

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

**Interim Financial Report  
31 December 2006**

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

**Unaudited Condensed Consolidated Income Statements**  
**For the fourth quarter and year ended 31 December 2006**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year 4 <sup>th</sup> Quarter 31.12.2006 RM'000	Preceding Year Corresponding 3 <sup>rd</sup> Quarter 31.12.2005 RM'000	Current Year To date 31.12.2006 RM'000	Preceding Year Corresponding Period 31.12.2005 RM'000
<b>Revenue</b>	128,890	N/A	478,387	N/A
<b>Operating expenses</b>	(107,558)	N/A	(390,926)	N/A
Other operating income	5,861	N/A	15,428	N/A
Profit from operations	27,193	N/A	102,889	N/A
Finance cost	(855)	N/A	(7,771)	N/A
Share of profit/(loss) of associates	(355)	N/A	(442)	N/A
<b>Profit before taxation</b>	25,983	N/A	94,676	N/A
Tax expense	(6,475)	N/A	(16,968)	N/A
<b>Net profit for the period</b>	19,508	N/A	77,708	N/A
Attributable to :				
Equity holders of the parent	11,745	N/A	46,120	N/A
Minority interest	7,763	N/A	31,588	N/A
	19,508	N/A	77,708	N/A
EPS - Basic (sen)	4.98	N/A	19.54	N/A
- Diluted (sen)	4.86	N/A	19.10	N/A

The EPS is calculated based on the net profit attributable to equity holders of the parent for the fourth quarter and year ended 31 December 2006 divided by 236,000,000 ordinary shares in issue.

The notes set out on pages 5 to 16 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**  
**As of 31 December 2006**

	<b>As at 31.12.06 RM'000</b>	<b>Audited As at 31.12.05 RM'000</b>
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	234,606	289,926
Associates	6,173	6,641
Jointly controlled entity	-	4,497
Investments	8,329	156
Prepaid lease payment	3,496	3,663
Investment properties	30,918	24,338
Land held for property development	66,792	82,254
Goodwill on consolidation	7,785	7,785
	<b>358,099</b>	<b>419,260</b>
<b>Current Assets</b>		
Inventories	37,593	38,677
Property development	17,551	5,517
Trade and other receivables	126,381	106,193
Bank balances and deposits	100,750	95,525
	<b>282,275</b>	<b>245,912</b>
Non-current asset held for sale	40,196	-
<b>TOTAL ASSETS</b>	<b>680,570</b>	<b>665,172</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Equity Holders Of The Parent</b>		
Share capital	236,000	236,000
Reserves	78,819	40,139
Shareholders' funds	314,819	276,139
<b>Minority Interests</b>	<b>124,913</b>	<b>96,139</b>
<b>Total Equity</b>	<b>439,732</b>	<b>372,278</b>
<b>Deferred And Non Current Liabilities</b>		
Borrowings – non-current	29,985	40,248
Other long term payables	2,622	3,992
Deferred taxation	27,497	26,170
	<b>60,104</b>	<b>70,410</b>
<b>Current Liabilities</b>		
Trade and other payables	98,100	123,513
Short term borrowings	72,392	91,964
Taxation	10,242	7,007
	<b>180,734</b>	<b>222,484</b>
<b>Total Liabilities</b>	<b>240,838</b>	<b>292,894</b>
<b>Total Equity And Liabilities</b>	<b>680,570</b>	<b>665,172</b>
<b>Net Assets Per Share Attributable To Ordinary Equity Holders Of The Parent (RM)</b>	<b>1.33</b>	<b>1.17</b>

The notes set out on pages 5 to 16 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 Statement Of Changes In Equity**  
**For the year ended 31 December 2006**

	← Attributable to equity holders of the parent →						Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation RM'000	Share option reserve RM'000	Capital RM'000	Non-distribution reserves				
Balance at 1 January 2006	236,000	33,380	8,171	-	2,213	(3,625)	276,139	96,139	372,278	
Currency translation differences	-	-	(1,521)	-	-	-	(1,521)	476	(1,045)	
Profit for the year	-	-	-	-	-	46,120	46,120	31,588	77,708	
Dividends	-	-	-	-	-	(5,947)	(5,947)	(3,313)	(9,260)	
Dilution of investment in a subsidiary	-	-	-	-	-	-	-	63	63	
Purchase of additional investment in a subsidiary	-	-	-	-	-	-	-	(40)	(40)	
Share options granted under ESOS	-	-	-	28	-	-	28	-	28	
<b>Balance at 31 December 2006</b>	<b>236,000</b>	<b>33,380</b>	<b>6,650</b>	<b>28</b>	<b>2,213</b>	<b>36,548</b>	<b>314,819</b>	<b>124,913</b>	<b>439,732</b>	

The notes set out on pages 5 to 16 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 Cash Flow Statements**  
**For the year ended 31 December 2006**

	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
Net profit before tax	94,676	N/A
Adjustment for non-cash flow :		
Non-cash items	25,830	N/A
Non-operating items	11,058	N/A
Operating profit before changes in working capital	<u>131,564</u>	N/A
Changes in working capital :		
Net change in current assets	(26,066)	N/A
Net change in current liabilities	<u>(28,096)</u>	N/A
Cash generated from operations	77,402	N/A
Tax paid	<u>(5,691)</u>	N/A
<b>Net cash inflow from operating activities</b>	<b>71,711</b>	<b>N/A</b>
<b>Net cash outflow from investing activities</b>		
Interest income	2,490	N/A
Increase in land held for property development	(1,132)	N/A
Increase in investment properties	(6,580)	N/A
Proceeds from disposal of Jointly Controlled entity	1,400	N/A
Proceeds from disposal of property, plant and equipment	10,220	N/A
Proceeds from disposal of property development	4,230	N/A
Purchase of investment	(8,173)	N/A
Purchase of property, plant and equipment	<u>(18,716)</u>	N/A
<b>Net cash used in investing activities</b>	<u>(16,261)</u>	<b>N/A</b>
<b>Net cash outflow from financing activities</b>		
Short term borrowings excluding overdrafts	(18,863)	N/A
Hire purchase payables	(2,672)	N/A
Proceeds from term loans	-	N/A
Repayment of term loans	(8,442)	N/A
Repayment of bonds	(8,000)	N/A
Interest paid	(7,771)	N/A
Dividends paid	<u>(9,260)</u>	N/A
<b>Net cash used in financing activities</b>	<u>(55,008)</u>	<b>N/A</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>442</b>	<b>N/A</b>
<b>Cash &amp; cash equivalents at beginning of year</b>	<u>88,179</u>	<b>N/A</b>
<b>Cash &amp; cash equivalents at end of year</b>	<u><u>88,621</u></u>	<b>N/A</b>

The notes set out on pages 5 to 16 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 (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) 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 Group for the six-month financial period ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the preparation of these financial statements for the period ended 31 December 2005 except for adoption of the following new and revised FRS which does not have any material effect on the financial statements of the Group :

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

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

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

*Restatement of prior year’s Balance Sheet*

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

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

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

Other than as disclosed in the foregoing paragraph, the accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those in the audited financial statements for the six-month financial period ended 31 December 2005.

**2. Qualification of financial statement**

The audit report of the Group's annual financial statements for the six-month financial period ended 31 December 2005 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**

Other than the loss of RM3.097 million as disclosed in Note 20 (b), 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 was no change 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 1.5%, less income tax, for the six-month financial period ended 31 December 2005 was approved by the shareholders at the Annual General Meeting held on 28 April 2006. The entitlements to the dividend which were determined on the basis of the record of depositors as at 11 May 2006 was paid on 26 May 2006.

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

An interim dividend of 2% less income tax of 28% (31.12.05 : final dividend of 1.5% less income tax of 28%) for the financial year ending 31 December 2006 was declared on 23 August 2006. The entitlements to the dividend which were determined on the basis of the record of depositors as at 22 September 2006 was paid on 10 October 2006.

**8. Segment information for the year ended 31 December 2006**

	<b>Revenue</b>	<b>Profit/(Loss)</b>
	<b>RM'000</b>	<b>Before</b>
		<b>Tax</b>
<b>2006</b>		<b>RM'000</b>
<b>By Activity</b>		
<u>Continuing operations:</u>		
Build, own and operate power plants	338,044	85,063
Property development	23,628	5,152
Quarrying and production of quicklime, hydrated lime and calcium carbonate products	49,167	7,098
Engineering, designing and manufacturing of automotive and transportation components	67,548	5,529
Investment holding	-	(7,724)
Associate	-	(442)
	<u>478,387</u>	<u>94,676</u>

**9. Valuation of Property, Plant and Equipment**

There was 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 22 February 2007, 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**

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

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

Other than as disclosed above, there was no material change in the composition of the Group for the year ended 31 December 2006 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 - unsecured

	<b>As at 22.2.07 RM'000</b>	<b>As at 31.12.05 RM'000</b>
Unsecured :		
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in Sabah	<u>5,892</u>	<u>5,100</u>

Other than as disclosed above, there was no material change in contingent liabilities of the Group from 1 January 2006 to 22 February 2007, 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 22 February 2007, 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) Current quarter

For the current quarter under review, the Group registered a pre-tax profit of RM26.0 million whilst revenue achieved was RM128.9 million.

The Power Division contributed about RM24.2 million of the total pre-tax profit whereas Property and Limestone Divisions contributed RM1.9 million and RM1.7 million respectively. However, the Engineering Division recorded a loss of RM0.5 million after accounting for write-off of certain obsolete inventories.

b) For the year ended 31 December 2006

For the year ended 31 December 2006, the Group registered a pre-tax profit of RM94.7 million and a revenue of RM478.4 million. The Power Division continued to benefit from strong demand for its steam and energy to register a pre-tax profit of RM85.1 million. The Limestone, Engineering and Property Divisions also recorded better performance with profits of RM7.1 million, RM5.5 million and RM5.2 million respectively. However the Investment Holding Division suffered a loss of RM7.7 million due mainly to the loss of RM3.1 million arising from the disposal of its jointly controlled entity (refer note 20 (b)).

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

For the fourth quarter ended 31 December 2006, the Group's pre-tax profit and revenue was RM26.0 million and RM128.7 million compared to RM25.8 million and RM115.7 million respectively in the preceding quarter.

The higher revenue as compared to the preceding quarter was largely due to higher revenue from the Power and Property Divisions. However, the pre-tax profit only rose marginally due to lower profits from the Engineering and Limestone Divisions.

**15. Prospects**

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

**16. Profit forecast**

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

**17. Tax expense**

	<b>Current Quarter ended 31.12.2006 RM'000</b>	<b>Current Year to date 31.12.2006 RM'000</b>
Current tax expense		
Malaysian	2,504	8,595
Overseas	2,041	6,502
	<hr/>	<hr/>
	4,545	15,097
Deferred tax expense		
Malaysian	1,644	1,585
Overprovision in prior years	(32)	(32)
Overseas	-	-
	<hr/>	<hr/>
	1,612	1,553
Tax expense on share of profit :		
- associated company	26	26
Under/(Over) provision in prior years	292	292
	<hr/>	<hr/>
	6,475	16,968
	<hr/> <hr/>	<hr/> <hr/>

The effective tax rate of the Group for the current quarter and year ended 31 December 2006 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 as well as a tax rebate of about RM3.9 million received from the Tax Bureau of China.

**18. Unquoted investments and properties**

- a) During the second quarter under review, Bloxwich Engineering Limited (“BEL”), a foreign subsidiary, disposed of one of its factory land and building for a cash consideration of RM7,153,000. The disposal resulted in a gain of about RM183,000 as analysed :-

	<b>Current Quarter ended 31.12.2006 RM'000</b>	<b>Current Year to date 31.12.2006 RM'000</b>
Proceeds from disposal	-	7,153
Less : Carrying value	-	6,970
	<hr/>	<hr/>
Gain on disposal	-	183
	<hr/> <hr/>	<hr/> <hr/>

However, the disposal will not have any financial impact on the Group’s financial statements as the financial statements of BEL have been consolidated on a break-up basis with effect from the six-month financial period ended 31 December 2005.

- b) During the third quarter under review, Mega First Properties Sdn. Bhd., a subsidiary, disposed of its investment property for a cash consideration of RM4,450,000. The disposal resulted in a loss of about RM81,000 as analysed :-

	<b>Current Quarter ended 31.12.2006 RM'000</b>	<b>Current Year to date 31.12.2006 RM'000</b>
Proceeds from disposal	-	4,450
Less : Carrying value	-	4,531
	<hr/>	<hr/>
(Loss)/Gain on disposal	-	(81)
	<hr/> <hr/>	<hr/> <hr/>

Other than as disclosed above, there was no material sale or purchase of unquoted investment or property during the year ended 31 December 2006.

**19. Quoted investment**

- a) Purchase and sale of quoted investments
- i) Acquisition of quoted investments

	<b>Current Quarter ended 31.12.2006 RM'000</b>	<b>Current Year to date 31.12.2006 RM'000</b>
Purchase consideration	1,777	8,174
	<hr/>	<hr/>

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

ii) Disposal of quoted investment

There was no sale of quoted investment during current quarter under review.

b) Investments in quoted securities as of 31 December 2006

	<b>Cost</b> <b>RM'000</b>	<b>Book</b> <b>Value</b> <b>RM'000</b>	<b>Market</b> <b>Value</b> <b>RM'000</b>
Quoted in Malaysia	<u>8,329</u>	<u>8,329</u>	<u>8,267</u>

**20. Status of corporate proposal**

- a) On 29 June 2006, Mega First Corporation Berhad (“MFCB”) acquired 490,000 fully paid shares of RM1.00 each representing a 2.78% share in its 97.22% owned subsidiary Bloxwich International Sdn. Bhd. (“BISB”) for a total cash consideration of RM196,000. The purchase consideration was arrived at on a willing-seller willing-buyer basis. With this acquisition, BISB is now a wholly-owned subsidiary of MFCB.
- b) On 23 March 2006, MFCB signed an agreement (“Agreement”) with the Government of the Lao People’s Democratic Republic (“PDR”) on 23 March 2006 with a view to develop and implement, on a build, operate and transfer (“BOT”) basis, a hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos PDR (“Don Sahong Project”).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- f) On 2 November 2006 the Board of Directors of MFCB (“Board”) announced in Bursa Malaysia that the Company proposes to undertake an internal restructuring exercise involving the following proposals :
- (i) Proposed disposal of 8,180,400 ordinary shares of RM1.00 each held in Serudong Power Sdn. Bhd. (“SPSB”) (“SPSB Shares”), representing its entire 51% equity interest in SPSB (the “Sale Shares”) to Mega First Power Industries Sdn. Bhd. (“MFPI”), a wholly-owned subsidiary of MFCB, for a cash consideration of approximately RM39.27 million (“Proposed Disposal”);
  - (ii) Proposed waiver of debts owed by MFCB to three (3) of its wholly-owned subsidiaries (“Proposed Settlement”) which will result in a gain of approximately RM42.9 million; and
  - (iii) Proposed declaration of an interim dividend by MFPI to MFCB amounting to approximately RM25.00 million (“Proposed Dividend”).

(Collectively referred to as the “Proposals”).

The Proposals will enable the Company to recognise total gains of approximately RM98.91 million and set off the accumulated losses of approximately RM94.17 million. The elimination of the accumulated losses at MFCB company level would better reflect the profitable operations of the MFCB group and provides a positive platform for MFCB to undertake future corporate exercises.

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

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

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

- (i) Equity Compliance Unit of the Securities Commission (“SC”) for the Proposed Disposal; and
- (ii) Take-overs and Mergers Department of the SC for the Proposed Exemption.

The Proposals and Proposed Exemption are inter-conditional.

Approvals for the proposed internal restructuring exercise were granted by the SC on 27 December 2006 and this exercise was completed on 28 December 2006.

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

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

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

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

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

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

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

**21. Borrowing and debt securities**

Group borrowings as of 31 December 2006 :

	<b><u>RM'000</u></b>
<b><u>Short term borrowings</u></b>	
<b><i>Secured Denominated in :</i></b>	
Ringgit Malaysia	19,098
GBP (GBP2,349,000)	16,415
RMB (RMB60,000,000)	27,900
Rand (R9,835,000)	4,971
<b><i>Unsecured Denominated in :</i></b>	
Ringgit Malaysia	4,008
	<u>72,392</u>
<b><u>Long term borrowings</u></b>	
<b><i>Secured Denominated in :</i></b>	
Ringgit Malaysia	<u>29,985</u>
	<u>102,377</u>

**22. Off balance sheet financial instruments**

There was no financial instrument with off balance sheet risk as at 22 February 2007, 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 February 2007, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**24. Dividend**

The Board has on 23 August 2006 declared an interim dividend of 2% less income tax of 28% for the financial year ended 31 December 2006. The entitlements to the dividend which were determined on the basis of the record of depositors as at 22 September 2006 was paid on 10 October 2006.

A final dividend of 3.0% less income tax of 27% (31.12.05 : 1.5% less income tax of 28%) for the year ended 31 December 2006 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 proposed dividend has not been included as a liability in these Financial Statements.

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

**25. Basic earnings per share**

The calculation of basic earnings per share for the fourth quarter and year ended 31 December 2006 is based on the net profit attributable to ordinary equity holders of the parent of RM11,745,000 and RM46,120,000 respectively and the number of ordinary shares in issue of 236,000,000.

**26. Significant related party transaction**

Other than as disclosed under note 20 (e), there was no significant related party transaction during the current quarter under review and year to date.

**27. Comparative figures**

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). Consequently no comparative figures are available.

**BY ORDER OF THE BOARD**

**YONG LAI SIM**  
Group Company Secretary

Kuala Lumpur  
27 February 2007