 Mei 2005.

Untuk tempoh enam bulan berakhir 31 Disember 2005, Kumpulan telah mencatatkan keuntungan sebelum cukai sebanyak RM46.3 juta (30.6.05: RM64.1 juta) diatas perolehan sebanyak RM254.6 juta (30.6.05: RM566.8 juta). Prestasi cemerlang Divisyen Tenaga bertanggungjawab menyumbang keuntungan tersebut.

Kumpulan tetap berusaha untuk merasional serta memperkemarkan aktiviti-aktivitinya dengan mengukuhkan perniagaan terasnya terutama penghasilan tenaga dan pembuatan komponen automotif.

Acara Korporat Penting

Tiada acara korporat penting dalam tempoh tinjauan.

Dividen

Pihak Lembaga Pengarah mencadangkan dividen pertama dan akhir sebanyak 1.5% ditolak cukai pendapatan sebanyak 28% bagi tempoh kewangan enam bulan berakhir 31 Disember 2005 tertakluk kepada persetujuan para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang.

Prospect

The local and global economic conditions continues to be challenging due to high oil prices as well as increasing interest rates. However, the Group is cautiously confident that it is able to perform satisfactorily due the diversity of its operations and the completion of its expansion program in the Power and Limestone Division.

Acknowledgement and Appreciation

Mr. Michael Yee Kim Shing who has served as a Director of the Group since 5 April 1990 has expressed his intention not to seek for re-election at the forthcoming Annual General Meeting. We wish Mr. Michael Yee well and thank him for his invaluable contributions to the Group.

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

6 April 2006

Prospek

Keadaan ekonomi tempatan dan sedunia terus mencabar dengan harga minyak yang tinggi dan kadar faedah yang meningkat. Bagaimanapun, dengan langkah yang berhati-hati, Kumpulan yakin bahawa ia mampu mencatat prestasi memuaskan berdasar kepelbagaian operasi dan penyiapan program pembesaran Divisyen Kuasa dan Batu Kapur.

Penghargaan

En. Michael Yee Kim Shing yang telah bertugas sebagai Pengarah Kumpulan sejak 5 April 1990 telah menyampaikan hasratnya untuk tidak bertanding semula pada Mesyuarat Agung Tahunan yang akan datang. Kami ingin mengucapkan selamat sejahtera serta ribuan terima kasih kepada En. Michael Yee di atas sumbangan beliau yang tidak ternilai kepada Kumpulan.

Pihak Lembaga Pengarah ingin mengambil kesempatan ini merakamkan penghargaan kepada para pemegang saham, para pelanggan, rakan-niaga dan pihak berkuasa di atas sokongan berterusan mereka terhadap Kumpulan. Pihak Lembaga Pengarah juga ingin mengucapkan setinggi-tinggi terima kasih kepada pihak pengurusan dan kakitangan di atas komitmen mereka kepada Kumpulan.

Goh Nan Kioh

Pengerusi

6 April 2006

GROUP MANAGING DIRECTOR'S OPERATION REVIEW

For The Six Month Financial Period Ended 31 December 2005 ("PE2005")

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN

Untuk Tempoh Kewangan Enam Bulan Berakhir 31 Disember 2005 ("PE2005")

As announced in the Bursa Malaysia Securities Bhd on 26 May 2005, the Group changed its financial year end from 30 June to 31 December. This Operations Review will therefore only cover a period of six months i.e. from 1 July 2005 to 31 December 2005.

OVERVIEW

For the financial period under review, the Group achieved a pre-tax profit of RM46.3 million (30.6.05 : RM64.1 million) and a revenue of RM254.6 million (30.6.05 : RM566.8 million).

The Power Division continues its impressive performance with a pre-tax profit of RM47.5 million for the six months under review, followed by the Engineering Division which contributed RM4.1 million.

POWER DIVISION

The Power Division registered a pre-tax profit of RM47.5 million (30.6.05 : RM59.1 million) and a revenue of RM171.0 million (30.6.05 : RM284.4 million).



*Power plant control room in Tawau
Bilik Kawalan loji tenaga di Tawau*

Seperti yang diumumkan di Bursa Malaysia Securities Berhad pada 26 Mei 2005, Kumpulan telah menukar tahun kewangan akhirnya dari 30 Jun ke 31 Disember. Oleh itu, Tinjauan Operasi ini hanya merangkumi tempoh enam bulan iaitu dari 1 Julai 2005 ke 31 Disember 2005 sahaja.

TINJAUAN KESELURUHAN

Untuk tempoh kewangan dalam tinjauan, Kumpulan telah mencapai keuntungan sebelum cukai sebanyak RM46.3 juta (30.6.05: RM64.1 juta) dan perolehan sebanyak RM254.6 juta (30.6.05: RM566.8 juta). Divisyen Tenaga meneruskan prestasi membanggakan dengan keuntungan sebelum cukai sebanyak RM47.5 juta untuk tempoh tinjauan enam bulan, diikuti oleh Divisyen Kejuruteraan yang menyumbangkan RM4.1 juta.

DIVISYEN TENAGA

Divisyen Tenaga mencatatkan keuntungan sebelum cukai sebanyak RM47.5 juta (30.6.05: RM59.1 juta) dengan perolehan sebanyak RM171.0 juta (30.6.05: RM284.4 juta). Kumpulan mendapatkan manfaat dari pembesaran loji tenaga di Shaoxing, China kerana permintaan untuk wap dan tenaga

The Group benefited from the successful expansion of the power plant in Shaoxing, China as demand for steam and energy continued to be strong resulting from the textile industries in the region. In addition, improved operating efficiencies and effective cost controls also contributed to the good performance.

The power plant in Tawau also reported satisfactory results due to implementation of continuous improvement measures, increasing efficiency and at the same time reducing costs.

PROPERTY DIVISION

The Property Division recorded a revenue of RM13.7 million (30.6.05 : RM24.2 million) and a pre-tax profit of RM1.8 million (30.6.05 : RM0.7 million).

The Group is taking a cautious and prudent approach in the launching of its development projects, responding only to good market demand. Location remains the prime mover of sales and the Group's joint venture project "PJ eight" with IJM Properties Sdn.Bhd. has received very encouraging response.

The Group is constantly looking for feasible joint ventures as well as value acquisitions to replenish its existing landbank.



*Office complex project in Greentown, Ipoh
Projek kompleks pejabat di Greentown, Ipoh*

terus meningkat daripada industri tekstil di kawasan tersebut. Disamping itu, peningkatan kecekapan operasi dan kawalan kos yang efektif juga menyumbang kepada prestasi yang baik. Loji tenaga di Tawau juga melaporkan keputusan yang memuaskan hasil dari implementasi langkah-langkah pembaikan yang berterusan, peningkatan kecekapan serta pengurangan kos pada masa yang sama.

DIVISYEN HARTANAH

Divisyen Hartanah merekodkan perolehan sebanyak RM13.7 juta (30.6.05: RM24.2 juta) dengan keuntungan sebelum cukai sebanyak RM1.8 juta (30.6.05: RM0.7 juta).

Kumpulan mengambil langkah berwaspada dalam pelancaran projek-projek pembangunannya, bertindak balas hanya pada permintaan pasaran yang baik. Lokasi terus menjadi faktor penjana utama jualan dan projek usahasama antara Kumpulan dan IJM Properties Sdn. Bhd. iaitu "PJ eight" telah menerima sambutan yang menggalakkan. Kumpulan juga sentiasa mencari projek usahasama yang berpotensi dan juga pembelian hartanah yang bermutu untuk menambah semula jumlah milikan hartanahnya.

GROUP MANAGING DIRECTOR'S OPERATION REVIEW

For The Six Month Financial Period Ended 31 December 2005 ("PE2005")

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN

Untuk Tempoh Kewangan Enam Bulan Berakhir 31 Disember 2005 ("PE2005")

ENGINEERING DIVISION

The Engineering Division registered a pre-tax profit of RM4.1 million (30.6.05 : Pre-tax profit of RM6.4 million) mainly due to reversal of losses in excess of the cost of investment offset by the write-off of obsolete toolings and inventories as well as payment of redundancy costs. The revenue achieved was RM56.2 million (30.6.05 : RM187.3 million). The lower revenue was mainly due to lower offtake as well as delay in launching of new models by car manufacturers.

The internal restructuring exercise in the UK subsidiary is still on-going with the primary objective of reducing costs and increasing productivity and efficiency in order to remain competitive and profitable.

The local subsidiary in Bota Kanan and the subsidiary in South Africa are both performing satisfactorily. The Division will continue to focus on quality improvement as well as improving its profit margins through operating efficiencies.



*Part of the manufacturing facilities in South Africa
Sebahagian dari kemudahan pembuatan di Afrika Selatan*

DIVISYEN KEJURUTERAAN

Divisyen Kejuruteraan mencatatkan keuntungan sebelum cukai sebanyak RM4.1 juta (30.6.05: Keuntungan sebelum cukai sebanyak RM6.4 juta) disebabkan terutamanya oleh penimbangan balik kerugian berlebihan dari kos pelaburan ditolak pelupusan peralatan serta stok lapuk dan pembayaran kos penghematan. Perolehan yang dicapai adalah RM56.2 juta (30.6.05: RM187.3 juta). Punca utama perolehan rendah adalah permintaan yang rendah serta kelewatan pelancaran model baru oleh pembuat-pembuat kereta. Aktiviti penyusunan semula dalaman di cawangan UK masih berterusan. Objektif utama penyusunan semula adalah untuk mengurangkan kos dan meningkatkan produktiviti dan kecekapan untuk mengekalkan daya saingan dan pencapaian keuntungan.

Kedua-dua subsidiari di Bota Kanan dan di Afrika Selatan mencatatkan prestasi yang memuaskan. Divisyen ini akan terus memberi tumpuan pada peningkatan kualiti serta memperbaiki kadar keuntungan melalui kecekapan operasi.

LIMESTONE DIVISION

The Limestone Division registered a loss of RM1.3 million (30.6.05 : RM3.5 million) and a revenue of RM13.2 million (30.6.05 : RM25.8 million).

The loss was mainly due to rising costs which resulted in thinning of margins and a two-month production shut down at our Gopeng plant arising from a fire and an additional depreciation charge of RM2.0 million arising from a change in the method of depreciation. The Gopeng plant is now back in full operation and with the new kiln which has a capacity of 300 tonnes per day due for commissioning in the 1st quarter of 2006, the Division is well poised to deal with the growing demand for our lime products.



*Lime kiln in Gopeng
Relau batu kapur di Gopeng*

DIVISIYEN BATU KAPUR

Divisyen Batu Kapur mencatatkan kerugian sebanyak RM1.3 juta (30.6.05: RM3.5 juta) dan perolehan sebanyak RM13.2 juta (30.6.05: RM25.8 juta).

Kerugian tersebut disebabkan terutamanya oleh kos yang semakin meningkat dan pengeluaran yang tersekat selama dua bulan akibat dari kebakaran yang berlaku dikilangnya di Gopeng serta caj susut nilai tambahan sebanyak RM2.0 juta yang disebabkan oleh penukaran kaedah susut nilai. Kini, kilang di Gopeng beroperasi sepenuhnya dan dengan relau batu kapur baru yang mempunyai kapasiti 300 ton sehari yang dijangka beroperasi pada suku pertama 2006, divisyen ini bersedia menerima penambahan permintaan untuk produk batu kapur kami.

AUDIT COMMITTEE REPORT

For The Six Month Financial Period Ended 31 December 2005

1. Composition

Chairman : Mr. Michael Yee Kim Shing (Independent Director)

Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)
Mr. Chew Wei Keong (Group Chief Operating Officer)

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.

AUDIT COMMITTEE REPORT

For The Six Month Financial Period Ended 31 December 2005

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.

AUDIT COMMITTEE REPORT

For The Six Month Financial Period Ended 31 December 2005

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 6 months ended 31 December 2005 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 6 months ended 31 December 2005, two (2) 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	2/2
Dato' Haji Abu Hanifah bin Noordin	2/2
Chew Wei Keong	2/2

5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the 6 months ended 31 December 2005 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 Six Month Financial Period Ended 31 December 2005

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 six month financial period ended 31 December 2005 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

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 six month financial period ended 31 December 2005.

CHANGE OF FINANCIAL YEAR END

Effective from 1 July 2005, the Group and the Company changed their financial year end from 30 June to 31 December.

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 36 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 period.

SIGNIFICANT CORPORATE EVENT

There was no significant corporate event during the six month financial period.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the six month financial period are as follows :

	GROUP RM'000	COMPANY RM'000
Profit Before Tax	46,289	3,726
Income Tax Expense	(9,055)	(573)
Profit Before Minority Interests	37,234	3,153
Minority Interests	(16,193)	-
Net Profit For The Period	21,041	3,153

In the opinion of the Directors, the results of the operations of the Group and of the Company during the six month financial period 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 3%, less income tax of 28%, proposed in the previous financial year amounting to RM5,097,600 was paid by the Company on 16 December 2005.

The Board is pleased to propose a first and final dividend of 1.5%, less income tax of 28%, for the six month financial period ended 31 December 2005. 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 period 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 will expire on 30 September 2006.

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 six month financial period is as follows :

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.7.2005	1.00	6,537,000
Exercised	1.00	-
Lapsed	1.00	<u>(304,000)</u>
Balance as of 31.12.2005		<u>6,233,000</u>

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 six month financial period. The options granted to Executive Directors are disclosed under Directors’ Interests.

Details of share options granted to 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 period,

- (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.

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 period 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 period other than as disclosed in Note 32 to the Financial Statements.

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 period 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 period 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 period 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
- Lim Thian Soo
- Chew Wei Keong
- Yong Fook Shin
- Michael Yee Kim Shing
- Dato' Haji Abu Hanifah bin Noordin
- Lim Boon Seh
- Maisuri Bin Besri
- Goh Nan Yang (Also alternate to Goh Nan Kioh)

Goh Nan Kioh, Michael Yee Kim Shing and Maisuri Bin Besri retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election, except for Michael Yee Kim Shing who is not seeking for re-election.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			Balance as of 31.12.2005
	Balance as of 1.7.2005	Addition	Disposal	
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	713,600	-	-	713,600
- Deemed	60,503,500	412,000	-	60,915,500
Lim Thian Soo				
- Direct	90,000	-	-	90,000
- Deemed	48,500,000	-	-	48,500,000
Chew Wei Keong				
- Direct	5,000	-	-	5,000
Yong Fook Shin				
- Direct	60,000	-	-	60,000
Michael Yee Kim Shing				
- Direct	50,000	-	-	50,000
Goh Nan Yang				
- Direct	10,000	-	-	10,000

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 31.12.2005
	Balance as of 1.7.2005	Granted	Exercised	
Lim Thian Soo	500,000	-	-	500,000
Chew Wei Keong	350,000	-	-	350,000
Goh Nan Yang	350,000	-	-	350,000

Goh Nan Kioh and Lim Thian Soo, by virtue of their interests in 26.11% and 20.59% of the Company respectively, are deemed to have interests in the shares of its related corporations. 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 year, 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 period, 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,

LIM THIAN SOO

CHEW WEI KEONG

Kuala Lumpur
28 February 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF

Mega First Corporation Berhad
(Incorporated In Malaysia)

We have audited the accompanying balance sheets as of 31 December 2005, the related statements of income, cash flows and changes in equity for the period then ended. 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 2005 and of the results and the cash flows of the Group and of the Company for the financial period ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the Financial Statements and Group 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 36 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
AF 1018
Chartered Accountants

Poon Yew Hoe
956/04/06 (J)
Partner

28 February 2006

INCOME STATEMENTS

For The Six Month Financial Period Ended 31 December 2005

	Note	GROUP		COMPANY	
		1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
Revenue	4	254,574	566,881	6,814	12,360
Cost Of Sales		(191,536)	(481,758)	-	-
Gross Profit		63,038	85,123	6,814	12,360
Distribution Costs		(4,706)	(4,227)	-	-
Administrative Expenses		(23,455)	(30,245)	(2,141)	(3,686)
Other Operating Expenses		(2,579)	(9,564)	(2)	(19)
Other Operating Income		17,691	34,649	88	1,293
Profit From Operations	6	49,989	75,736	4,759	9,948
Finance Costs	7	(4,931)	(12,687)	(1,033)	(2,812)
Share Of Profits/(Loss) in :					
- Associates		(76)	80	-	-
- Jointly Controlled Entity		1,307	978	-	-
Profit Before Tax		46,289	64,107	3,726	7,136
Income Tax Expense	8	(9,055)	(11,684)	(573)	(1,020)
Profit Before Minority Interests		37,234	52,423	3,153	6,116
Minority Interests		(16,193)	(20,597)	-	-
Net Profit For The Period/Year		21,041	31,826	3,153	6,116
Earnings Per Ordinary Share (sen)	10	8.9	13.5		

The accompanying Notes on pages 41 to 82 form an integral part of the Financial Statements.

BALANCE SHEETS

As Of 31 December 2005

	Note	GROUP		COMPANY	
		31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
EMPLOYMENT OF CAPITAL					
Property, Plant And Equipment	11	293,589	282,513	378	483
Subsidiaries	12	-	-	159,866	159,864
Associates	13	6,641	6,697	3,500	3,500
Jointly Controlled Entity	14	4,497	3,617	-	-
Investments	15	156	904	-	598
Investment Properties	16	24,338	24,332	-	-
Land Held For Property Development	17	82,254	87,092	-	-
Goodwill On Consolidation	19	7,785	8,157	-	-
CURRENT ASSETS					
Inventories	20	38,677	48,744	-	-
Property Development	18	5,517	3,187	-	-
Receivables	21	106,193	140,948	95,267	104,256
Bank Balances And Deposits	22	95,525	89,054	1,532	21
		245,912	281,933	96,799	104,277
CURRENT LIABILITIES					
Payables	23	123,513	103,360	81,237	56,176
Short Term Borrowings	24	91,964	110,010	4,010	35,270
Taxation		7,007	6,312	-	-
		222,484	219,682	85,247	91,446
NET CURRENT ASSETS					
		23,428	62,251	11,552	12,831
		442,688	475,563	175,296	177,276
SOURCES OF CAPITAL					
Share Capital	25	236,000	236,000	236,000	236,000
Reserves	26	40,139	48,808	(60,794)	(58,850)
Shareholders' Equity		276,139	284,808	175,206	177,150
Minority Interests		96,139	101,093	-	-
		372,278	385,901	175,206	177,150
LONG TERM AND DEFERRED LIABILITIES					
Long Term Borrowings	27	40,248	60,021	-	-
Hire Purchase Payables	28	3,992	963	90	126
Deferred Taxation	29	26,170	28,678	-	-
		70,410	89,662	90	126
		442,688	475,563	175,296	177,276
Net Assets Per Ordinary Share (sen)	30	158	164		

The accompanying Notes on pages 41 to 82 form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

For The Six Month Financial Period Ended 31 December 2005

GROUP	Note	← Non-Distributable Reserves* →				Accumulated Losses RM'000	Total RM'000
		Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Translation Reserve RM'000		
Balance as of 1 July 2004		236,000	33,380	2,369	33,970	(48,846)	256,873
Currency translation differences		-	-	-	(1,342)	-	(1,342)
Dividend		-	-	-	-	(2,549)	(2,549)
Net profit for the year		-	-	-	-	31,826	31,826
Balance as of 30 June 2005		236,000	33,380	2,369	32,628	(19,569)	284,808
Currency translation differences		-	-	-	(581)	-	(581)
Break-up adjustments #		-	-	(156)	(23,876)	-	(24,032)
Dividend	9	-	-	-	-	(5,097)	(5,097)
Net profit for the period		-	-	-	-	21,041	21,041
Balance as of 31 December 2005		236,000	33,380	2,213	8,171	(3,625)	276,139

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

The realisation of Capital Reserve and Translation Reserve. These arose from the preparation of the Financial Statements of a foreign group of subsidiaries on a break-up basis as disclosed in Note 37 to the Financial Statements.

COMPANY	Note	Share Capital RM'000	Share Premium* RM'000	Accumulated Losses RM'000	Total RM'000
Balance as of 1 July 2004		236,000	33,380	(95,797)	173,583
Dividend		-	-	(2,549)	(2,549)
Net profit for the year		-	-	6,116	6,116
Balance as of 30 June 2005		236,000	33,380	(92,230)	177,150
Dividend	9	-	-	(5,097)	(5,097)
Net profit for the period		-	-	3,153	3,153
Balance as of 31 December 2005		236,000	33,380	(94,174)	175,206

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

The accompanying Notes on pages 41 to 82 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

For The Six Month Financial Period Ended 31 December 2005

GROUP	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	46,289	64,107
Adjustments for :		
Bad debts written off	-	1,617
Depreciation of property, plant and equipment	16,859	30,353
Finance costs	4,931	12,687
Provision for :		
Shortfall in funded pension scheme of a foreign subsidiary no longer required	-	(16,042)
Loss on liquidation of a subsidiary	-	1,000
Cost of completion no longer required	-	(260)
Allowance for :		
Doubtful debts	5,604	3,683
Foreseeable loss on property development no longer required	(67)	-
Write-back of allowance for doubtful debts	-	(780)
Amortisation of goodwill	372	733
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	2,989	41
Inventories	2,247	2,196
Rental guarantee	-	1,285
Goodwill	-	524
Gain on disposal of :		
Property, plant and equipment	(8)	(1,609)
Investments	(62)	-
Subsidiaries	-	(1,162)
Share of loss/(profits) :		
Associates	56	(80)
Jointly controlled entity	(880)	(978)
Interest income	(1,177)	(2,223)
Operating Profit Before Working Capital Changes	70,341	95,092
Decrease/(Increase) in :		
Inventories	2,344	(8,123)
Property development costs	(739)	8,788
Receivables	(2,916)	(15,880)
(Decrease)/Increase in payables	(8,437)	7,962
Cash Generated From Operations	60,593	87,839
Income tax paid	(8,307)	(8,193)
Net Cash From Operating Activities	52,286	79,646

(Forward)

	1.7.05 to 31.12.05 Note RM'000	1.7.04 to 30.6.05 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	1,177	2,223
Increase in :		
Investment properties	(6)	(5,557)
Land held for property development	(569)	(1,387)
Acquisition of subsidiaries ^(a)	-	(7,082)
Acquisition of an associate	-	(3,500)
Purchase of investment	(1,600)	(750)
Proceeds from disposal of :		
Investment	2,410	-
Subsidiaries ^(b)	-	(873)
Property, plant and equipment	1,738	5,651
Net cash flow from deconsolidation of subsidiaries ^(c)	-	(1,952)
Purchase of property, plant and equipment ^(d)	(13,084)	(56,429)
Net Cash For Investing Activities	<u>(9,934)</u>	<u>(69,656)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Finance costs paid	(5,103)	(13,069)
Proceeds from issue of shares to minority shareholders	-	7,711
Dividends paid to minority shareholders	(1,415)	(2,064)
Repayment of :		
Term loans	(2,399)	(3,401)
Bonds	(8,000)	(8,000)
Dividend paid	(5,097)	(2,549)
Proceeds from term loans	5,232	3,364
(Decrease)/Increase in :		
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months	(6,780)	8,701
Hire purchase payables	(441)	(2,489)
Net Cash For Financing Activities	<u>(24,003)</u>	<u>(11,796)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,349	(1,806)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	69,568	71,792
EFFECT OF EXCHANGE DIFFERENCES	262	(418)
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	32 <u>88,179</u>	<u>69,568</u>

(Forward)

	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
(a) Analysis of subsidiaries acquired		
Net assets acquired :		
Receivables	-	688
Cash and bank balances	-	12
Payables	-	(704)
	-	(4)
Minority interest	-	4,525
	-	4,521
Goodwill on acquisition	-	2,573
	-	7,094
Less : Cash and cash equivalents of subsidiaries acquired	-	(12)
Cash outflow on acquisition, net of cash and cash equivalents acquired	-	7,082
(b) Analysis of subsidiaries disposed of		
Net assets disposed of:		
Property, plant and equipment	-	7,016
Unquoted investment	-	1
Goodwill on consolidation	-	3,031
Inventories	-	3,152
Amount owing by related company	-	2,076
Amount owing to related company	-	(2,076)
Amount owing to holding company	-	(4,355)
Amount owing to directors	-	(2,811)
Amount owing to related parties	-	(3,860)
Receivables	-	12,188
Deposits	-	1,128
Cash and bank balances	-	808
Payables	-	(14,170)
Hire purchase payables	-	(2,243)
Provision for taxation	-	16
Net liabilities	-	(99)
Gain on disposal	-	1,162
Proceeds from disposal	-	1,063
Less : Cash and bank balances of subsidiaries disposed of	-	(1,936)
Cash outflow on disposal of subsidiaries	-	(873)

(Forward)

1.7.05	1.7.04
to	to
31.12.05	30.6.05
RM'000	RM'000

(c) Analysis of deconsolidation of a subsidiary

Net assets deconsolidated :		
Property, plant and equipment	-	5,277
Inventories	-	4,308
Receivables	-	4,319
Cash and bank balances	-	1,428
Payables	-	(4,509)
Long term borrowings	-	(1,460)
Short term borrowings	-	(1,674)
Provision for taxation	-	(592)
Deferred taxation	-	(245)
	<hr/>	
Net assets	-	6,852
Minority interests	-	(4,227)
Transferred to jointly controlled entity	-	(3,149)
	<hr/>	
	-	(524)
Less : Cash and bank balances of a subsidiary deconsolidated	-	(1,428)
	<hr/>	
Cash outflow from deconsolidation	-	(1,952)
	<hr/>	

(d) Cost of property, plant and equipment purchased	17,641	56,624
Amount financed through hire purchase	(4,557)	(195)
	<hr/>	
	13,084	56,429
	<hr/>	

COMPANY

CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES

Profit before tax	3,726	7,136
Adjustments for :		
Finance costs	1,033	2,812
Depreciation of property, plant and equipment	105	391
Write-off of property, plant and equipment	-	1
Dividend income	(6,376)	(11,480)
Interest income	-	(20)
Gain on disposal of property, plant and equipment	-	(1,235)
Gain on disposal of investment	(51)	-
	<hr/>	
Operating Loss Before Working Capital Changes	(1,563)	(2,395)
(Increase)/Decrease in receivables	(23)	2,068
Increase in payables	278	27
	<hr/>	
Cash Used in Operations	(1,308)	(300)
Income tax refunded	1,104	2,150
	<hr/>	
Net Cash (For)/From Operating Activities	(204)	1,850
	<hr/>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	5,263	9,432
Interest received	-	20
Proceeds from disposal of property, plant and equipment	-	1,456
Proceeds from disposal of investment	649	-
Increase in investment of subsidiary	-	(1,600)
Investment in an associate	-	(3,500)
Purchase of investment	-	(598)
Purchase of property, plant and equipment ^(a)	-	(149)
	<hr/>	
Net Cash From Investing Activities	5,912	5,061
	<hr/>	

	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Decrease in :		
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months	(22,514)	(2,646)
Hire purchase payables	(36)	(191)
Finance costs paid	(1,033)	(2,812)
Dividend paid	(5,097)	(2,549)
Repayment of :		
Term loans	-	(2,000)
Loans from subsidiaries	33,229	8,227
	<hr/>	<hr/>
Net Cash From/(For) Financing Activities	4,549	(1,971)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,257	4,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	(8,735)	(13,675)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	32 1,522	(8,735)
	<hr/>	<hr/>
(a) Cost of property, plant and equipment purchased	-	344
Amount financed through hire purchase	-	(195)
	<hr/>	<hr/>
	-	149
	<hr/>	<hr/>

The accompanying Notes on pages 41 to 82 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 36 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 period.

2. BASIS OF PREPARATION

The Financial Statements of the Group and of the Company have been approved by the Board of Directors on 28 February 2006.

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”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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.

During the financial period, the Malaysian Accounting Standards Board (“MASB”) has renamed all MASB accounting standards to Financial Reporting Standards (“FRS”). This change to the new nomenclature did not result in any change in the accounting policies adopted by the Group during the financial period.

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 period. Subsidiaries are consolidated using the acquisition method of accounting. The results of the subsidiaries acquired or disposed of during the period are included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised.

Significant intra-group transactions and balances are eliminated on consolidation and the Group Financial Statements reflect external transactions only.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group’s share of its net assets or liabilities together with any unamortised goodwill on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 six month 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.

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 from the going concern basis to that of a break-up basis are disclosed in Note 37 to the Financial Statements.

Goodwill / Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the purchase price and the fair value of the net assets of the subsidiaries and associates at the effective date of acquisition.

Goodwill is amortised through the income statements over twenty years whilst reserve on consolidation is not amortised.

Revenue Recognition

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 and energy billings.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 reserve on consolidation 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.

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 reserve on consolidation.

Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates ruling at transaction dates and where settlement has not taken place at 31 December, at the rates ruling at that date. Exchange differences arising therefrom are charged or credited to the income statements.

Income statements of subsidiaries and associates in other reporting currencies are translated into Ringgit Malaysia at average rates for the financial period and the balance sheets are translated at rates ruling at the period end. Exchange differences arising from the translation of income statements at average rates and balance sheets at period end rates, and the restatement at period end rates of the opening net investments in such subsidiaries and associates are taken to the translation reserve.

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

	31.12.05	30.6.05
	RM	RM
1 United States Dollar	3.780	3.800
1 Great Britain Pound	6.517	6.863
1 Chinese Renminbi	0.459	0.459
1 South African Rand	0.598	0.570

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. 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.

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 had 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 Land

Freehold land is not amortised.

Leasehold and quarry land are amortised over the periods of the leases which range from 22 years to 99 years.

During the 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 MFCB Group Financial Statements.

(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. 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.

Construction in progress is not depreciated.

Capitalisation of Borrowing Cost

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and/or power to exercise control over the financial and operating policies.

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.

The Group's share of results and reserves of subsidiaries 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 intra-group transactions are eliminated. Where necessary, adjustments are made to the Financial Statements of the subsidiaries to ensure consistency of accounting policies with the Group.

Associates

Associates are companies 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Inventories

Completed houses 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.

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 consist of investments in land and buildings that are not substantially occupied for use by, or in the operations, of the Group. Investment properties are stated at cost, which include cost of land, all direct building costs and other related construction costs including borrowing costs incurred during the period of construction 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.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Receivables

Receivables are stated at anticipated realisable value. Bad debts are written off while allowance for doubtful debts 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.

Provisions

Provisions are made when the Group and the Company have 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee Benefits

(i) Short term benefits

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

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.

(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 also operated 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 2002.

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 period, the financial statements of the said foreign group of subsidiaries were prepared on a break-up basis as disclosed in Note 37 to the Financial Statements. Accordingly, the contributions to the Scheme were no longer taken up in the Group Financial Statements.

Cash Flow Statements

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 three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

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.

4. REVENUE

Revenue of the Group represents the gross invoiced value of sale of electricity and steam and goods 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	
	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
Raw materials and consumables	141,481	293,320	-	-
Net change in inventories of finished goods and work-in-progress	1,464	(1,138)	-	-
Staff costs	17,983	69,510	1,173	1,859
Property development expenditure	10,058	19,575	-	-
Depreciation of property, plant and equipment	16,859	30,353	105	391
Amortisation of goodwill	372	733	-	-
Goodwill written off	-	524	-	-
Other administrative and operating expenses	34,059	112,917	865	1,455
	222,276	525,794	2,143	3,705

6. PROFIT FROM OPERATIONS

This is arrived at :

	GROUP		COMPANY	
	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
After crediting :				
Gain on disposal of:				
Property, plant and equipment	8	1,609	-	1,235
Investment	62	-	51	-
Interest income	1,177	2,223	-	20
Dividends (gross) from subsidiaries	-	-	6,376	11,480
Management fees from subsidiaries	-	-	438	859
Provision for cost of completion				
no longer required	-	260	-	-
Write-back of allowance for doubtful debts	-	780	-	-
Exceptional Items :				
Gain on disposal of subsidiaries	-	1,162	-	-
Write-back of provision for shortfall in funded pension scheme of a foreign subsidiary no longer required	-	16,042	-	-
Reversal of losses in excess of cost of investment (Note 37)	10,867	-	-	-
And charging :				
Allowance for :				
Doubtful debts	5,604	3,683	-	-
Impairment loss on land held for property development	4,055	-	-	-
Provision for loss on liquidation of a subsidiary	-	1,000	-	-
Rental of :				
Land and buildings	914	1,634	121	241
Plant and machinery	452	677	-	-
Directors' remuneration :				
Other emoluments	519	793	399	664
Fees	61	124	54	109
Auditors' remuneration :				
Statutory	290	511	16	20
Others	19	55	16	16
Write-off of rental guarantee	-	1,285	-	-
Bad debts written off	-	1,617	-	-
Exceptional Items :				
Write-off of property, plant and equipment	2,989	41	-	1
Write-off of inventories	2,247	2,196	-	-

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM11,325 (30.6.05 : RM26,400) for the Group and RM8,025 (30.6.05 : RM19,800) for the Company.

7. FINANCE COSTS

	GROUP		COMPANY	
	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
Interest on :				
Bonds	1,598	3,682	-	-
Term loans	1,433	4,979	-	(53)
Bank overdrafts	649	1,398	46	728
Revolving credits	981	1,931	246	1,931
Others	270	697	741	206
	4,931	12,687	1,033	2,812

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
Income tax				
Based on results for the financial period/year :				
Malaysian taxation	4,219	6,951	465	930
Foreign taxation	5,380	5,021	-	-
Associates	(20)	7	-	-
Jointly controlled entity	427	513	-	-
Under/(Over)provision in prior years	431	(90)	108	90
	10,437	12,402	573	1,020
Deferred taxation (Note 29)				
For the financial period/year	(673)	(783)	-	-
(Over)/Underprovision in prior years	(709)	65	-	-
	9,055	11,684	573	1,020

The income tax expense for the 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	
	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000	1.7.05 to 31.12.05 RM'000	1.7.04 to 30.6.05 RM'000
Profit before tax	46,289	64,107	3,726	7,136
Tax at Malaysian statutory rate of 28% (30.6.05 : 28%)	12,961	17,950	1,043	1,998
Tax effects of :				
Different tax rates in other countries	(4,654)	(4,943)	-	-
Different tax rate for first RM500,000 of chargeable income	(5)	(15)	-	-
Income not subject to tax	(3,570)	(3,323)	(697)	(1,529)
Expenses not deductible	3,967	1,245	119	461
Tax losses not provided for	634	795	-	-
(Over)/Underprovision in prior years	(278)	(25)	108	90
Income tax expense	9,055	11,684	573	1,020

9. DIVIDEND

A first and final dividend of 3.0%, less income tax of 28%, proposed in the previous financial year amounting to RM5,097,600 was paid by the Company on 16 December 2005.

The Board is pleased to propose a first and final dividend of 1.5%, less income tax of 28%, for the six month period ended 31 December 2005. The said proposed dividend, which is subject to 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

Basic

Earnings per ordinary share has been calculated based on the Group's net profit for the six month financial period of RM21,041,000 (30.6.05 : RM31,826,000) and on 236,000,000 (30.6.05 : 236,000,00) ordinary shares of RM1.00 each in issue.

Fully diluted

Under FRS 133 on Earnings Per Share, the options for 6,233,000 (30.6.05 : 6,537,000) unissued ordinary shares of RM1.00 each granted to eligible employees and Executive Directors pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the current financial period.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP 31.12.05	COST							End of period RM'000
	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		
Freehold land	23,565	-	16,384	-	526	(1,135)	39,340	
Long leasehold land	1,130	-	-	-	-	-	1,130	
Short leasehold land	13,133	-	-	-	-	-	13,133	
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)	-	(8,488)	537,122	

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 37 to the Financial Statements.

GROUP 31.12.05	ACCUMULATED DEPRECIATION							Beginning of period RM'000
	Beginning of period RM'000	Charge for the period RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	Reclassification RM'000	End of period RM'000		
Freehold land	-	-	-	-	-	-	23,565	
Long leasehold land	90	6	-	-	-	96	1,040	
Short leasehold land	3,455	2,265	-	-	-	5,720	9,678	
Buildings	9,678	961	-	-	73	10,712	41,296	
Plant and machinery, equipment, vehicles and construction in progress	243,354	13,627	(23,710)	(6,193)	(73)	227,005	206,934	
Total	256,577	16,859	(23,710)	(6,193)	-	243,533	282,513	

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

GROUP	COST										NET BOOK VALUE									
	Beginning of year RM'000	Additions RM'000	Deconsolidation of subsidiaries RM'000	Disposal of subsidiaries RM'000	Disposals/Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	Beginning of year RM'000	Charge for the year RM'000	Deconsolidation of subsidiaries RM'000	Disposal of subsidiaries RM'000	Disposals/Write-off RM'000	Reclassification RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	Beginning of year RM'000			
Freehold land	24,519	-	(934)	-	-	-	(20)	23,565	-	-	-	-	-	-	23,565	24,519				
Long leasehold land	1,130	-	-	-	-	-	-	1,130	11	-	-	-	-	90	1,040	1,051				
Short leasehold land	14,247	-	-	-	-	(1,114)	-	13,133	443	-	-	-	-	3,455	9,678	11,235				
Buildings	42,853	928	(744)	-	(175)	8,119	(7)	50,974	1,618	(98)	-	(28)	29	9,678	41,296	34,696				
Plant and machinery, equipment, vehicles and construction in progress	430,399	55,696	(7,090)	(8,621)	(12,194)	(7,005)	(897)	450,288	28,281	(3,393)	(1,605)	(8,258)	(29)	206,934	201,484					
Total	513,148	56,624	(8,768)	(8,621)	(12,369)	-	(924)	539,090	240,163	(3,491)	(1,605)	(8,286)	-	282,513	272,985					

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

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

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

Plant and machinery, equipment and vehicles	← NET BOOK VALUE →	
	End of period RM'000	Beginning of period RM'000
	378	483

COMPANY 30.6.05	← COST →			End of year RM'000
	Beginning of year RM'000	Additions RM'000	Disposals RM'000	
Plant and machinery, equipment and vehicles	2,029	344	(248)	2,125

Plant and machinery, equipment and vehicles	← ACCUMULATED →		DEPRECIATION →	
	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
	1,375	391	(124)	1,642

Plant and machinery, equipment and vehicles	← NETBOOKVALUE →	
	End of year RM'000	Beginning of year RM'000
	483	654

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

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM140,942,000 (30.6.05 : RM147,445,000).

Property, plant and equipment of certain subsidiaries with a carrying value of RM215,502,000 (30.6.05 : RM196,261,000) 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 RM6,921,000 (30.6.05 : RM2,716,000) and RM256,000 (30.6.05 : RM300,000), 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 RM154,724,000 (30.6.05 : RM109,833,000) and RM1,427,000 (30.6.05 : RM242,000), respectively, which are still in use.

12. SUBSIDIARIES

	COMPANY	
	31.12.05 RM'000	30.6.05 RM'000
Unquoted shares at cost :		
At beginning of financial period/year	369,745	368,145
Additions during the financial period/year	-	1,600
At end of financial period/year	369,745	369,745
Less : Impairment loss	(206,663)	(206,663)
	163,082	163,082
Quoted shares at cost	25,243	25,243
Loans from subsidiaries	(55,934)	(55,936)
Loan to a subsidiary	27,475	27,475
	159,866	159,864
Market value of quoted shares	24,128	32,116

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

Investment in quoted shares of a subsidiary of the Group and of the Company with carrying values of RM35,208,000 (30.6.05 : RM18,470,000) and RM18,470,000 (30.6.05 : 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 36 to the Financial Statements.

13. ASSOCIATES

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Unquoted shares at cost :				
At beginning of financial period/year	6,697	3,108	3,500	-
Additions during the financial period/year	-	3,500	-	3,500
Share of post-acquisition reserves	(56)	89	-	-
At end of financial period/year	6,641	6,697	3,500	3,500

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

	31.12.05 RM'000	30.6.05 RM'000
Share of net tangible assets	6,641	6,697

Details of the associates are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
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	18.4	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	
	31.12.05 RM'000	30.6.05 RM'000
Unquoted shares at cost	604	604
Share of post-acquisition reserves	3,893	3,013
	<u>4,497</u>	<u>3,617</u>
The Group's interest in jointly controlled entity is analysed as follows :		
Share of net tangible assets	<u>4,497</u>	<u>3,617</u>

Details of the jointly controlled entity are as follows :

Name of Jointly Controlled Entity	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
Mega Fortris (Malaysia) Sdn. Bhd. *	Manufacturing and trading of security seals	Malaysia	51.0	51.0

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

15. INVESTMENTS

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Quoted shares in Malaysia at cost :				
At beginning of financial period/year	904	154	598	-
Additions during the financial period/year	1,600	750	-	598
	<u>2,504</u>	<u>904</u>	<u>598</u>	<u>598</u>
Disposals during the financial period/year	(2,348)	-	(598)	-
At end of financial period/year	<u>156</u>	<u>904</u>	<u>-</u>	<u>598</u>
Market value of quoted shares in Malaysia	138	812	-	566

16. INVESTMENT PROPERTIES

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Leasehold land at cost		
At beginning of financial period/year	24,332	18,775
Additions during the financial period/year	6	5,557
At end of financial period/year	<u>24,338</u>	<u>24,332</u>

17. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
At Cost		
At beginning of financial period/year :		
Freehold land	4,444	4,709
Leasehold land	12,636	12,636
Development expenditure	70,012	68,360
	<u>87,092</u>	<u>85,705</u>
Additions during the financial period/year :		
Development expenditure	569	2,670
	<u>569</u>	<u>2,670</u>
Transfer to property development costs :		
Freehold land	-	(265)
Leasehold land	(856)	-
Development expenditure	(496)	(1,018)
	<u>(1,352)</u>	<u>(1,283)</u>
At end of financial period/year :		
Freehold land	4,444	4,444
Leasehold land	11,780	12,636
Development expenditure	70,085	70,012
Impairment loss	(4,055)	-
	<u>82,254</u>	<u>87,092</u>

18. PROPERTY DEVELOPMENT

	GROUP	
	31.12.05	30.6.05
	RM'000	RM'000
At Cost		
At beginning of financial period/year :		
Freehold land	2,551	2,286
Leasehold land	2,713	2,678
Development costs	101,905	84,729
	107,169	89,693
Costs incurred during the financial period/year :		
Freehold land	-	265
Leasehold land	856	35
Development costs	10,247	17,176
	11,103	17,476
Costs recognised in income statement :		
Previous period/year	(99,695)	(78,671)
Current period/year	(10,857)	(21,024)
	(110,552)	(99,695)
At end of financial period/year	7,720	7,474
Allowance for foreseeable loss	(644)	(711)
	7,076	6,763
Cumulative revenue recognised in income statement	135,838	121,202
Cumulative billings to purchasers	(137,397)	(124,778)
	(1,559)	(3,576)
Net Balance	5,517	3,187

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

	GROUP	
	31.12.05	30.6.05
	RM'000	RM'000
Interest on :		
Term loans	114	149
Revolving credits	-	90
Bank overdrafts	10	143
Bridging loan	48	-

19. GOODWILL ON CONSOLIDATION

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
At beginning of financial period/year	8,157	10,782
Goodwill of subsidiaries acquired	-	2,573
Amortisation of goodwill	(372)	(733)
Goodwill of subsidiaries		
- disposed	-	(3,031)
- deconsolidated and written off	-	(524)
Exchange fluctuation	-	(910)
		<hr/>
At end of financial period/year	7,785	8,157

20. INVENTORIES

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
At Cost :		
Finished goods and work-in-progress	7,327	15,810
Raw materials and consumables	19,853	21,437
Completed houses for sale	8,497	8,497
	<hr/>	<hr/>
	35,677	45,744
At Net Realisable Value :		
Completed houses for sale	3,640	3,640
Less : Allowance for write-down	(640)	(640)
	<hr/>	<hr/>
	3,000	3,000
	<hr/>	<hr/>
	38,677	48,744

Inventories amounting to RM15,206,000 (30.6.05 : RM5,192,000) of certain subsidiaries have been pledged to financial institutions for credit facilities granted to those subsidiaries.

21. RECEIVABLES

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Trade receivables	94,243	115,599	-	-
Less : Allowance for doubtful debts	(14,430)	(14,306)	-	-
	79,813	101,293	-	-
Other receivables				
Sundries	22,011	22,104	654	623
Less : Allowance for doubtful debts	(4,418)	(4,418)	(100)	(100)
	17,593	17,686	554	523
Refundable deposits	954	4,180	98	98
Prepaid expenses	1,047	7,008	34	42
Tax recoverable	6,489	7,924	2,994	3,558
Progress payments to contractors	297	2,857	-	-
Amount owing by subsidiaries	-	-	91,587	100,035
	26,380	39,655	95,267	104,256
	106,193	140,948	95,267	104,256

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 (30.6.05 : 21 days to 90 days).

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

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

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Trade receivables				
Ringgit Malaysia	36,953	40,447	-	-
Great Britain Pound	1,629	19,717	-	-
Chinese Renminbi	36,827	34,611	-	-
United States Dollar	92	47	-	-
South African Rand	4,312	6,471	-	-
	79,813	101,293	-	-
Sundry receivables				
Ringgit Malaysia	16,119	5,489	554	523
Great Britain Pound	456	1,875	-	-
Chinese Renminbi	-	700	-	-
United States Dollar	92	9,294	-	-
South African Rand	926	328	-	-
	17,593	17,686	554	523

22. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Deposits with licensed financial institutions	59,143	53,129	-	-
Cash and bank balances	32,468	32,094	1,532	21
Housing Development Accounts	3,914	3,831	-	-
	95,525	89,054	1,532	21

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 2.40% to 4.04% (30.6.05 : 0.89% to 3.00%) per annum and have maturity periods of one month (30.6.05 : 1 month to 3 months).

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.

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

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Bank balances and deposits				
Ringgit Malaysia	71,714	65,457	1,529	21
Chinese Renminbi	21,881	21,617	1	-
United States Dollar	1,918	1,978	-	-
Others	12	2	2	-
	95,525	89,054	1,532	21

23. PAYABLES

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Trade payables	34,781	49,363	-	-
Other payables				
Accrued expenses	11,371	16,063	615	287
Pension liability	31,051	-	-	-
Provision	1,000	1,000	-	-
Dividend payable to minority shareholders	19,682	12,064	-	-
Amount due to contractors for capital expansion	4,592	4,881	-	-
Hire purchase payables (Note 28)	2,295	1,208	71	71
Sundries	18,741	18,781	1,053	1,103
Amount owing to subsidiaries	-	-	79,498	54,715
	88,732	53,997	81,237	56,176
	123,513	103,360	81,237	56,176

Provision comprises the following :

Provision for loss on liquidation of a subsidiary	1,000	1,000	-	-
Provision for shortfall in a funded pension scheme of a foreign subsidiary :				
At beginning of financial period/year	-	16,042	-	-
Write-back of provision no longer required #	-	(16,042)	-	-
At end of financial period/year	-	-	-	-
Total	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 30 days to 90 days (30.6.05 : 30 days to 90 days).

Included in the amount owing to subsidiaries is an amount of RM31,662,683 (30.6.05 : RM10,100,000) which bears interest ranging from 3.50% to 5.90% (30.6.05 : 3.50% to 4.00%) per annum.

The provision of RM16,042,000 for the shortfall in a funded pension scheme of a foreign group of subsidiaries were written back as it is no longer probable that there will be an outflow of resources from the Group in view of the precarious financial position faced by that foreign group of subsidiaries.

During the current financial period, the financial statements of the said foreign group of subsidiaries were prepared on a break-up basis as disclosed in Notes 3 and 37 to the Financial Statements.

23. PAYABLES (cont'd)

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

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Trade payables				
Ringgit Malaysia	19,582	18,690	-	-
Great Britain Pound	4,507	17,276	-	-
Chinese Renminbi	3,596	4,073	-	-
South African Rand	7,096	9,324	-	-
	34,781	49,363	-	-
Hire purchase payables				
Ringgit Malaysia	85	94	71	71
South African Rand	2,210	1,114	-	-
	2,295	1,208	71	71
Sundry payables				
Ringgit Malaysia	14,720	32,414	1,053	1,103
Great Britain Pound	31,926	532	-	-
Chinese Renminbi	27,420	2,780	-	-
	74,066	35,726	1,053	1,103
Amount owing to subsidiaries				
Ringgit Malaysia	-	-	79,498	54,715

24. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Bank overdrafts - secured	7,336	10,984	-	254
- unsecured	10	8,502	10	8,502
Revolving credits - secured	23,563	8,740	-	8,740
- unsecured	4,000	17,774	4,000	17,774
Factoring - secured	-	13,472	-	-
Short term loans - secured	28,215	36,304	-	-
Long term borrowings due within 12 months (Note 27)	28,840	14,234	-	-
	91,964	110,010	4,010	35,270

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

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Ringgit Malaysia	40,171	46,693	4,010	35,270
Great Britain Pound	19,747	21,093	-	-
Chinese Renminbi	27,540	35,572	-	-
South African Rand	4,506	6,652	-	-
	91,964	110,010	4,010	35,270

24. SHORT TERM BORROWINGS (cont'd)

The bank overdrafts and revolving credits of the Group and of the Company bear interest at rates ranging from 1.25% to 2.50% (30.6.05 : 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 RM675,000 (30.6.05 : RM732,000) bear interest at a rate of 1.50% (30.6.05 : 2.00%) per annum above the base lending rate whilst the remaining balance bears interest at a rate of 5.22% (30.6.05 : 5.22%) per annum.

The interest rates implicit in the factoring facility of the Group ranged from 5.50% to 6.50% (30.6.05 : 5.50% to 6.50%) per annum.

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

- (1) Pledges of quoted shares (Note 12);
- (2) Charges on land under property development with a total carrying value of RM26,442,000 (30.6.05 : RM24,365,000) of certain subsidiaries;
- (3) Charges on certain property, plant and equipment with a total carrying value of RM5,574,000 (30.6.05 : RM5,597,000) and floating assets of a subsidiary; and
- (4) Charges on certain property, plant and machinery with a carrying value of RM44,064,000 (30.6.05 : RM37,006,000) of a foreign subsidiary.

25. SHARE CAPITAL

	GROUP/COMPANY	
	31.12.05	30.6.05
	RM'000	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	
	31.12.05	30.6.05	31.12.05	30.6.05
	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	2,369	-	-
Translation reserve	8,171	32,628	-	-
	43,764	68,377	33,380	33,380
Accumulated losses	(3,625)	(19,569)	(94,174)	(92,230)
	40,139	48,808	(60,794)	(58,850)

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

27. LONG TERM BORROWINGS

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Secured :		
Bonds	33,000	41,000
Term loans	36,088	33,255
	<u>69,088</u>	<u>74,255</u>
Less : Portion payable within 12 months (Note 24) Secured	<u>(28,840)</u>	<u>(14,234)</u>
Non-current	<u>40,248</u>	<u>60,021</u>

The non-current portion is repayable as follows :

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Between 1 - 2 years	18,027	23,097
Between 2 - 5 years	18,436	30,537
After 5 years	3,785	6,387
	<u>40,248</u>	<u>60,021</u>

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

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Ringgit Malaysia	40,248	45,253
Great Britain Pound	-	14,768
	<u>40,248</u>	<u>60,021</u>

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 RM51,354,000 (30.6.05 : RM41,357,000) and bears interest at a rate of 2.50% (30.6.05 : 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 RM120,084,000 (30.6.05 : RM117,898,000), floating assets and certain land held under property development with a carrying value of RM26,442,000 (30.6.05 : RM24,365,000). These loans bear interest at rates ranging from 0.75% to 2.50% (30.6.05 : 2.00%) per annum above the base lending rate.

28. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Hire purchase payables	6,287	2,171	161	197
Less : Portion payable within 12 months (Note 23)	(2,295)	(1,208)	(71)	(71)
Non-current portion	<u>3,992</u>	<u>963</u>	<u>90</u>	<u>126</u>

The non-current portion is payable as follows :

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Between 1 - 2 years	2,834	844	62	71
Between 2 - 5 years	1,158	119	28	55
	<u>3,992</u>	<u>963</u>	<u>90</u>	<u>126</u>

The hire purchase payables bear interest at rates ranging from 3.20% to 11.20% (30.6.05 : 3.20% to 11.20%) per annum.

29. DEFERRED TAXATION

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
At beginning of financial period/year	28,678	29,654
Transfer to income statements (Note 8)	(1,382)	(718)
Deconsolidation of subsidiaries	-	(245)
Translation reserve	(31)	(13)
Break-up adjustments #	(1,095)	-
At end of financial period/year	<u>26,170</u>	<u>28,678</u>

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
The deferred taxation represents the tax effects of :		
- Temporary differences of capital allowances and depreciation	20,782	22,602
- Group cost from acquisition of land based companies	5,575	5,638
- Others	(187)	438
	<u>26,170</u>	<u>28,678</u>

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 37 to the Financial Statements.

29. DEFERRED TAXATION (cont'd)

As of 31 December 2005, the amount of net deferred tax asset, calculated at the current tax rate, is as follows :

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Differences of capital allowances and depreciation	(13)	(12)	(1)	(6)
Unabsorbed capital allowances	290	302	289	288
Unutilised tax losses	30,627	30,727	-	-
Others	(727)	(656)	-	-
Net deferred tax asset	<u>30,177</u>	<u>30,361</u>	<u>288</u>	<u>282</u>

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 addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

30. NET ASSETS PER ORDINARY SHARE

Net assets per ordinary share has been calculated based on the Group's total assets (including intangibles) minus total liabilities as of 31 December 2005 of RM372,278,000 (30.6.05 : RM385,901,000) and on 236,000,000 (30.6.05 : 236,000,000) ordinary shares of RM1.00 in issue.

31. COMMITMENTS

As of 31 December 2005, the Group has the following commitments :

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Capital commitments :		
Property, plant and equipment		
Authorised but not provided for :		
Contracted	1,245	7,143
Not contracted	5,947	15,754
	<u>7,192</u>	<u>22,897</u>

32. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Unsecured :				
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah	5,100	5,100	-	-
Secured :				
Guarantee given to a financial institution for facilities extended to a subsidiary	-	-	23,563	-

On 13 February 2006, a corporate guarantee of approximately RM5.0 million was given by the Company to a financial institution for facilities extended to a subsidiary.

33. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Bank balances and deposits	95,525	89,054	1,532	21
Bank overdrafts (Note 24)	(7,346)	(19,486)	(10)	(8,756)
	88,179	69,568	1,522	(8,735)

34. 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 24, 27 and 28 to the Financial Statements and the interest rates of the Group's fixed deposits are disclosed in Note 22 to the Financial Statements.

(iii) 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.

(iv) 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.

(v) Cash Flow Risk

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

34. FINANCIAL INSTRUMENTS (cont'd)

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 amount owing by subsidiaries.

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

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 2005 are as follows :

2005	Note	GROUP		COMPANY	
		Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities					
Term loans	27	36,088	36,088	-	-
Bonds	27	33,000	33,000	-	-
Hire purchase payables	28	6,287	6,287	161	161

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.

35. 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 and security seals.
Investment holding	Investment holding
Travel and lingerie	Ticketing and tour services and manufacturing and trading of ladies' undergarments

35. SEGMENT INFORMATION (cont'd)

	Continuing Operations					Consolidated RM'000
	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	
GROUP						
31.12.05						
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

35. SEGMENT INFORMATION (cont'd)

	Continuing Operations				Discontinued Operations	Consolidated RM'000
	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000		
GROUP 30.6.05						
Revenue	280,368	24,413	25,815	180,125	328	566,881
External sales						
Results	64,148	756	4,565	10,216	(3,123)	75,736
Profit/(Loss) from operations						(12,687)
Finance costs						80
Share of results in associates						978
Share of results in jointly controlled entity						(11,684)
Income tax expense						
Profit after tax						52,423
Minority interests						(20,597)
Net profit for the year						31,826
Other information						
Capital expenditure	41,467	28	10,886	3,898	345	56,624
Depreciation and amortisation	14,632	509	6,148	8,857	940	31,086
Assets						
Segment assets	303,914	147,030	91,870	116,078	26,039	684,931
Investment in associates	-	-	3,026	-	3,671	6,697
Investment in jointly controlled entity	-	-	-	-	3,617	3,617
Consolidated total assets						695,245
Liabilities						
Segment liabilities	132,373	32,766	19,521	85,481	39,203	309,344

35. SEGMENT INFORMATION (cont'd)

Geographical segments

Analysis by geographical segments :

	Revenue		Carrying value of segment assets		Capital additions	
	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000	31.12.05 RM'000	30.6.05 RM'000
Malaysia	83,339	204,981	409,305	411,569	7,099	11,842
United Kingdom	24,598	115,349	57,492	81,352	448	2,456
People's Republic of China	118,940	189,779	177,639	183,378	4,554	41,144
South Africa	27,697	56,772	20,736	18,946	5,540	1,182
	254,574	566,881	665,172	695,245	17,641	56,624

36. SUBSIDIARIES

Details of the subsidiaries as of 31 December 2005 are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
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

36. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
Mega First Ventures Sdn. Bhd.	Investment holding	Malaysia	100	100
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	97.2	97.2
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, design and manufacture of automotive and transportation components	Malaysia	92.3	92.3
Bloxwich Engineering Limited **#	Engineering, design and manufacture of automotive and transportation components	United Kingdom	97.2	97.2
Bloxwich Automotive Limited **#	Engineering, design and manufacture of components for automotive and building industries	United Kingdom	97.2	97.2
Bloxwich Transportation Products Limited **#	Engineering, design and manufacture of components for transportation and security industries	United Kingdom	97.2	97.2
Hatherton Engineering Limited **#	Under voluntary administration	United Kingdom	97.2	97.2
Bloxwich Security Products Limited **#	Dormant	United Kingdom	97.2	97.2
APM (Advanced Presswork Manufacturers) Limited **#	Dormant	United Kingdom	97.2	97.2
Bloxwich Fabrications Limited **#	Dormant	United Kingdom	97.2	97.2
Bloxwich Group Pensions Limited **#	Pension Fund Trustee	United Kingdom	97.2	97.2
Bloxwich South Africa (Pty) Limited *	Dormant	Republic of South Africa	97.2	97.2
Bloxwich Forgings (Pty) Limited *	In liquidation	Republic of South Africa	97.2	97.2
Bloxwich Industries (Pty) Limited *	Manufacture of automotive components	Republic of South Africa	97.2	97.2
Bloxwich Tool & Die (Pty) Limited *	Dormant	Republic of South Africa	97.2	97.2
Brycol Engineering (Pty) Limited *	Dormant	Republic of South Africa	97.2	97.2

36. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	100	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
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	People's Republic of China	60.0	60.0
Rock Chemical Industries (Malaysia) Berhad	Investment holding and provision of management consultancy services	Malaysia	60.5	60.5
RCI Concrete Products Sdn. Bhd.	Dormant	Malaysia	60.5	60.5
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and as limestone quarry operator	Malaysia	60.5	60.5
RCI Minerals Sdn. Bhd.	Dormant	Malaysia	60.5	60.5
RCI Marketing Sdn. Bhd.	Trading of building and construction materials	Malaysia	60.5	60.5
Bayangan Sutera Sdn. Bhd.	Investment holding	Malaysia	100	100
MFFB International Ltd	Trading in food and beverages	British Virgin Islands	100	100

36. SUBSIDIARIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			31.12.05 %	30.6.05 %
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.

37. 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 six month 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.

37. 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 :

Summarised Balance Sheet at 31 December 2005	BEL Group Going concern basis RM'000	BEL Group Break-up basis RM'000
Property, plant and equipment	34,046	51,354
Inventories	9,451	3,975
Trade debtors	2,139	1,629
Other debtors	17,096	534
Amount owing by related companies	121	-
Trade creditors	(11,974)	(13,073)
Other creditors	(8,674)	(11,933)
Amount owing to related companies	(4,575)	-
Loan	(18,557)	(17,466)
Overdraft	(2,292)	(2,281)
Deferred tax	(1,095)	-
Pension liability	(30,213)	(116,003)
	<u>(14,527)</u>	<u>(103,264)</u>
Represented by :		
Share capital	13,435	13,435
Share premium	238	238
Capital reserve	5,908	5,908
Translation reserve	23,876	23,876
Accumulated losses	(57,984)	(146,721)
	<u>(14,527)</u>	<u>(103,264)</u>

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 :

Summarised Balance Sheet at 31 December 2005	BEL Group Break-up basis for consolidation RM'000	Losses not covered by assets of BEL Group RM'000
Property, plant and equipment	51,354	-
Inventories	3,975	-
Trade debtors	1,629	-
Other debtors	534	-
Trade creditors	(3,500)	(9,573)
Other creditors	(3,194)	(8,739)
Loan	(17,466)	-
Overdraft	(2,281)	-
Pension liability	(31,051)	(84,952)
	<u>-</u>	<u>(103,264)</u>
Represented by :		
Share capital	13,435	-
Share premium	238	-
Capital reserve	3,076	2,832
Translation reserve	-	23,876
Accumulated losses	(16,749)	(129,972)
	<u>-</u>	<u>(103,264)</u>

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 RM103,264,000.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP	
	31.12.05 RM'000	30.6.05 RM'000
Rental of premises from :		
The Trustee For The Time Being of the Rockingham Trust No. 6660/87, a Trust in which a former director of a foreign subsidiary is a beneficiary	524	1,229
Disposal of four subsidiaries to Wawasan TKH Sdn. Bhd., a company in which a director of a subsidiary is a major shareholder	-	1,063
		<hr/>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

39. GENERAL INFORMATION

The total number of employees, including Directors, of the Group and of the Company at the end of the financial period was 784 (30.6.05 : 829) and 19 (30.6.05 : 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.

40. SIGNIFICANT CORPORATE EVENT

There was no significant corporate event during the six month financial period.

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 2005 and of the results of their businesses and the cash flows of the Group and of the Company for the period ended on that date.

Signed in accordance
with a resolution of the Directors,

LIM THIAN SOO

CHEW WEI KEONG

Kuala Lumpur
28 February 2006

STATUTORY DECLARATION

I, **CHEW WEI KEONG**, the Director 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
CHEW WEI KEONG at **KUALA LUMPUR** this
28 February 2006.

Before me,

DATO' NG MANN CHEONG
COMMISSIONER FOR OATHS

LIST OF PROPERTIES HELD

As At 31 December 2005

Owner	Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Total RM'000
1. CSQ	Factory land and building	Lot PT839 Mukim of Sg. Raia Kinta District, Perak	18.5	28,850	Leasehold 60 years (Expires in 2047)	18 Dec 87	n/a	1,385
2. CSQ	Quarrying Limestone hill	Lot PT 132 Mukim of Sg. Raia Kinta District, Perak	n/a	36,367	Leasehold 30 years (Expires in 2011)	28 Jul 81	n/a	790
3. CSQ	Quarrying Limestone hill	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak	n/a	8,099	Leasehold 30 years (Expires in 2022)	26 Feb 92	n/a	3
4. BMSB	Factory land and building	PT2620 & PT2621 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak	8.5	12,565	Leasehold 99 years (Expires in 2095)	22 Nov 96	n/a	1,033
5. BEL	Factory land and building	Bell Lane, Bloxwich, Walsall England	91.5	11,900	Freehold	1915	1993*	15,980
6. BEL	Factory land and building	Fryers Road / Commercial Road Bloxwich, Walsall, England	43.5	3,120	Freehold	1970	1993*	6,061
7. BEL	Factory land and building	Ring Road, Burntwood Staffs, England	30.5	3,344	Freehold	1996	1993*	6,419
8. SMHP	Factory land and building	Qi Yang Gong Lu Qi xian Town Shaoxing County Zhejiang Province People's Republic of China	10.5	61,960	Leasehold 22 years (Expires in 2019)	1997	n/a	30,351
9. MFP	Vacant land held for development	CL No. 015485864 Inanam, Menggatal District of Kota Kinabalu Sabah	n/a	27,267	Leasehold 999 years (Expires in 2915)	19 Aug 96	n/a	3,900
10. GLSB	Vacant land held for development	P.T. Nos. 2388,2397 2398, 2401 Mukim Setapak	n/a	5,322	Leasehold 99 years (Expires in 2086)	21 Sep 87	n/a	490
11. GLSB	Vacant land held for development	P.T. Nos. 134907, 134908, 134914 Daerah Kinta, Ipoh	n/a	24,276	Leasehold 99 years (Expires in 2094)	30 Mar 95	n/a	8,544
12. GLSB	Vacant land held for development	P.T. Nos. 1006 to 1037 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	37,334	Leasehold 99 years (Expires in 2082)	27 Mar 93	n/a	1,010

Owner	Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Total RM'000
13. GLSB	Vacant land held for development	P.T. Nos. 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	n/a	203,510	Freehold	31 May 93	n/a	8,856
14. GLSB	Vacant land held for development	P. T. No. 134909 Greentown	n/a	8,094	Leasehold 99 years (Expires in 2094)	26 Jan 05	n/a	5,515
15. MFHD	Vacant land held for development	P.T. No. 668 Mukim Dengkil	n/a	20,305	Leasehold 99 years (Expires in 2101)	23 Nov 92	n/a	3,414
16. MFHD	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 in 2097)	20 Jun 96	n/a	36,744
17. RCI	Quarry and limestone hill	HS(D) KA46712 PT3997 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expires in 2025)	1996	1996	3,991
18. RCI	Office and warehouse	Lot 45158 Gunung Panjang Gopeng Perak Darul Ridzuan	3	22,600	Freehold	1997*	1997*	1,253
19. RCI	Integrated lime klin and hydration plant	Lot 45157 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	163
20. RCI	Stockyard	Lot 21487 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
21. RCI	Office and warehouse	Lot No. 28 Jalan Pengacara U1/48, Temasya Industrial Park Mukim Damansara District of Petaling Selangor Darul Ehsan	6	892	Freehold	2000*	2000*	1,327
22. MFSB	2 lots of 1 1/2 storey semi-detached factory	No. 6 & 8, Jalan Angklung 33/2 Shah Alam Technology Park 40400 Shah Alam	5.5	1,637	Freehold	19 Jan 01	n/a	1,580

* Subsidiary was acquired after the valuation date.

n/a Not applicable

STATISTICS ON SHAREHOLDINGS

As at 13 March 2006

ANALYSIS OF SHAREHOLDINGS

Authorised Capital : RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.

Issued and Paid-up Capital : RM236,000,000 divided into 236,000,000 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	800	46,029	0.02
100 to 1,000	7,114	6,735,650	2.85
1,001 to 10,000	10,965	41,780,610	17.70
10,001 to 100,000	1,217	30,280,356	12.83
100,001 to less than 5% of issued shares	112	94,464,875	40.03
5% and above of issued shares	2	62,692,480	26.57
Total	20,210	236,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

No.	Name of Securities Account Holder	No. of shares held	%
1)	Amsec Nominees (Tempatan) Sdn Bhd <i>A/C for Rubber Thread Industries (M) Sdn Bhd</i>	47,905,000	20.30
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.27
3)	HLB Nominees (Asing) Sdn Bhd <i>A/C for Keen Capital Investments Limited</i>	6,873,000	2.91
4)	PRT Capital Pte Ltd	5,916,500	2.51
5)	HLB Nominees (Tempatan) Sdn Bhd <i>A/C for Bonanza Resources Sdn Bhd</i>	5,000,000	2.12
6)	Lembaga Tabung Haji	5,000,000	2.12
7)	Lembaga Tabung Angkatan Tentera	4,825,700	2.04
8)	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>A/C for Skim Amanah Saham Bumiputera</i>	4,730,000	2.00
9)	Omega Semiconductor Sdn Bhd	4,323,300	1.83
10)	HLB Nominees (Asing) Sdn Bhd <i>A/C for Central Allied Investments Limited</i>	3,782,200	1.60
11)	Koay Keng Ling	3,421,100	1.45
12)	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>A/C for Devonshire Assets Limited</i>	3,218,300	1.36
13)	Grand Terrace Sdn Bhd	2,735,100	1.16
14)	Shoptra Jaya (M) Sdn Bhd	1,676,000	0.71
15)	HSBC Nominees (Asing) Sdn Bhd <i>A/C for Dynamic Growth Equity Limited</i>	1,618,800	0.69
16)	Kumpulan YR Sdn Bhd	1,544,000	0.65
17)	Zulkifli bin Hussain	1,515,000	0.64
18)	Zulkifli Bin Hussain	1,440,000	0.61
19)	Koay Keng Teik @ Koay Chia Wah	1,439,000	0.61
20)	Kah Hin Loong Sdn Bhd	1,425,600	0.60
21)	Shoptra Jaya (M) Sdn Bhd	1,413,300	0.60
22)	Koay Keng Huat	1,329,000	0.56
23)	JF Apex Nominees (Tempatan) Sdn Bhd <i>A/C for Teo Siew Lai</i>	1,268,000	0.54
24)	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>A/C for Silverbell Group Limited</i>	1,150,000	0.49
25)	Alliance Group Nominees (Tempatan) Sdn Bhd <i>A/C for Employees Provident Fund</i>	1,047,600	0.44
26)	JF Apex Nominees (Tempatan) Sdn Bhd <i>A/C for Teo Kwee Hock</i>	1,022,400	0.43
27)	Lee Leh Choo	1,011,000	0.43
28)	Lim Seng Chee	990,300	0.42
29)	Juwitawan Sdn Bhd	974,000	0.41
30)	Espoir Investments Pte Ltd	967,900	0.41
	Total	134,349,580	56.93

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	Goh Nan Kioh	713,600	0.30	61,389,200 ^(a)	26.01
2)	Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.30	595,000 ^(b)	0.25
3)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.27	-	-
4)	Laju Riang Sdn Bhd	-	-	48,500,000 ^(c)	20.55
5)	Kema Development Sdn Bhd	-	-	48,500,000 ^(c)	20.55
6)	Cambrew (Malaysia) Sdn Bhd	-	-	48,500,000 ^(c)	20.55
7)	Lim Thian Soo	90,000	0.04	48,500,000 ^(c)	20.55
8)	Lim Thiam Cheok	10,000	0.004	48,500,000 ^(c)	20.55
9)	Lim Yam Poh	-	-	48,500,000 ^(c)	20.55

DIRECTORS' INTEREST

Shares in the Company

No.	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	Goh Nan Kioh	713,600	0.30	61,389,200 ^(a)	26.01
2)	Dato' Haji Abu Hanifah bin Noordin	-	-	-	-
3)	Lim Thian Soo	90,000	0.04	48,500,000 ^(c)	20.55
4)	Chew Wei Keong	5,000	0.002	-	-
5)	Goh Nan Yang	10,000	0.004	-	-
6)	Michael Yee Kim Shing	50,000	0.02	-	-
7)	Yong Fook Shin	60,000	0.03	-	-
8)	Lim Boon Seh	-	-	-	-
9)	Maisuri bin Besri	-	-	-	-

Share Options in the Company

Name of Director	Options Granted	Option Price	Options Exercised	Balance of Options
Goh Nan Kioh	-	-	-	-
Dato' Haji Abu Hanifah bin Noordin	-	-	-	-
Lim Thian Soo	500,000	RM1.00	-	500,000
Chew Wei Keong	350,000	RM1.00	-	350,000
Goh Nan Yang	350,000	RM1.00	-	350,000
Michael Yee Kim Shing	-	-	-	-
Yong Fook Shin	-	-	-	-
Lim Boon Seh	-	-	-	-
Maisuri bin Besri	-	-	-	-

Notes:

(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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting of the Company will be held at the Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 28 April 2006 at 3:30 p.m. for the following purposes:-

AGENDA

- 1) To receive and consider the Directors' Report and Audited Financial Statements for the six month financial period ended 31 December 2005. *(Resolution 1)*
- 2) To declare a first and final dividend of 1.5% less income tax, in respect of the six month financial period ended 31 December 2005. *(Resolution 2)*
- 3) To approve the payment of Directors' fees amounting to RM53,500 in respect of the six month financial period ended 31 December 2005. *(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 Mr Goh Nan Kioh *(Resolution 4)*
 - 4.2 Encik Maisuri Bin Besri *(Resolution 5)*
- 5) To appoint auditors and to authorise the Board of Directors to fix their remuneration. *(Resolution 6)*
- 6) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-
 - 6.1 **Ordinary Resolution**
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 *(Resolution 7)*

“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.”
 - 6.2 **Ordinary Resolution**
Authority to allot shares pursuant to the Employee Share Option Scheme *(Resolution 8)*

“THAT, pursuant to the Company's Employee Share Option Scheme (“the ESOS”) as approved at the Extraordinary General Meeting of the Company held on 30 October 2000, 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 ESOS.”
- 7) 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

6 April 2006
KUALA LUMPUR

NOTES:

- 1) *A member of the Company entitled to attend and on a poll, to 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 copies of duly executed form of proxy are not acceptable.***

EXPLANATORY NOTE ON SPECIAL BUSINESS

- a) Ordinary Resolution No: 7 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: 8 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1) Directors who are standing for re-election

The Directors retiring by rotation pursuant to the Articles of Association and seeking re-election are as follows:-

- | | | |
|-----|-------------------------|----------------|
| 1.1 | Mr Goh Nan Kioh | (Resolution 4) |
| 1.2 | Encik Maisuri Bin Besri | (Resolution 5) |

Mr Goh Nan Kioh, Chairman of the Board of Directors, is a non-independent and non-executive director. Encik Maisuri Bin Besri 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 within the past 10 years other than traffic offences, if any.

Mr Michael Yee Kim Shing who is retiring by rotation pursuant to Article 99 of the Company's Articles of Association is not seeking for re-election.

2) Details of attendance of Directors at Board meetings

The Board met twice during the six month financial period ended 31 December 2005, and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of this Annual Report.

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

The 40th Annual General Meeting of Mega First Corporation Berhad will be held as follows:-

Date: 28 April 2006
Time: 3:30 p.m.
Venue: Berjaya Hall
Bukit Kiara Equestrian & Country Resort
Jalan Bukit Kiara
Off Jalan Damansara
60000 Kuala Lumpur

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 1.5% less income tax, in respect of the six month financial period ended 31 December 2005, if approved by the shareholders at the 40th Annual General Meeting, will be payable on 26 May 2006 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 11 May 2006.

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 2006 in respect of shares exempted from mandatory deposit; and
- b) Shares transferred into the Depositor's securities account before 4:00 p.m. on 11 May 2006 in respect of ordinary transfer;
- 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

6 April 2006
KUALA LUMPUR

DIRECTORY

No.	Company name & E_mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
1.	Gombak Land Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
2.	Gombak Land Sdn. Bhd. <i>mfc.property@mega-first.com</i>	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. <i>mfc.property@mega-first.com</i>	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. <i>mfc.property@mega-first.com</i>	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. <i>mfc.property@mega-first.com</i>	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. <i>mfc.property@mega-first.com</i>	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
7.	Community Consortium Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
8.	Bloxwich Engineering Limited <i>bloxwich@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922475830	Mr. Mike Hadden
9.	Bloxwich Automotive Limited <i>automotive@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. Mike Hadden
10.	Bloxwich Transportation Products Limited Truck & Container Products Division <i>container@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i>	Chase Part Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543673111	00441543676450	Mr. Mike Hadden
11.	Bloxwich Transportation Products Limited Forged Products Division <i>forge@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. Mike Hadden

No.	Company name & E_mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
12.	Bloxwich Security Products Limited <i>security@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i>	Chase Park Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543677256/7/8	00441543677259	Mr. Mike Hadden
13.	Bloxwich (Malaysia) Sdn. Bhd. <i>bmsbip@tm.net.my</i>	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan	05-3711516/17/18	05-3711520	Mr. Steve Surridge
14.	Bloxwich Industries (Pty) Limited T/A Rockham Industries <i>info@rockham.co.za</i>	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. John Shaw
15.	Bloxwich Tool & Die (Pty) Limited T/A Rockham Tool & Die <i>info@rockham.co.za</i>	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. John Shaw
16.	Mega Fortris (Malaysia) Sdn. Bhd. <i>infor@megafortris.com</i> <i>www.megafortris.com</i>	No. 6 & 8, Jalan Angklung 33/20, Shah Alam Technology Park, Seksyen 33, 40400 Shah Alam, Selangor Darul Ehsan.	03-51226118	03-51217118	Mr. Nick Ng
17.	Mega First Power Services Sdn. Bhd. <i>mfc@mega-first.com</i>	KM-6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
18.	Shaoxing Mega Heat And Power Co. Ltd <i>smhp@mail.sxptt.zj.cn</i>	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	00865755181025	00865755182287	Mr. Liew Leong Teng
19.	Serudong Power Sdn. Bhd. <i>spowert@pd.jaring.my</i>	KM-6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
20.	Mega First Power Industries Sdn. Bhd. <i>mfc@mega-first.com</i>	8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818	Mr. Chew Wei Keong
21.	Syarikat Cheng Sun Quarry Sdn. Bhd. <i>csquarry@tm.net.my</i>	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. Chris Chow
22.	Rock Chemical Industries (Malaysia) Berhad <i>info@rci.com.my</i>	Lot 45157 & 45158, Gunong Panjang 31600 Gopeng Perak Darul Ridzuan	05-359 3188	05-359 3228	Mr. Chris Chow

MFCB

MEGA FIRST CORPORATION BERHAD

(CO. NO. 6682-V)

(Incorporated in Malaysia)

Proxy form

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 proxy/proxies to attend and, on a poll, to vote for *me/*us on *my/*our behalf at the 40th Annual General Meeting of the Company, to be held on 28 April 2006 and at any adjournment thereof.

The proportion of *my/*our holding to be represented by First Proxy: _____ %

*my/*our proxies are as follows :- Second Proxy: _____ %

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

Resolution	For	Against
1) Receive the Directors' Report and Audited Financial Statements for the six month financial period ended 31 December 2005.	<input type="checkbox"/>	<input type="checkbox"/>
2) Declare a first and final dividend of 1.5% less income tax.	<input type="checkbox"/>	<input type="checkbox"/>
3) Approve Directors' fees.	<input type="checkbox"/>	<input type="checkbox"/>
4) Re-elect Mr Goh Nan Kioh as Director.	<input type="checkbox"/>	<input type="checkbox"/>
5) Re-elect Encik Maisuri Bin Besri as Director.	<input type="checkbox"/>	<input type="checkbox"/>
6) Appoint auditors and authorise the Board of Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7) Grant authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	<input type="checkbox"/>	<input type="checkbox"/>
8) Grant authority to issue shares pursuant to the Employee Share Option Scheme.	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate with an (X) 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 2006.

Contact Number: _____

[Signature/Common Seal of Member(s)]

NOTES:

- 1) A member of the Company entitled to attend and on a poll, to 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 copies of duly executed form of proxy are not acceptable.

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Affix Stamp
Here

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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