

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

**Interim Financial Report
31 December 2012**

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

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 4th quarter and financial year ended 31 December 2012

| | Note | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|--|------|--|---|--|--|
| | | Current Year 4th Quarter 31.12.2012 RM'000 | Preceding Year Corresponding 4th Quarter 31.12.2011 RM'000 | Current Year To date 31.12.2012 RM'000 | Preceding Year Corresponding Period 31.12.2011 RM'000 |
| Revenue | A8 | 166,471 | 169,182 | 631,529 | 610,508 |
| Cost of sales | | (117,150) | (126,944) | (466,856) | (464,955) |
| Gross profit | | 49,321 | 42,238 | 164,673 | 145,553 |
| Other income, net | | (1,707) | (2,191) | 3,920 | 31,709 |
| Operating expenses | | (9,447) | (9,934) | (36,297) | (31,242) |
| Profit from operations | | 38,167 | 30,113 | 132,296 | 146,020 |
| Finance costs | | (1,025) | (470) | (4,435) | (5,514) |
| Share of (loss)/profit in an associate | | (114) | (353) | 116 | 846 |
| Profit before taxation | A8 | 37,028 | 29,290 | 127,977 | 141,352 |
| Income tax expense | | (12,450) | (8,451) | (35,159) | (28,784) |
| Net profit for the period | | 24,578 | 20,839 | 92,818 | 112,568 |
| Other comprehensive income | | 7,646 | 21,332 | 1,580 | (8,405) |
| Total comprehensive income for the period | B10 | 32,224 | 42,171 | 94,398 | 104,163 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 12,451 | 7,584 | 57,421 | 75,090 |
| Non-controlling interests | | 12,127 | 13,255 | 35,397 | 37,478 |
| | | 24,578 | 20,839 | 92,818 | 112,568 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 19,615 | 26,700 | 60,542 | 62,844 |
| Non-controlling interests | | 12,609 | 15,471 | 33,856 | 41,319 |
| | | 32,224 | 42,171 | 94,398 | 104,163 |
| EPS - Basic (sen) | B13 | 5.55 | 3.34 | 25.59 | 33.03 |
| EPS - Diluted (sen) | B13 | 5.54 | 3.34 | 25.55 | 33.00 |

The notes set out on pages 6 to 23 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2012

| | Unaudited | Audited |
|---|-------------------|-------------------|
| | As At | As At |
| | 31.12.2012 | 31.12.2011 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 246,968 | 233,476 |
| Associate | 44,237 | 44,309 |
| Investment in quoted shares | 70,866 | 84,898 |
| Investment in unquoted shares | 2,210 | 2,210 |
| Land use rights | 847 | 1,048 |
| Investment properties | 121,363 | 106,439 |
| Land held for property development | 51,071 | 54,619 |
| Goodwill on consolidation | 12,097 | 10,812 |
| | 549,659 | 537,811 |
| Current Assets | | |
| Inventories | 68,554 | 62,769 |
| Property development | 9,158 | 24,496 |
| Trade and other receivables | 140,305 | 141,446 |
| Bank balances and deposits | 126,108 | 159,209 |
| | 344,125 | 387,920 |
| TOTAL ASSETS | 893,784 | 925,731 |
| EQUITY AND LIABILITIES | | |
| Equity Attributable To Equity Holders Of | | |
| The Company | | |
| Share capital | 242,395 | 242,205 |
| Treasury shares | (27,145) | (22,316) |
| Reserves | 394,983 | 338,074 |
| | 610,233 | 557,963 |
| Non-Controlling Interests | 134,424 | 180,212 |
| Total Equity | 744,657 | 738,175 |
| Non-Current Liabilities | | |
| Other payables | 793 | 692 |
| Long-term borrowings | 6,469 | 8,772 |
| Deferred taxation | 18,022 | 20,422 |
| | 25,284 | 29,886 |
| Current Liabilities | | |
| Trade and other payables | 52,267 | 64,135 |
| Short-term borrowings | 62,243 | 78,824 |
| Taxation | 9,333 | 14,711 |
| | 123,843 | 157,670 |
| Total Liabilities | 149,127 | 187,556 |
| TOTAL EQUITY AND LIABILITIES | 893,784 | 925,731 |
| Net Assets Per Ordinary Share (RM) | 2.73 | 2.47 |

The notes set out on pages 6 to 23 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2012

| | ← Attributable to equity holders of the company → | | | | | | | | | | |
|--|---|------------------------------|----------------------------|--------------------------------------|----------------------------------|------------------------------------|------------------------------|-------------------------------|-----------------|--|---------------------------|
| | ← Non-distributable → | | | | | | Distributable | | | | |
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Total RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| Balance at 1.1.2011 | 242,205 | (18,527) | 33,380 | 491 | 8,534 | 26,701 | 2,616 | 218,003 | 513,403 | 162,254 | 675,657 |
| Total comprehensive income for the financial year | - | - | - | - | 7,966 | (20,212) | - | 75,090 | 62,844 | 41,319 | 104,163 |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the company | - | - | - | - | - | - | - | (14,490) | (14,490) | - | (14,490) |
| - subsidiaries' minority shareholders | - | - | - | - | - | - | - | - | - | (23,385) | (23,385) |
| Share option to employees | - | - | - | 151 | - | - | - | - | 151 | - | 151 |
| Purchase of treasury shares | - | (3,789) | - | - | - | - | - | - | (3,789) | - | (3,789) |
| Realisation of capital reserves | - | - | - | - | - | - | (997) | 808 | (189) | 24 | (165) |
| Translation reserves | - | - | - | - | - | - | - | 33 | 33 | - | 33 |
| Balance at 31.12.2011/1.1.2012 | 242,205 | (22,316) | 33,380 | 642 | 16,500 | 6,489 | 1,619 | 279,444 | 557,963 | 180,212 | 738,175 |
| Total comprehensive income for the financial year | - | - | - | - | (2,929) | 6,050 | - | 57,421 | 60,542 | 33,856 | 94,398 |
| Capital reserves | - | - | - | - | - | - | 322 | 283 | 605 | (57) | 548 |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the company | - | - | - | - | - | - | - | (17,616) | (17,616) | - | (17,616) |
| - subsidiaries' minority shareholders | - | - | - | - | - | - | - | - | - | (30,566) | (30,566) |
| Share option to employees | - | - | - | 132 | - | - | - | - | 132 | - | 132 |
| Purchase of treasury shares | - | (4,829) | - | - | - | - | - | - | (4,829) | - | (4,829) |
| Issuance of ordinary shares pursuant to ESOS | 190 | - | 95 | - | - | - | - | - | 285 | - | 285 |
| Increase in equity interest in a subsidiary | - | - | - | - | - | - | 13,151 | - | 13,151 | (49,021) | (35,870) |
| Balance at 31.12.2012 | 242,395 | (27,145) | 33,475 | 774 | 13,571 | 12,539 | 15,092 | 319,532 | 610,233 | 134,424 | 744,657 |

The notes set out on pages 6 to 23 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2012

| | Current Year To date 31.12.2012 RM'000 | Preceding Year Corresponding Period 31.12.2011 RM'000 |
|---|---|--|
| Cash flows from operating activities | | |
| Profit before tax | 127,977 | 141,352 |
| Adjustments for non-cash flow - Non-cash items | 28,466 | 21,575 |
| - Non-operating items | 2,827 | (17,215) |
| Operating profit before changes in working capital | 159,270 | 145,712 |
| Changes in working capital - Net change in current assets | 11,890 | (26,893) |
| - Net change in current liabilities | (12,106) | 4,978 |
| Cash generated from operations | 159,054 | 123,797 |
| Income tax paid | (44,371) | (21,404) |
| Net cash from operating activities | 114,683 | 102,393 |
| Cash flows (for)/from investing activities | | |
| Interest received | 1,940 | 4,656 |
| Dividend received | 1,798 | 2,383 |
| Decrease/(Increase) in: | | |
| Land held for property development | 815 | 2,727 |
| Investment properties | (33) | - |
| Proceeds from disposal of property, plant and equipment | 810 | 570 |
| Purchase of property, plant and equipment | (22,791) | (24,829) |
| Proceeds from disposal of quoted shares | 95,536 | 160,073 |
| Purchase of quoted shares | (85,751) | (118,284) |
| Purchase of unquoted shares | - | (1,875) |
| Net cash outflow from acquisition of subsidiary | (27,563) | - |
| Increase in equity interest in a subsidiary | (35,208) | - |
| Acquisition of associate | (115) | (1,687) |
| Net cash (for)/from investing activities | (70,562) | 23,734 |

The notes set out on pages 6 to 23 form an integral part and should be read in conjunction with this interim report.

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

Unaudited Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2012 (Cont'd)

| | Current Year To date 31.12.2012 RM'000 | Preceding Year Corresponding Period 31.12.2011 RM'000 |
|---|---|--|
| Cash flows for financing activities | | |
| Interest paid | (3,896) | (5,264) |
| Dividends paid to shareholders | (17,616) | (14,490) |
| Dividends paid to minority shareholders | (30,566) | (23,385) |
| Decrease in: | | |
| Short term borrowings, excluding bank overdrafts | (10,183) | (11,006) |
| Hire purchase payables | (77) | (183) |
| Net repayment of term loans | (6,036) | (25,992) |
| Proceeds from issue of shares pursuant to ESOS | 285 | - |
| Purchase of treasury shares | (4,829) | (3,789) |
| Repayment of retirement benefits | (30) | (21) |
| Net cash for financing activities | <u>(72,948)</u> | <u>(84,130)</u> |
| Effect of foreign exchange translation | (1,609) | 7,825 |
| Net (decrease)/increase in cash and cash equivalents | <u>(30,436)</u> | 49,822 |
| Cash and cash equivalents at beginning of the period | 156,144 | 106,322 |
| Cash and cash equivalents at end of the period | <u><u>125,708</u></u> | <u><u>156,144</u></u> |

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

| | | |
|----------------------------|----------------|----------------|
| Bank balances and deposits | 126,108 | 159,209 |
| Bank overdrafts | (400) | (3,065) |
| | <u>125,708</u> | <u>156,144</u> |

The notes set out on pages 6 to 23 form an integral part and should be read in conjunction with this interim report.

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1. 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 Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

- (a) During the financial year ended 31 December 2012, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 124 (Revised) Related Party Disclosures

Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

Amendments to FRS 7: Disclosures . Transfers of Financial Assets

Amendments to FRS 112: Recovery of Underlying Assets

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

- (b) On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysia Financial Reporting Standards (~~MFRS~~).

The MFRS is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and IC Interpretation 15 . Agreement for Construction of Real Estate, including its parent, significant investor and venture (herein referred to as ~~Transitioning Entities~~).

A1. Basis of preparation (Cont'd)

Transitioning Entities are allowed to defer adopting of the new MFRS to annual periods beginning on or after 1 January 2014 after which the MFRS will become mandatory.

The Group falls within the definition of Transitioning Entities and has opted to defer adoption of the new MFRS to 1 January 2014.

Other than as disclosed above, the accounting policies and methods of computation adopted by the Group in preparing this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2011.

A2. Qualification of financial statements

The auditors report of the Group's annual financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. Unusual item

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

A5. Nature and amount of changes in estimates

There was no change in estimates of amounts reported in prior financial years/periods that have a material effect in the current quarter and year ended 31 December 2012.

A6. Debt and equity securities

| | Number of Ordinary Shares ← of RM1 Each → | | ← Amount → | |
|----------------------------------|--|-------------------------|--|---------------------------|
| | Share Capital (Issued and Fully Paid) '000 | Treasury Shares '000 | Share Capital (Issued and Fully Paid) RM'000 | Treasury Shares RM'000 |
| At 1.1.2012 | 242,205 | (16,086) | 242,205 | (22,316) |
| Issue of shares pursuant to ESOS | 190 | - | 190 | - |
| Purchase of treasury shares | - | (2,856) | - | (4,829) |
| At 31.12.2012 | <u>242,395</u> | <u>(18,942)</u> | <u>242,395</u> | <u>(27,145)</u> |

- (a) During the financial year ended 31 December 2012, 190,000 new ordinary shares of RM1.00 each were issued at the price of RM1.50 per share or a total consideration of RM285,000 pursuant to the exercise of options granted under the Company's Employees Share Option Scheme.

These new ordinary shares of RM1.00 each rank pari passu in all respects with the Company's existing ordinary shares of RM1.00 each.

- (b) On 29 June 2012, the Company granted 600,000 share options under the Employees Share Option Scheme to eligible Directors of the Company with the exercise price of RM1.52 per share.
- (c) During the financial year ended 31 December 2012, the Company purchased 2,856,100 of its issued ordinary shares of RM1.00 each from the open market at an average price of RM1.69 per share for a total consideration of RM4,829,553. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

A6. Debt and equity securities (Cont'd)

- (d) Of the total 242,395,000 (31.12.2011 : 242,205,000) issued and fully paid-up ordinary shares of RM1.00 each as at 31 December 2012, 18,942,300 ordinary shares (31.12.2011 : 16,086,200 shares) were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up was therefore 223,452,700 (31.12.2011 : 226,118,800).

Other than as disclosed above, there was no issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares in these financial statements.

A7. Dividend paid

Save as disclosed under Note B9, no dividend was paid in the current quarter ended 31 December 2012.

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

A8. Segment information for the financial year ended 31 December 2012

| GROUP 2012 | Power RM'000 | Property RM'000 | Resources RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---------------------------------|-------------------------|----------------------------|-----------------------------|---|--------------------------------|--------------------------------|
| Revenue | | | | | | |
| External sales | 480,872 | 34,124 | 85,368 | 31,165 | - | 631,529 |
| Inter-segment revenue | - | - | - | 35,936 | (35,936) | - |
| Total revenue | 480,872 | 34,124 | 85,368 | 67,101 | (35,936) | 631,529 |
| Results | | | | | | |
| Profit from operations | 98,122 | 27,484 | 19,974 | 33,900 | (47,184) | 132,296 |
| Finance costs | (818) | (790) | (494) | (4,299) | 1,966 | (4,435) |
| | 97,304 | 26,694 | 19,480 | 29,601 | (45,218) | 127,861 |
| Share of profit in an associate | | | | | | 116 |
| Income tax expense | | | | | | (35,159) |
| Profit for the financial year | | | | | | 92,818 |
| Total assets | 321,565 | 299,548 | 184,477 | 416,086 | (327,892) | 893,784 |

A9. Valuation of property, plant and equipment

There has been no revaluation of property, plant and equipment in these financial statements.

A10. Events subsequent to the end of the reporting period

- (i) On 4 January 2013, Rock Chemical Industries (Malaysia) Berhad, a wholly-owned subsidiary of the Company, acquired 778 fully paid ordinary shares of RM1.00 each representing 77.8% of the issued and paid-up share capital of Teratai Kembara Sdn Bhd for an aggregate cash consideration of RM3.89 million.
- (ii) On 10 January 2013, Highland Resources Sdn Bhd, a wholly-owned subsidiary of Gombak Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, passed a special resolution to be wound-up voluntarily pursuant to Section 254(1)(b) of the Companies Act, 1965 of Malaysia.
- (iii) On 6 February 2013, MFFB International Limited, a wholly-owned subsidiary of Bayangan Sutera Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, was dissolved following the filing of dissolution to the Registrar of Corporate Affairs in The British Virgin Islands and the receipt of certificate of dissolution dated 6 February 2013.

Other than as disclosed above, there was no other event subsequent to the end of the period reported up to 18 February 2013, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Changes in composition of the Group

- (a) On 17 January 2012, Mega First Resources Sdn Bhd, a subsidiary of the Company completed its acquisition of the following companies:-
 - (i) 100% equity interest in Anting Sendirian Berhad; and
 - (ii) 100% equity interest in Sri Anting Sdn Bhd.
- (b) On 21 February 2012, Batamas Sdn Berhad, an indirect subsidiary of the Company acquired 100% equity interest in Usaha Takzim Sdn Bhd.
- (c) On 20 June 2012, the Group subscribed at par value for cash one (1) registered share of US\$1.00 representing 100% equity interest in Goleman Limited, a company incorporated in The British Virgin Islands on 20 June 2011 and is a dormant company.

A11. Changes in composition of the Group (Cont'd)

- (d) On 27 July 2012, the Group completed the take-over offer to acquire all the remaining ordinary shares of RM1.00 each in Rock Chemical Industries (Malaysia) Berhad (~~%RCI+~~), which resulted in RCI becoming a 100% owned subsidiary of the Group.
- (e) On 24 December 2012, MFFB International Limited (~~%MFFB+~~), an indirect wholly-owned subsidiary of the Company, has passed the resolution to be wound-up voluntarily. The liquidation was completed on 6 February 2013 and MFFB was dissolved on that date.

Other than as disclosed above, there was no other change in the composition of the Group for the current quarter and financial year ended 31 December 2012.

A12. Changes in contingent liabilities and assets

- (a) Contingent liability

The Group's contingent liability as at 31 December 2012:

| (i) | RM'000 |
|--|---------------|
| Disputed assessment on the power plant of a subsidiary levied by the local authority in the State of Sabah | 1,411 |

The local authority in the State of Sabah has reduced the assessment from RM2.3 million to RM2.1 million for the period from 1998 to 2012, of which RM445,000 has been agreed and accrual of RM293,000 had been made. The basis of assessment for the remaining balance of RM1.4 million is disputed and therefore, no accrual has been made.

- (ii) A claim has been made against a subsidiary by a third party in the Malacca High Court for breach of contract, which related to the sale and purchase of 40% of the undivided share of a piece of land in Melaka. The subsidiary has been ordered vide judgement made on 6 January 2005 to pay damages to the third party. This matter was fixed for assessment of damages and is now pending a decision as the damages claimed by the third party have yet to be proven at the hearing.

Other than as disclosed above, there was no change in contingent liability of the Group as at 18 February 2013, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A12. Changes in contingent liabilities and assets (Cont'd)

(b) Contingent asset

The Group has no contingent asset as at 18 February 2013, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A13. Capital commitments

As at 31 December 2012, the Group has the following commitments:

| | RM'000 |
|--------------------------------------|---------------|
| Property, plant and equipment | |
| Authorised but not provided for: | |
| Contracted | 5,354 |
| Not contracted | 15 |
| | <hr/> |
| | 5,369 |
| | <hr/> |

A14. Significant related party transaction

The Group carried out the following significant transaction with a related party during the current quarter and financial year ended 31 December 2012:

| | Current quarter ended 31.12.2012 RM'000 | Year ended 31.12.2012 RM'000 |
|--|--|---|
| Purchase of light emitting diode (LED) lightings components | 289 | 1,048 |
| Sales of LED lightings | 161 | 486 |
| | <hr/> | <hr/> |

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

(a) Current quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|-------------------------------|------------------|---------|--------|-------------------------|---------------------|--------|
| | 4Q 2012 | 4Q 2011 | % Chg | 4Q 2012 | 4Q 2011 | % Chg |
| Power | 126,750 | 130,318 | -2.7% | 27,781 | 23,435 | 18.5% |
| Resources | 21,472 | 20,212 | 6.2% | 4,913 | 3,274 | 50.1% |
| Property | 8,957 | 10,808 | -17.1% | 15,188 [^] | 21,918 [^] | -30.7% |
| Sub-total | 157,179 | 161,338 | -2.6% | 47,882 | 48,627 | -1.5% |
| Investment holding and others | 9,292 | 7,844 | 18.5% | (10,854) | (19,337) | 43.9% |
| | 166,471 | 169,182 | -1.6% | 37,028 | 29,290 | 26.4% |

[^] Fair value gain on investment properties of RM9.9 million in 4Q 2012 vs RM17.0 million in 4Q 2011.

The Group posted lower fourth quarter results on lower contribution from core operating divisions. The results for both periods were affected by two significant non-operating items, namely, fair value gain on investment properties by the Property Division (4Q 2012 : RM9.9 million; 4Q 2011 : RM17.0 million) and losses arising from quoted investments recorded under investment holding and others+ (4Q 2012 : RM7.2 million; 4Q 2011 : RM16.9 million). Excluding these non-operating items, the Group's pre-tax profit rose 17.6% to RM34.3 million due mainly to higher contribution from the Power and Resources Divisions.

A more detailed analysis of the results of each division is provided further below.

Power Division

Revenue decreased 2.7% to RM126.8 million, led by a 6.5% decline in revenue contribution from the Group's power plant in China. Steam sales in China rose 5.5% to 925,044 MT on higher demand, which in turn led to a 14.6% increase in energy sales to 197,389 MWh. However, these increases were partially offset by lower medium fuel oil prices (which affected the power plant in Sabah) and a 19.5% decrease in steam prices as a result of lower coal prices.

Pre-tax profit however increased 18.5% to RM27.8 million, primarily due to better margins resulting from lower plant maintenance costs and lower loss on disposal of obsolete assets following the plant modification exercise.

B1. Review of performance (Cont'd)

(a) Current quarter (Cont'd)

Resources Division

Including the maiden Anting quarry's contribution, revenue increased 6.2% to RM21.5 million. Brick sales were down 41.5% to RM3.0 million on slower construction activities. Sales of calcium carbonate powder were 23.3% lower at RM1.9 million. Quicklime sales rose 1.6% from higher prices while sales volume dropped in both local and export markets. Hydrated lime sales increased 2.2% from higher price and volume.

Pre-tax profit jumped 50.1% to RM4.9 million, underpinned mainly by the new quarry's contribution and better margins for limestone products (attributable to higher prices and lower production cost of quicklime).

Property Division

Revenue fell 17.1% to RM9.0 million, while pre-tax profit declined 30.7% to RM15.2 million. Earnings in the corresponding period last year were boosted by a RM17.0 million fair value adjustment of PJ8. Excluding fair value gain on investment properties (4Q 2012 : RM9.9 million; 4Q 2011 : RM17.0 million), pre-tax profit increased by 7.0% on higher contribution margin and rental profits.

(b) For the financial year ended 31 December 2012

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|----------------------------------|------------------|-------------|--------|-------------------------|---------------------|--------|
| | YTD 2012 | YTD 2011 | % Chg | YTD 2012 | YTD 2011 | % Chg |
| Power | 480,872 | 453,578 | 6.0% | 97,304 | 90,662 | 7.3% |
| Resources | 85,368 | 85,221 | 0.2% | 19,480 | 14,850 | 31.2% |
| Property | 34,124 | 44,222 | -22.8% | 26,694 [^] | 36,556 [^] | -27.0% |
| Sub-total | 600,364 | 583,021 | 3.0% | 143,478 | 142,068 | 1.0% |
| Investment holding and others | 31,165 | 27,487 | 13.4% | (15,501) | (716) | n.m. |
| | 631,529 | 610,508 | 3.4% | 127,977 | 141,352 | -9.5% |

[^] Fair value gain on investment properties of RM12.9 million in 2012 vs RM18.2 million in 2011.

The Group posted a 3.4% increase in revenue to RM631.5 million. However, pre-tax profit decreased 9.5% to RM128.0 million mainly due to lower contribution from the Property Division and non-core activities as reflected in the results of investment holding and others. Excluding the results of investment holding and others and non-recurring income from the fair value gain on investment properties, the combined pre-tax profit of the Group's core operating divisions increased 5.4% to RM130.6 million. A more detailed analysis of the results of each division is provided further below.

B1. Review of performance (Cont'd)

(b) For the financial year ended 31 December 2012 (Cont'd)

Income or loss from non-core activities comprised mainly dividend income from quoted investments, gain or loss on disposal of quoted shares and impairment loss on quoted investments.

The loss in investment holding and others was weighed down by a loss of RM8.5 million from quoted investments, as opposed to a gain of RM3.0 million in 2011.

Power Division

Steam sales volume rose 6.4% to 3,254,759 MT in response to higher customer demand. As a result, energy sales volume expanded 8.6% to 696,458 MWh. Revenue was further boosted by higher energy tariffs as a result of an increase in tariff rate in China and a 6.5% increase in medium fuel oil prices but partially offset by a 11.1% decline in steam prices due to lower coal prices.

Against a backdrop of higher sales as well as significant efficiency and performance improvements in power generation achieved through the plant modification exercise, the Power Division remains the main contributor to the Group's results and continues its sterling performance, ending the year with a pre-tax profit of RM97.3 million. This was also attributable to lower loss on disposal of obsolete assets following the plant modification exercise.

Resources Division

Revenue increased slightly to RM85.4 million, while pre-tax profit rose 31.2% to RM19.5 million due mainly to the maiden consolidation of a newly acquired subsidiary, Anting in early 2012.

The increase in revenue was primarily due to higher sales of limestone products as well as the first contribution from Anting, partially offset by lower brick sales and trading of petroleum coke. Revenue from limestone products was RM55.6 million for the year, an increase of 1.6% over 2011 mainly driven by the increased demand for quicklime from local customers. There was softness in demand from overseas markets, principally sales of hydrated lime to Philippines due to intensifying local competition. Sales volume of bricks dropped more than one-third to 40.3 million pieces on slower construction activities.

Pre-tax profit rose by RM4.6 million mainly from higher sales of limestone products and limestone sales in Anting. Limestone products' profit growth was much higher than revenue growth, primarily due to the upward adjustment of prices in both local and export markets. Contribution from brick sales was down as revenue fell.

B1. Review of performance (Cont'd)

(b) For the financial year ended 31 December 2012 (Cont'd)

Property Division

Revenue at RM34.1 million was 22.8% lower compared to the corresponding period last year mainly due to lower development revenue partially offset by 19.2% hike in rental income. Development revenue dropped 29.3% on lower unit sales and delay in new launches. Higher occupancy rate in PJ8 and the Greentown car park operations boosted rental income.

The Division's pre-tax profit declined 27.0% to RM26.7 million. Pre-tax profit for the year included a RM12.9 million fair value gain on investment properties while earnings in 2011 were boosted by a RM18.2 million fair value gain and a RM6.1 million bad debt recovery. Excluding these items, pre-tax profit increased 12.3% to RM13.8 million.

B2. Variation of results against preceding quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|-------------------------------|------------------|---------|-------|-------------------------|--------------------|--------|
| | 4Q 2012 | 3Q 2012 | % Chg | 4Q 2012 | 3Q 2012 | % Chg |
| Power | 126,750 | 116,218 | 9.1% | 27,781 | 23,793 | 16.8% |
| Resources | 21,472 | 20,470 | 4.9% | 4,913 | 4,977 | -1.3% |
| Property | 8,957 | 7,622 | 17.5% | 15,188 [^] | 5,122 [^] | 196.5% |
| Sub-total | 157,179 | 144,310 | 8.9% | 47,882 | 33,892 | 41.3% |
| Investment holding and others | 9,292 | 8,539 | 8.8% | (10,854) | (595) | n.m. |
| | 166,471 | 152,849 | 8.9% | 37,028 | 33,297 | 11.2% |

[^] Fair value gain on investment properties of RM9.9 million in 4Q 2012 vs RM3.0 million in 3Q 2012.

Pre-tax profit rose 11.2% to RM37.0 million on the back of 8.9% revenue growth. Excluding non-core activities, the pre-tax profit of the Group's core operating divisions rose 41.3% to RM47.9 million. A more detailed analysis of the results of each division is provided further below.

Non-core activities comprised mainly gains or losses from quoted investments. The current quarter's pre-tax profit was adversely affected by a loss of RM7.2 million from quoted investments, as opposed to a gain of RM446,000 in the preceding quarter.

B2. Variation of results against preceding quarter (Cont'd)

Power Division

Pre-tax profit rose 16.8% to RM27.8 on the back of 9.1% revenue growth.

Steam sales volume rose 13.5% to 925,044 MT on stronger manufacturing output by major customers and temporary surge in demand towards the end of 2012 resulting from plant production reshuffling by certain customers. As a result, energy sales volume expanded 16.5% to 197,389 MWh. However, these increases were partially offset by lower steam prices and medium fuel oil prices.

The increase in pre-tax profit was primarily the result of better margins resulting from improved efficiencies, partially offset by a loss on disposal of obsolete assets and higher costs for regulatory compliance, water treatment and community services.

Resources Division

Compared to the preceding quarter, revenue increased 4.9% to RM21.5 million. Brick sales are gradually picking up momentum as construction activity improves, rose 5.1% to RM3.0 million. Anting quarry contributed slightly to revenue growth. Sales of calcium carbonate powder on the other hand slowed down in the fourth quarter. Limestone products sales remained flat as the higher local demand for quicklime offset the lower sales price resulting from 11.0% lower export sales.

Pre-tax profit recorded a 1.3% drop to RM4.9 million as a result of lower contribution margin from sales of calcium carbonate powder and bricks, partially offset by higher earnings contribution from sales of limestone products and the new quarry.

Property Division

Both revenue and pre-tax profit were higher than the preceding quarter.

Development revenue increased 21.6% on higher unit sales and higher completion percentages for most of the property projects. Rental income remained flat.

Pre-tax profit in the preceding quarter included a RM3.0 million fair value adjustment of Greentown car park. Excluding fair value gain on investment properties (4Q 2012 : RM9.9 million; 3Q 2012 : RM3.0 million), pre-tax profit in the current quarter would have shown a 148.1% increase to RM5.3 million due to the abovementioned reasons.

B3. Prospects

The Board expects the results for the next financial year to be satisfactory.

B4. Profit forecast

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

B5. Income tax expense

| | Current quarter ended 31.12.2012 RM'000 | Year ended 31.12.2012 RM'000 |
|---------------------|--|---|
| Current tax expense | | |
| Malaysian | 5,954 | 13,296 |
| Overseas | 6,496 | 21,863 |
| | <u>12,450</u> | <u>35,159</u> |

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2012 was higher than the Malaysian statutory tax rate of 25% due mainly to withholding tax of 10% for dividends repatriated from China, after setting off the impact from fair value gain, which is non-taxable, and utilisation of tax losses.

B6. Status of corporate proposal

There were no corporate proposals announced but not completed at 18 February 2013, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B7. Borrowing and debt securities

Group borrowings as at 31 December 2012:

| | <u>RM'000</u> |
|----------------------------------|----------------------|
| Long-term borrowings | |
| <i>Secured denominated in:</i> | |
| Ringgit Malaysia | 6,469 |
| Short-term borrowings | |
| <i>Secured denominated in:</i> | |
| Ringgit Malaysia | 39,945 |
| <i>Unsecured denominated in:</i> | |
| Ringgit Malaysia | 3,500 |
| Chinese Renminbi (RMB38,300,000) | 18,798 |
| | <u>62,243</u> |
| | <u>68,712</u> |

The Group has no debt securities as at 31 December 2012.

B8. Changes in material litigation

The Group has no material litigation which would materially and adversely affect the financial position of the Group.

B9. Dividend

- (a) A final dividend comprising 4.6 sen less income tax of 25%, and 1.4 sen tax-exempt, per ordinary share of RM1.00 each, for the financial year ended 31 December 2011 was paid on 17 July 2012 to entitled shareholders as at 29 June 2012.
- (b) An interim dividend of 3.0 sen tax-exempt for the financial year ending 31 December 2012 (financial year ended 31 December 2011 : interim dividend of 3.0 sen less income tax of 25%) was paid on 10 October 2012.
- (c) The Board proposes a final tax-exempt dividend of 4.1 sen per share for the financial year ended 31 December 2012 (2011 : 4.6 sen less income tax of 25% and 1.4 sen tax-exempt). The 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 these financial statements. The entitlement and payment dates will be announced later.

B10. Detailed disclosure for consolidated statement of comprehensive income

The total comprehensive income is arrived at:-

| | Current quarter ended 31.12.2012 RM'000 | Year ended 31.12.2012 RM'000 |
|---|--|---|
| After crediting:- | | |
| Interest income | (512) | (1,940) |
| Dividend income | (220) | (1,495) |
| Fair value adjustment on investment properties | (9,923) | (12,923) |
| Gain on disposal of property, plant and equipment | - | - |
| Gain on disposal of quoted shares | (985) | - |
| Gain on foreign exchange: | | |
| - realised | (106) | - |
| - unrealised | - | (1,851) |
| After debiting:- | | |
| Amortisation | 848 | 1,231 |
| Depreciation | 8,069 | 29,086 |
| Impairment of quoted shares | 8,538 | 8,538 |
| Interest expense | 915 | 3,896 |
| Loss on disposal of property, plant and equipment | 834 | 608 |
| Loss on disposal of quoted shares | - | 1,758 |
| Loss on foreign exchange: | | |
| - realised | - | 915 |
| - unrealised | 155 | - |
| Provision for and write-off of receivables | 2,788 | 2,788 |
| Provision for and write-off of inventories | 601 | 601 |
| Gain or loss on derivatives | - | - |
| After other comprehensive income:- | | |
| Foreign currency translation loss for foreign operations | (3,124) | 4,509 |
| Net fair value loss in available-for-sale financial assets | <u>(4,522)</u> | <u>(6,089)</u> |

Mega First Corporation Berhad
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B11. Retained profits

| | At 31.12.2012 RM'000 | At 31.12.2011 RM'000 |
|--|-------------------------------------|-------------------------------------|
| Total retained profits: | | |
| - realised | 139,834 | 116,447 |
| - unrealised | 70,663 | 57,969 |
| | <hr/> 210,497 | <hr/> 174,416 |
| Total share of retained profits from associated company | | |
| - realised | 381 | 744 |
| - unrealised | 518 | 274 |
| | <hr/> 211,396 | <hr/> 175,434 |
| Consolidation adjustments | 108,136 | 104,010 |
| | <hr/> 319,532 | <hr/> 279,444 |
| Total Group retained profits | <hr/> <hr/> 319,532 | <hr/> <hr/> 279,444 |

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(Co. No. 6682-V)

B12. Earnings per share

| | Quarter ended | | Year ended | |
|---|---------------|---------|-------------|---------|
| | 31 December | | 31 December | |
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Basic earnings per share | | | | |
| Profit for the period attributable to ordinary equity holders of the Company | 12,451 | 7,584 | 57,421 | 75,090 |
| Weighted average number of ordinary shares in issue ('000) | 224,411 | 227,321 | 224,411 | 227,321 |
| Basic earnings per share (sen) | 5.55 | 3.34 | 25.59 | 33.03 |
| Diluted earnings per share | | | | |
| Profit for the period attributable to ordinary equity holders of the Company | 12,451 | 7,584 | 57,421 | 75,090 |
| Weighted average number of ordinary shares in issue ('000) | 224,411 | 227,321 | 224,411 | 227,321 |
| Weighted average number of shares under option ('000) | 3,210 | 2,800 | 3,210 | 2,800 |
| Weighted average number of shares that would have been issued at average market price ('000) | (2,961) | (2,745) | (2,873) | (2,561) |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share (€000) | 224,660 | 227,376 | 224,748 | 227,560 |
| Diluted earnings per share (sen) | 5.54 | 3.34 | 25.55 | 33.00 |

- (a) The basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.
- (b) The diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all outstanding options granted pursuant to the ESOS are exercised.

B13. Authorised for issue

This interim financial statements was authorised for issue by the Board of Directors on 25 February 2013.