

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

**Interim Financial Report
30 June 2005**

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

Unaudited Condensed Consolidated Income Statements
For the fourth quarter and year ended 30 June 2005

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year 4 th Quarter 30.06.2005 RM'000	Preceding Year Corresponding 4 th Quarter 30.06.2004 RM'000	Current Year To date 30.06.2005 RM'000	Preceding Year Corresponding Period 30.06.2004 RM'000
Revenue	138,123	130,879	566,881	450,221
Operating expenses	(124,028)	(119,926)	(525,794)	(410,494)
Other operating income	6,625	6,326	34,649	35,361
Profit from operations	20,720	17,279	75,736	75,088
Finance cost	(3,312)	(3,417)	(12,687)	(11,877)
Share of profit/(loss) in :				
- Associates	(123)	60	80	905
- Jointly controlled entity	(808)	-	978	-
Profit before taxation	16,477	13,922	64,107	64,116
Tax expense	(3,638)	(2,659)	(11,684)	(12,597)
Profit after taxation	12,839	11,263	52,423	51,519
Less : Minority interests	(5,595)	(5,780)	(20,597)	(21,259)
Net profit for the period	7,244	5,483	31,826	30,260
EPS - Basic (sen)	3.07	2.32	13.49	12.82
- Diluted (sen)	N/A	N/A	N/A	N/A

The EPS is calculated based on the net profit for the fourth quarter and year ended 30 June 2005 divided by 236,000,000 ordinary shares in issue.

The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Balance Sheets
At 30 June 2005

	30 June 2005 RM'000	Audited 30 June 2004 RM'000
Property, plant and equipment	282,513	272,985
Associates	6,697	3,124
Jointly controlled entity	3,617	-
Investments	904	154
Investment properties	24,332	18,775
Land held for property development	87,092	85,705
Goodwill on consolidation	8,157	10,782
	<u>413,312</u>	<u>391,525</u>
Current assets		
Inventories	48,744	50,276
Property development	3,187	12,879
Trade and other receivables	140,948	145,534
Bank balances and deposits	89,054	101,025
	<u>281,933</u>	<u>309,714</u>
Current liabilities		
Trade and other payables	103,360	128,958
Borrowings	110,010	110,949
Taxation	6,312	3,778
	<u>219,682</u>	<u>243,685</u>
Net current assets	<u>62,251</u>	<u>66,029</u>
	<u>475,563</u>	<u>457,554</u>
Finance by :		
Capital and reserves		
Share capital	236,000	236,000
Reserves	48,808	20,873
	<u>284,808</u>	<u>256,873</u>
Minority shareholders' interests	101,093	95,548
Long term and deferred liabilities		
Borrowings	60,021	71,300
Other long term payables	963	4,179
Deferred taxation	28,678	29,654
	<u>89,662</u>	<u>105,133</u>
	<u>475,563</u>	<u>457,554</u>

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Unaudited Condensed Consolidated Statement Of Changes In Equity
For the year ended 30 June 2005

	Share Capital RM'000	Non- distributable RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 July 2004	236,000	69,719	(48,846)	256,873
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	(1,342)	-	(1,342)
Net profit for the year	-	-	31,826	31,826
Dividends	-	-	(2,549)	(2,549)
At 30 June 2005	236,000	68,377	(19,569)	284,808
At 1 July 2003	236,000	65,512	(77,407)	224,105
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	4,207	-	4,207
Net profit for the year	-	-	30,260	30,260
Dividends	-	-	(1,699)	(1,699)
At 30 June 2004	236,000	69,719	(48,846)	256,873

The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report.

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Unaudited Condensed Consolidated Cash Flow Statements
For the year ended 30 June 2005

	30 June 2005 RM'000	30 June 2004 RM'000
Net profit before tax	64,107	64,116
Adjustment for non-cash flow :		
Non-cash items	31,610	26,260
Non-operating items	(1,043)	(11,962)
	<hr/>	<hr/>
Operating profit before changes in working capital	94,674	78,414
Changes in working capital :		
Net change in current assets	(15,215)	(9,828)
Net change in current liabilities	7,962	(5,679)
	<hr/>	<hr/>
Cash generated from operations	87,421	62,907
Tax paid	(8,193)	(14,333)
	<hr/>	<hr/>
Net cash inflow from operating activities	79,228	48,574
Net cash inflow/(outflow) from investing activities		
Interest received	2,223	1,420
(Increase)/Decrease in :		
Fixed deposits pledged to a financial institution	-	11,109
Investment properties	(5,557)	(18,775)
Land held for property development	(1,387)	(14,664)
Acquisition of subsidiaries	(7,082)	22,512
Acquisition of an associate	(3,500)	-
Purchase of investment	(750)	154
Proceeds from disposal of :		
Investment	-	44,269
Subsidiaries	(873)	-
Property, plant and equipment	5,651	2,705
Net cash flow from deconsolidation of subsidiaries	(1,952)	-
Purchase of property, plant and equipment	(56,429)	(20,350)
	<hr/>	<hr/>
Net Cash (For)/From Investing Activities	(69,656)	28,072

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	30 June 2005 RM'000	30 June 2004 RM'000
Net cash outflow from financing activities		
Finance costs paid	(13,069)	(11,877)
Proceeds from issue of shares to minority shareholders	7,711	-
Dividends paid to minority shareholders	(2,064)	(2,829)
Repayment of :		
Term loans	(3,401)	(3,727)
Bonds	(8,000)	(9,000)
Dividend paid	(2,549)	(1,699)
Proceeds from term loans	3,364	-
Increase/(Decrease) in :		
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months	8,701	(4,580)
Hire purchase payables	(2,489)	2,426
Net Cash For Financing Activities	<u>(11,796)</u>	<u>(31,286)</u>
Net change in cash & cash equivalents	(2,224)	45,360
Cash & cash equivalents at beginning of period	<u>71,792</u>	<u>26,432</u>
Cash & cash equivalents at end of period	<u>69,568</u>	<u>71,792</u>

The notes set out on pages 6 to 13 form an integral part of and should be read in conjunction with this interim financial report.

Notes to the interim financial report

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those in the financial statements for the year ended 30 June 2004. However with effect from 1 July 2004, Mega Fortris (Malaysia) Sdn. Bhd. ("MFM") formerly considered a subsidiary company has now been treated as an investment in Jointly Controlled Entity pursuant to MASB 11 and 16 in view of the fact that the Group does not have effective control. Consequently, the Group has deconsolidated the financial statements of MFM. Accordingly, certain comparative figures have been reclassified to conform with current year's presentation.

The Group has also adopted MASB 31 Accounting for Government Grants and Disclosure of Government Assistance and MASB 32 Property Development Activities for the first time. The adoption of MASB 31 and 32 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives, other than changes in the format of disclosure.

2. Qualification of financial statement

The audit report of the Group's preceding annual financial statements was not subject to any qualification.

3. Seasonal or cyclical factors

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

4. Unusual item

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

5. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter under review.

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6. Debt and equity securities

There was no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in these financial statements.

7. Dividend paid

A first and final dividend of 1.5% less income tax of 28% (2003 : 1% less income tax of 28%) for the year ended 30 June 2004 was approved by the shareholders at the Annual General Meeting held on 28 October 2004. The entitlements to the dividend were determined on the basis of the record of depositors as at 19 November 2004 and payment was made on 16 December 2004.

8. Segment information for the year ended 30 June 2005

	Revenue	Profit/(Loss)
	RM'000	Before
		Tax
2005	RM'000	RM'000
By Activity		
<u>Continuing operations:</u>		
Build, own and operate power plants	280,368	59,078
Property development	24,413	715
Quarrying and production of quicklime, hydrated lime and calcium carbonate products	25,815	3,574
Engineering, designing and manufacturing of automotive and transportation components	180,125	6,442
Investment holding	328	(5,934)
Jointly controlled entity	-	978
Associated companies	-	80
	511,049	64,933
<u>Discontinued operations:</u>		
Travel and lingerie	55,832	(826)
	566,881	64,107

9. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment in these financial statements.

10. Events subsequent to the balance sheet date

Other than as disclosed in note 20 (c), there was no material event subsequent to the end of the period reported up to 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

11. Changes in composition of the Group

- a) On 31 July 2004, the Group completed the acquisition of 62,500 ordinary shares of RM1.00 each, representing 50% of the issued and paid-up ordinary share capital of Hexachase Corporation Sdn. Bhd. (“HCSB”), for a total cash consideration of RM3.5 million. HCSB is principally involved in the business of desktop publishing and manufacturing of labels and packaging materials. The results of HCSB have been equity accounted for as an associate.
- b) With effect from 1 July 2004, Mega Fortris (Malaysia) Sdn. Bhd. (“MFM”) formerly considered a subsidiary company has now been treated as a Jointly Controlled Entity pursuant to MASB 11 as disclosed in Note 1.
- c) On 15 September 2004, Rock Chemical Industries (M) Bhd (“RCI”), a 60.52% subsidiary of the Group entered into a Conditional Sale and Purchase Agreement with Wawasan TKH Sdn. Bhd., a related party, to dispose of its entire equity stake in four subsidiaries namely Asia Experience Sdn. Bhd, Xilouette Manufacturer Sdn. Bhd., Xixili Intima Sdn. Bhd. and PST Travel Services Sdn. Bhd. for a total cash consideration of RM1.063 million.

The disposals, which resulted in a gain on disposal to the Group of RM1.162 million, were completed on 21 December 2004.

- d) On 26 January 2005, Gombak Land Sdn. Bhd., a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 2 fully paid ordinary shares of RM1.00 each in Kinta Ceria Sdn. Bhd. (“KCSB”), representing 100% of the issued and paid-up ordinary share capital of KCSB, for a total cash consideration of RM2.569 million. KCSB has a piece of land held under PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak, measuring approximately 8,094 square meters. The acquisition of KCSB has since been completed.

Other than as disclosed above, there was no material change in the composition of the Group for the year ended 30 June 2005 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12. Changes in contingent liabilities and assets

a) Contingent liabilities

On 29 July 2005, a corporate guarantee of RM27.0 million was given by the Company to a financial institution for facilities extended to a subsidiary. Other than as disclosed, there was no material change in contingent liabilities of the Group from 1 July 2004 to 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

b) Contingent assets

The Group have no contingent asset as at 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

c) Significant related party transaction

Rental of premises from The Trustees For The Time Being Of The Rockingham Trust No. 6660/87, a Trust in which a director of a foreign subsidiary company Harvey Smith is a beneficiary	<u>RM'000</u> <u>1,229</u>
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13. Review of performance

a) For the current quarter

For the current quarter under review, the Group registered a pre-tax profit of RM16.5 million whilst revenue achieved was RM138.1 million.

The pre-tax profit was mainly derived from the Power Division which recorded a pre-tax profit of RM20.7 million offset by losses of RM2.5 million from the Engineering Division.

b) For the year ended 30 June 2005

For the year ended 30 June 2005, the Group achieved a pre-tax profit of RM64.1 million and a total revenue of RM566.8 million. The Power Division posted a pre-tax profit of RM59.1 million largely due to the increase in demand for energy and steam. In addition, the Engineering Division recorded a pre-tax profit of RM6.4 million due mainly to the write-back of previous years' provision for shortfall in pension fund of RM16.0 million.

14. Variation of results against preceding quarter

For the fourth quarter ended 30 June 2005, the Group's revenue was RM138.1 million compared to RM126.6 million in the preceding quarter. The higher revenue resulted from the Power Division which registered an increase of RM14.7 million offset by a dip of RM3.9 million from the Engineering Division.

However, the Group pre-tax profit for the fourth quarter of RM16.5 million was lower than that of the preceding quarter of RM18.4 million. The lower profit was attributable to the Engineering Division which recorded a pre-tax loss of RM2.5 million.

15. Prospects

The Group is constantly reviewing its business operations to maintain its competitive edge and at the same time continuing its search for investment opportunities to enhance its core businesses.

In addition, with the recently completed expansion of its power plant in China and the expected commissioning of a new lime kiln by end of year 2005, the Board is of the view that the results of Group will continue to be satisfactory.

16. Profit forecast

The Group did not issue any profit forecast or profit guarantee in these financial statements.

17. Tax expense

	Current quarter ended 30 June 2005 RM'000	Year ended 30 June 2005 RM'000
Current tax expense		
Malaysian - current	4,195	6,951
Overseas - current	1,176	5,021
	<hr/>	<hr/>
	5,371	11,972
Deferred tax expense		
Malaysian	(1,698)	(783)
Overprovision in prior years	65	65
	<hr/>	<hr/>
	(1,633)	(718)
Tax expense on share of profit :		
- jointly controlled entity	-	513
- associated company	(10)	7
Over provision in prior years	(90)	(90)
	<hr/>	<hr/>
	3,638	11,684
	<hr/>	<hr/>

The effective tax rates of the Group for the current quarter and year ended 30 June 2005 were lower than the statutory tax rate due mainly to the income earned in China which is taxed at the rate of 15 per cent and the tax rebate of about RM1.8 million from reinvestment in China.

18. Unquoted investments and properties

On 26 July 2004, Mega First Corporation Bhd entered into a conditional agreement to transfer its rights to a sub-lease over the land held under H.S. (M) 12/1978 Plot 3, Mukim Pekula Daerah Kuala Muda, Kedah for a total cash consideration of RM1.35 million. The consent from Perbadanan Kemajuan Negeri Kedah for the said transfer was obtained on 26 October 2004. This transaction was completed during the quarter under review and resulted in a gain of about RM1.2 million.

Other than as disclosed above, there was no sale of unquoted investment or property during the nine months under review.

19. Quoted investment

a) Purchase and sale of quoted investments

i) Acquisition of quoted investment in a subsidiary company

On 3 September 2004, Authentic Excellence Sdn. Bhd. (“AESB”) a wholly-owned subsidiary of the Company acquired 2,008,000 ordinary shares of RM1.00 each representing 4.74% of the issued and paid-up share capital of Rock Chemical Industries (M) Bhd (“RCI”) for a total cash consideration of RM4.5 million. Pursuant to this additional acquisition of RCI shares, the equity in RCI increase from 55.78% to 60.52%.

ii) Acquisition of other quoted investments

	Current Quarter ended 30 June 2005 RM'000	Year ended 30 June 2005 RM'000
Purchase consideration	<u>-</u>	<u>750</u>

b) Other investments in quoted securities as of 30 June 2005

	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	<u>904</u>	<u>904</u>	<u>812</u>

20. Status of corporate proposal

- a) On 10 March 2004, Bloxwich Forgings (Pty) Ltd (“BFPL”), a 96.9% owned subsidiary of the Group, was liquidated pursuant to an Order of the High Court of South Africa. The liquidation of BFPL was completed in July 2005.
- b) On 26 May 2004, the Company proposed to undertake a private placement of up to 10% of the issued and paid-up ordinary share capital of the Company (“Placement Shares”) and this was approved by the Securities Commission (“SC”) and Foreign Investment Committee on 26 July 2004.

The SC’s approval for the extension of time to complete the Private Placement of up to 10% of the issued and paid-up ordinary share capital of the Company lapsed on 27 July 2005. No placement was made and the Board of Directors has decided not to seek further extension.

- c) On 9 May 2005, Hatherton Engineering Limited (“HE”), a 97.2% owned subsidiary of the Group was placed under voluntary administration by the Directors of HE.

HE, which was incorporated in United Kingdom on 17 January 1958 as a private limited company, was principally involved in the design and manufacture of precision tools and had been incurring losses for several years.

The voluntary administration of HE resulted in a Group loss of approximately RM1.0 million which has been accounted for in the financial year under review.

Other than as disclosed above there was no corporate proposal announced but not completed as at 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

21. Borrowing and debt securities

Group borrowings as at 30 June 2005 :

	<u>RM’000</u>
<u>Short term borrowings</u>	
<i>Secured Denominated in :</i>	
Ringgit Malaysia	20,527
GBP (GBP 3,074,000)	21,098
RMB (RMB 77,500,000)	35,572
Rand (R 11,508,000)	6,558
<i>Unsecured Denominated in :</i>	
Ringgit Malaysia	26,255
	110,010
<u>Long term borrowings</u>	
<i>Secured Denominated in :</i>	
Ringgit Malaysia	45,250
GBP (GBP 2,152,000)	14,771
	60,021
	170,031

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22. Off balance sheet financial instruments

There was no financial instrument with off balance sheet risk as at 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

23. Changes in material litigation

There was no pending material litigation as at 22 August 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

24. Dividend

The Board is pleased to propose a first and final dividend of 3.0%, less income tax, for the year ended 30 June 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. If approved by the shareholders, entitlements to the dividend will be determined on the basis of the record of depositors as at 25 November 2005 and will payable on 16 December 2005.

25. Basic earnings per share

The calculation of basic earnings per share for the fourth quarter and year ended 30 June 2005 is based on the net profit attributable to ordinary shareholders of RM7,244,000 and RM31,826,000 respectively and the number of ordinary shares in issue of 236,000,000.

BY ORDER OF THE BOARD

YONG LAI SIM
Group Company Secretary

Kuala Lumpur
29 August 2005