

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

**Interim Financial Report  
31 December 2005**

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

**Unaudited Condensed Consolidated Income Statements**  
**For the second quarter and six months ended 31 December 2005**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year 2 <sup>nd</sup> Quarter 31.12.2005 RM'000	Preceding Year Corresponding 2 <sup>nd</sup> Quarter 31.12.2004 RM'000	Current Year To date 31.12.2005 RM'000	Preceding Year Corresponding To date 31.12.2004 RM'000
<b>Revenue</b>	117,506	147,538	254,574	302,195
<b>Operating expenses</b>	(107,144)	(134,629)	(222,276)	(276,777)
Other operating income	13,872	2,064	17,691	7,351
Gain on disposal of subsidiary companies	-	1,162	-	1,162
Profit from operations	24,234	16,135	49,989	33,931
Finance cost	(1,918)	(2,964)	(4,931)	(6,187)
Share of profit in jointly controlled entity	863	702	1,307	1,155
Share of profit/(loss) of associates	12	280	(76)	334
<b>Profit before taxation</b>	23,191	14,153	46,289	29,233
Tax expense	(3,742)	(3,225)	(9,055)	(4,827)
<b>Profit after taxation</b>	19,449	10,928	37,234	24,406
Less : Minority interests	(9,069)	(4,896)	(16,193)	(10,778)
<b>Net profit for the period</b>	10,380	6,032	21,041	13,628
EPS - Basic (sen)	4.40	2.56	8.92	5.78
- Diluted (sen)	N/A	N/A	N/A	N/A

The EPS is calculated based on the net profit for the second quarter and six months ended 31 December 2005 divided by 236,000,000 ordinary shares in issue.

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report.

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**Unaudited Condensed Consolidated Balance Sheets**  
**At 31 December 2005**

	<b>31 December 2005 RM'000</b>	<b>Audited 30 June 2005 RM'000</b>
<b>Property, plant and equipment</b>	293,589	282,513
<b>Associate</b>	6,641	6,697
<b>Jointly controlled entity</b>	4,497	3,617
<b>Investments</b>	156	904
<b>Investment properties</b>	24,338	24,332
<b>Property development – non-current</b>	82,254	87,092
<b>Intangible assets</b>	7,785	8,157
	<hr/> 419,260	<hr/> 413,312
<b>Current assets</b>		
Inventories	38,677	48,744
Property development	5,517	3,187
Trade and other receivables	106,193	140,948
Bank balances and deposits	95,525	89,054
	<hr/> 245,912	<hr/> 281,933
<b>Current liabilities</b>		
Trade and other payables	123,513	103,360
Borrowings	91,964	110,010
Taxation	7,007	6,312
	<hr/> 222,484	<hr/> 219,682
<b>Net current assets</b>	<hr/> 23,428	<hr/> 62,251
	<hr/> <hr/> 442,688	<hr/> <hr/> 475,563
<b>Finance by :</b>		
<b>Capital and reserves</b>		
Share capital	236,000	236,000
Reserves	40,139	48,808
	<hr/> 276,139	<hr/> 284,808
<b>Minority shareholders' interests</b>	96,139	101,093
<b>Long term and deferred liabilities</b>		
Borrowings	40,248	60,021
Deferred taxation	26,170	28,678
Other long term payables	3,992	963
	<hr/> 70,410	<hr/> 89,662
	<hr/> <hr/> 442,688	<hr/> <hr/> 475,563

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**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For the six months ended 31 December 2005**

	<b>Share Capital RM'000</b>	<b>Non- distributable RM'000</b>	<b>Distributable Retained profits RM'000</b>	<b>Total RM'000</b>
At 1 July 2005	236,000	68,377	(19,569)	284,808
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	(581)	-	(581)
Break-up adjustment	-	(24,032)	-	(24,032)
Net profit for the period	-	-	21,041	21,041
Dividends	-	-	(5,097)	(5,097)
<b>At 31 December 2005</b>	<b>236,000</b>	<b>43,764</b>	<b>(3,625)</b>	<b>276,139</b>
At 1 July 2004	236,000	69,719	(48,846)	256,873
Deconsolidation adjustment of Mega Fortris	-	-	(1,654)	(1,654)
Equity accounting of Mega Fortris, jointly controlled entity	-	-	1,654	1,654
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	2,115	-	2,115
Net profit for the period	-	-	13,628	13,628
Dividends	-	-	(2,549)	(2,549)
<b>At 31 December 2004</b>	<b>236,000</b>	<b>71,834</b>	<b>(37,767)</b>	<b>270,067</b>

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**Unaudited Condensed Consolidated Cash Flow Statements**  
**For the six months ended 31 December 2005**

	<b>31 December 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Net profit before tax	46,289	29,233
Adjustment for non-cash flow :		
Non-cash items	17,493	16,435
Non-operating items	6,821	6,928
Operating profit before changes in working capital	<u>70,603</u>	<u>52,596</u>
Changes in working capital :		
Net change in current assets	(1,311)	4,302
Net change in current liabilities	<u>(8,437)</u>	<u>(9,506)</u>
Cash generated from operations	60,855	47,392
Tax paid	<u>(8,307)</u>	<u>(4,184)</u>
<b>Net cash inflow from operating activities</b>	<u>52,548</u>	<u>43,208</u>
<b>Net cash inflow/(outflow) from investing activities</b>		
(Increase)/Decrease in :		
Interest income	1,177	1,025
(Increase)/decrease in property development non current	(569)	(1,575)
Acquisition of associated company	-	(3,500)
(Increase)/decrease in investment properties	(6)	-
Proceeds from disposal of property, plant and equipment	1,738	310
Increase in investment in subsidiary company	-	(4,525)
Proceeds from disposal of investment	2,410	-
Purchase of investment	(1,600)	(598)
Purchase of property, plant and equipment	<u>(13,084)</u>	<u>(34,184)</u>
<b>Net cash (used in)/from investing activities</b>	<u>(9,934)</u>	<u>(43,047)</u>
<b>Net cash outflow from financing activities</b>		
Increase/(Decrease) in :		
Increase/(decrease) in short term borrowings excluding overdrafts	(6,780)	6,473
Proceeds from term loans	5,232	14,752
Repayment of term loans	(2,399)	(8,301)
Repayment of bonds	(8,000)	(8,000)
Dividend paid	(5,097)	(1,700)
Dividends paid to minority shareholders	(1,415)	-
Interest paid	(5,103)	(6,180)
(Decrease)/Increase in hire purchase payables	<u>(441)</u>	<u>(1,916)</u>
<b>Net cash used in financing activities</b>	<u>(24,003)</u>	<u>(4,872)</u>
<b>Net change in cash &amp; cash equivalents</b>	18,611	(4,711)
<b>Cash &amp; cash equivalents at beginning of period</b>	<u>69,568</u>	<u>70,544</u>
<b>Cash &amp; cash equivalents at end of period</b>	<u>88,179</u>	<u>65,833</u>

The notes set out on pages 5 to 14 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 statements are unaudited and have been prepared in accordance with Financial Reporting Standard 134 (previously MASB 26), Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Mega First Corporation Berhad Group (“MFCB Group”) for the year ended 30 June 2005.

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 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 months period ended 31 December 2005 is on a break-up basis i.e 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.

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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 :

<b>Summarised Balance Sheet at 31 December 2005</b>	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)	(13,037)
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	5,752	5,752
Translation reserve	24,032	24,032
Accumulated losses	(57,984)	(146,721)
	<u>(14,527)</u>	<u>(103,264)</u>

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The effects on MFCB's 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 :

<b>Summarised Balance Sheet</b>	BEL Group break-up basis for consolidation RM'000	Losses not covered by assets of BEL Group RM'000
<b>at 31 December 2005</b>		
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	2,676
Translation reserve	-	24,032
Accumulated losses	(16,749)	(129,972)
	<u>-</u>	<u>(103,264)</u>

The BEL Group financial statements are consolidated up to MFCB's 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 BEL Group amounted to RM103,264,000.

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 2005 except for the preparation of the financial statement on a break-up basis of the BEL Group and the change in accounting estimate as disclosed in Note 5.

Note : Effective 1 July 2005, the Group changed its financial year end from 30 June to 31 December as announced to the Exchange on 26 May 2005 (Ref. No.: MF-050526-35730) and the current quarter financial statements constitute the final quarter.

**2. Qualification of financial statement**

The audit report of the Group's annual financial statements for the year ended 30 June 2005 was not subject to any qualification.

**3. Seasonal or cyclical factors**

Our principal business operations are not significantly affected by seasonal or cyclical factors.

**4. Unusual item**

Other than as disclosed in Notes 1 and 5, 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**

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.

Other than as disclosed above, there were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter under review.

**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 3.0%, less income tax, for the year ended 30 June 2005 was approved by the shareholders at the Annual General Meeting held on 27 October 2005. The entitlements to the dividend which were determined on the basis of the record of depositors as at 25 November 2005 was paid on 16 December 2005.

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**8. Segment information for the six months ended 31 December 2005**

<b>2005</b>	<b>Revenue RM'000</b>	<b>Profit/(Loss) Before Tax RM'000</b>
<b>By Activity</b>		
<u>Continuing operations:</u>		
Build, own and operate power plants	171,019	47,510
Property development	13,695	(61)
Quarrying and production of quicklime, hydrated lime and calcium carbonate products	13,183	(1,323)
Engineering, designing and manufacturing of automotive and transportation components	56,239	4,073
Investment holding	438	(5,141)
Jointly controlled entity	-	1,307
Associate	-	(76)
	254,574	46,289

**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**

There was no material event subsequent to the end of the period reported up to 21 February 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**11. Changes in composition of the Group**

There was no material change in the composition of the Group for the six months ended 31 December 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

There is a contingent liability of approximately RM5.1 million as at 31 December 2005 in respect of an increased assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah pursuant to an amendment to the Sabah Local Government Ordinance. No provision in respect of this assessment has been made in the financial statements as the amount is still in dispute.

Other than as disclosed above, there was no material change in contingent liabilities of the Group from 1 July 2005 to 21 February 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

b) Contingent assets

The Group has no contingent asset as at 21 February 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

**13. Review of performance**

a) For the current quarter

For the current quarter under review, the Group registered a pre-tax profit of RM23.2 million whilst revenue achieved was RM117.5 million.

The pre-tax profit was mainly derived from the Power Division which recorded a pre-tax profit of RM26.0 million, offset by the allowance for impairment losses of about RM4.0 million in the Property Division.

b) For the six months ended 31 December 2005

For the six months ended 31 December 2005, the Group achieved a pre-tax profit of RM46.3 million and a revenue of RM254.8 million mainly from the Power Division.

The Engineering Division recorded a pre-tax profit of RM4.1 million principally due to the reversal of losses in excess of cost of investment less write-off of obsolete inventories and bad debts as well as the payment for redundancy costs from the restructuring exercise.

The losses in the Investment holding, Limestone and Property Divisions, were attributable to allowance for impairment losses and a change in the accounting estimates which resulted in an additional amortisation charge of about RM2.0 million.

**14. Variation of results against preceding quarter**

For the second quarter ended 31 December 2005, the Group's revenue was RM117.5 million compared to RM137.1 million in the preceding quarter.

Despite the lower revenue, the Group pre-tax profit for the second quarter of RM23.2 million was comparable to that of the preceding quarter. The maintainable profit was mainly attributable to the Power and Engineering Divisions which recorded an increase in the pre-tax profit of RM3.9 million and RM2.7 million respectively. The profit from the Engineering Division is mainly due to the reversal of losses in excess of cost of investment. However, the Investment holding, Limestone and Property Divisions recorded losses in the current quarter as a result of an allowance for impairment losses and a change in the accounting estimates which resulted in an additional amortisation charge of about RM2.0 million.

**15. Prospects**

With the continuing measures undertaken to strengthen the businesses and barring unforeseen circumstances, the Board expects the results for the next financial year to be better.

**16. Profit forecast**

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

**17. Tax expense**

	<b>Current quarter ended 31 December 2005 RM'000</b>	<b>Period ended 31 December 2005 RM'000</b>
Current tax expense		
Malaysian	2,600	4,219
Overseas	2,590	5,380
	5,190	9,599
Deferred tax expense		
Malaysian	(1,349)	(925)
Overprovision in prior years	(709)	(709)
Overseas	252	252
	(1,806)	(1,382)
Tax expense on share of profit :		
- jointly controlled entity	295	426
- associated company	-	(19)
Under provision in prior years	63	431
	3,742	9,055

The effective tax rates of the Group for the current quarter and period ended 31 December 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.

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**18. Unquoted investments and properties**

There was no sale of unquoted investment or property during the six months under review.

**19. Quoted investment**

a) Purchase and sale of quoted investments

i) Acquisition of other quoted investments

	<b>Current Quarter ended 31 December 2005 RM'000</b>	<b>Period ended 31 December 2005 RM'000</b>
Purchase consideration	<u>-</u>	<u>1,540</u>

ii) Disposal of other quoted investment

During the second quarter ended 31 December 2005, the Group registered a net gain of RM62,000 from the disposal of part of other quoted investment details of which are as follows :

	<b>Current Quarter ended 31 December 2005 RM'000</b>	<b>Period ended 31 December 2005 RM'000</b>
Proceeds from disposal	2,410	2,410
Less : Carrying value	<u>2,348</u>	<u>2,348</u>
Gain on disposal	<u>62</u>	<u>62</u>

b) Other investments in quoted securities as of 31 December 2005

	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	<u>156</u>	<u>156</u>	<u>138</u>

**20. Status of corporate proposal**

There was no corporate proposal announced but not completed as at 21 February 2006, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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**21. Borrowing and debt securities**

Group borrowings as of 31 December 2005 :

**RM'000**

**Short term borrowings**

***Secured Denominated in :***

Ringgit Malaysia	36,222
GBP (GBP2,187,000)	14,252
RMB (RMB60,000,000)	27,540
Rand (R7,438,000)	4,445

***Unsecured Denominated in :***

Ringgit Malaysia	4,010
	<u>86,469</u>

**Long term borrowings**

***Secured Denominated in :***

Ringgit Malaysia	40,248
GBP (GBP2,847,000)	18,557
	<u>58,805</u>

145,274

**22. Off balance sheet financial instruments**

There was no financial instrument with off balance sheet risk as at 21 February 2006, 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 21 February 2006, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**24. Dividend**

A first and final dividend of 1.5% less income tax of 28% (30.6.05 : 3.0% less income tax of 28%) for the six months period ended 31 December 2005 has been recommended by the Board subject to approval of shareholders at the forthcoming Annual General Meeting. The book closure and payment dates will be determined later. The said proposed dividend has not been included as a liability in these Financial Statements.

**25. Basic earnings per share**

The calculation of basic earnings per share for the second quarter and period ended 31 December 2005 is based on the net profit attributable to ordinary shareholders of RM10,380,000 and RM21,041,000 respectively and the number of ordinary shares in issue of 236,000,000.

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**26. Significant related party transaction**

**RM'000**

Rental of premises from  
The Trustees For The Time Being Of The  
Rockingham Trust No. 6660/87, a Trust in  
which a former director of a foreign subsidiary  
was a beneficiary

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**BY ORDER OF THE BOARD**

**YONG LAI SIM**  
Group Company Secretary

Kuala Lumpur  
28 February 2006