



**MFCB**

MEGA FIRST CORPORATION BERHAD

Company No.: 6682-V

Annual Report

2008

Laporan Tahunan

# CONTENTS

<b>2</b>	CORPORATE INFORMATION
<b>3</b>	PROFILE OF DIRECTORS
<b>6</b>	FINANCIAL HIGHLIGHTS
<b>7</b>	CORPORATE GOVERNANCE STATEMENT
<b>12</b>	OTHER DISCLOSURES
<b>13</b>	CHAIRMAN'S STATEMENT / PENYATA PENERUSI
<b>16</b>	GROUP MANAGING DIRECTOR'S OPERATION REVIEW / ULASAN OPERASI PENGARAH URUSAN KUMPULAN
<b>19</b>	AUDIT COMMITTEE REPORT
<b>24</b>	STATEMENT ON INTERNAL CONTROL
<b>25</b>	FINANCIAL STATEMENTS
<b>98</b>	LIST OF PROPERTIES HELD
<b>100</b>	STATISTICS OF SHAREHOLDINGS
<b>103</b>	NOTICE OF ANNUAL GENERAL MEETING
<b>106</b>	STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
<b>107</b>	NOTICE OF DIVIDEND ENTITLEMENT
<b>108</b>	DIRECTORY
	PROXY FORM

# Corporate Information

## BOARD OF DIRECTORS

### CHAIRMAN

Goh Nan Kioh, *B.Ec. (Hons.)*

### DEPUTY CHAIRMAN

- \* Dato' Haji Abu Hanifah bin Noordin,  
*B.Ec. (Hons.) Acc., CA (M), CPA*

### GROUP MANAGING DIRECTOR

Dr. Lim Thian Soo, *MBChB, MBA*

### EXECUTIVE DIRECTOR

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

### NON-EXECUTIVE DIRECTORS

- \* Dato' Jorgen Bornhoft,  
*B.Com. (Acc. & Fin.) (Hons.)*
- \* Maisuri bin Besri, *B.Ec. (Hons.), MBA*
- \* Yeow See Yuen, *B.Acc. (Hons.)*
- \* Yong Fook Shin, *B.Sc. (Mining Geology),  
ARSM, MIMM, MIME, P.Eng., C.Eng.*  
Tay Kheng Chiong, *B.Eng. (Hons), MBA,  
C.Eng. MIET (UK)*

## EXECUTIVE COMMITTEE

Dr. Lim Thian Soo (Chairman)  
Goh Nan Yang  
Tay Kheng Chiong

## AUDIT COMMITTEE

- \* Yeow See Yuen (Chairman)
- \* Dato' Haji Abu Hanifah bin Noordin
- \* Dato' Jorgen Bornhoft

## REMUNERATION COMMITTEE

- Goh Nan Kioh (Chairman)
- \* Maisuri bin Besri
- \* Dato' Jorgen Bornhoft

## EMPLOYEE SHARE OPTION COMMITTEE

- Dr. Lim Thian Soo
- \* Dato' Haji Abu Hanifah bin Noordin
- \* Yeow See Yuen

(\*) - Independent and Non-Executive Director

## COMPANY SECRETARIES

Yong Lai Sim, *ACIS*  
Ghee Yoke Ping, *ACIS*

## REGISTERED OFFICE

8-05, Level 8  
Menara Milenium  
8 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : 03 2093 8818  
Fax : 03 2093 7818  
E-mail : [mfc@mega-first.com](mailto:mfc@mega-first.com)

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd.  
(Company No. 378993-D)  
Level 26, Menara Multi-Purpose  
Capital Square  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03 2721 2222  
Fax : 03 2721 2530

## AUDITORS

Horwath (AF 1018)

## PRINCIPAL BANKERS

Agricultural Bank of China  
AmBank Berhad  
Bank of Communications  
CIMB Bank Berhad  
EON Bank Berhad  
RHB Bank Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

## SECTOR

Trading/Services

## STOCK CODE

3069

# Profile of Directors

## **GOH NAN KIOH**

*Chairman*

*Non-Independent and Non-Executive Director*

*Malaysian*

Mr Goh Nan Kioh, age 55, joined the Board on 1 February 2003 and is a Non-Independent and Non-Executive Director. He was appointed as Chairman of the Board on 29 July 2003. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries. He is presently the Chief Executive Officer of Cambrew Group of companies, a brewery and soft drinks company, and Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company listed on the Stock Exchange of Hong Kong.

Mr Goh and his wife's siblings namely Dr. Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

Mr Goh is deemed to be interested in various transactions between MFCB Group and D & O Ventures Berhad and its subsidiaries entered into in the ordinary course of business by virtue of his substantial shareholding.

## **DATO' HAJI ABU HANIFAH BIN NOORDIN**

*Deputy Chairman*

*Independent and Non-Executive Director*

*Malaysian*

Dato' Haji Abu Hanifah bin Noordin, age 57, was appointed to the Board on 5 December 1990 and is an Independent and Non-Executive Director. He was appointed as Deputy Chairman of the Board on 29 July 2003. Dato' Hanifah graduated from University of Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was Chairman and Managing Partner of Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also President of the Malaysian Institute of Accountants for 13 years and in that capacity was a Board member of the International Accounting Standards Committee (IASC). He is also a director of Pacific & Orient Berhad (listed on Bursa Malaysia) and Pacific & Orient Insurance Co. Berhad.

## **DR. LIM THIAN SOO**

*Group Managing Director*

*Malaysian*

Dr. Lim Thian Soo, age 45, joined the Board on 1 February 2003 as a Non-Independent and Non-Executive Director. He was appointed as Group Managing Director of the Company on 26 February 2003. Dr. Lim graduated with a Bachelor of Medicine and Bachelor of Surgery in 1986 from Edinburgh University Medical School and practised for 6 years as a doctor in the United Kingdom. He obtained his Masters of Business Administration from City University Business School in 1993. Prior to joining MFCB, he held the position of Director of Corporate Affairs of Pearl River Tyre (Holdings) Limited, a company listed on the Stock Exchange of Hong Kong. Dr. Lim is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad (subsidiary of MFCB) and D & O Ventures Berhad ("D&O"), both of which are listed on Bursa Malaysia.

Dr. Lim, his siblings namely Mr Lim Thiam Cheok and Ms Lim Yam Poh, and a brother-in-law namely Mr Goh Nan Kioh are substantial shareholders of the Company.

Dr. Lim is deemed to be interested in various transactions between MFCB Group and D&O Group entered into in the ordinary course of business by virtue of his common directorship and substantial shareholding.

## **Profile of Directors (Cont'd)**

### **GOH NAN YANG**

*Executive Director*

*(Also Alternate Director to Goh Nan Kioh)*

*Malaysian*

Mr Goh Nan Yang, age 45, joined the Board on 13 March 2003 as the alternate director to Mr Goh Nan Kioh who is his brother. He was appointed as Executive Director on 26 November 2004. Mr Goh graduated from the University of Toledo with a Bachelor of Science honours degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures. Mr Goh is a non-executive director and deemed substantial shareholder of D & O Ventures Berhad (“D&O”), a company listed on Bursa Malaysia. He is also the Chief Executive Officer and Director of Pearl River Tyre (Holdings) Limited (listed on the Hong Kong Stock Exchange).

Mr Goh Nan Yang is deemed to be interested in various transactions between MFCB Group and D&O Group by virtue of his substantial shareholding in D&O and common directorship.

### **YONG FOOK SHIN**

*Independent and Non-Executive Director*

*Malaysian*

Mr Yong Fook Shin, age 66, joined the Board on 30 March 1995, and is an Independent and Non-Executive Director. He graduated with a Bachelor of Science in Mining Geology (Honours) degree from Imperial College, England. He is a Chartered Engineer, a Professional Engineer and an Associate of the Royal School of Mines, and is a Member of the Institution of Mining and Metallurgy as well as the Institute of Mineral Engineering. He has more than 36 years of experience in the mining industry, having worked in tin mines in Malaysia and Brazil. Mr Yong was the Managing Director of Mamut Copper Mining Sdn Bhd during the last five years of the Mamut Copper Mine’s operation; its closure was in October 1999.

### **MAISURI BIN BESRI**

*Independent and Non-Executive Director*

*Malaysian*

Encik Maisuri bin Besri, age 51, joined the Board on 1 March 2003 and is an Independent and Non-Executive Director. He holds a Bachelor of Economics (Public Administration) (Honours) degree from the University of Malaya, and a Master of Business Administration degree from Edith Cowan University of Australia. Encik Maisuri is the Group General Manager of Sabah Economic Development Corporation (“SEDCO”). Prior to joining SEDCO in November 2002, he has served for 20 years in the Sabah State Government and was attached to the State Economic Planning Unit and the State Ministry of Finance.

## Profile of Directors (Cont'd)

### **YEOW SEE YUEN**

*Independent and Non-Executive Director  
Malaysian*

Mr Yeow See Yuen, age 41, joined the Board as an Independent and Non-Executive Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. He started his career with Coopers & Lybrand in Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During that period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy. He is also an Independent Director of D & O Ventures Berhad ("D&O") which is listed on Bursa Malaysia.

Mr Yeow is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorship.

### **DATO' JORGEN BORNHOFT**

*Independent and Non-Executive Director  
Dane*

Dato' Jorgen Bornhoft, age 67, joined the Board as an Independent and Non-Executive Director on 18 May 2006. He holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and attended executive management courses at INSEAD. He was the Chief Executive Officer of Carlsberg Brewery Malaysia Berhad from April 1991 and was the Managing Director from October 1995. In January 2003, he was appointed as Chief Executive Officer of Carlsberg Asia Pte. Ltd. in Singapore until 30 June 2004. Prior to his appointment to Carlsberg Brewery Malaysia Berhad, he was Vice-President in Carlsberg International A/S, Denmark, responsible for foreign subsidiaries and new projects. He is the Chairman of the Board of Directors of Hap Seng Consolidated Berhad and Director of Hap Seng Plantations Holding Berhad, both of which are listed on Bursa Malaysia. He is also a Director of The Royal Bank of Scotland Berhad.

### **TAY KHENG CHIONG**

*Non-Independent and Non-Executive Director  
Malaysian*

Mr Tay Kheng Chiong, age 45, joined the Board as a Non-Independent and Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Strathclyde, Scotland and is a Chartered Engineer with the Institution of Electrical Engineers, United Kingdom. Mr Tay has more than 20 years experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as a Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Semiconductors Sdn Bhd. He is presently the Group Managing Director of D & O Ventures Berhad ("D&O"), a company listed on Bursa Malaysia.

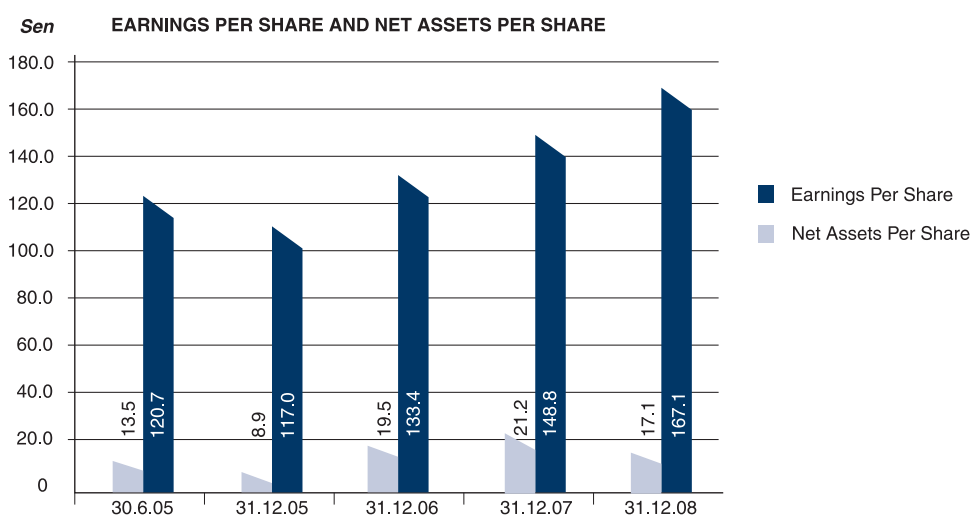
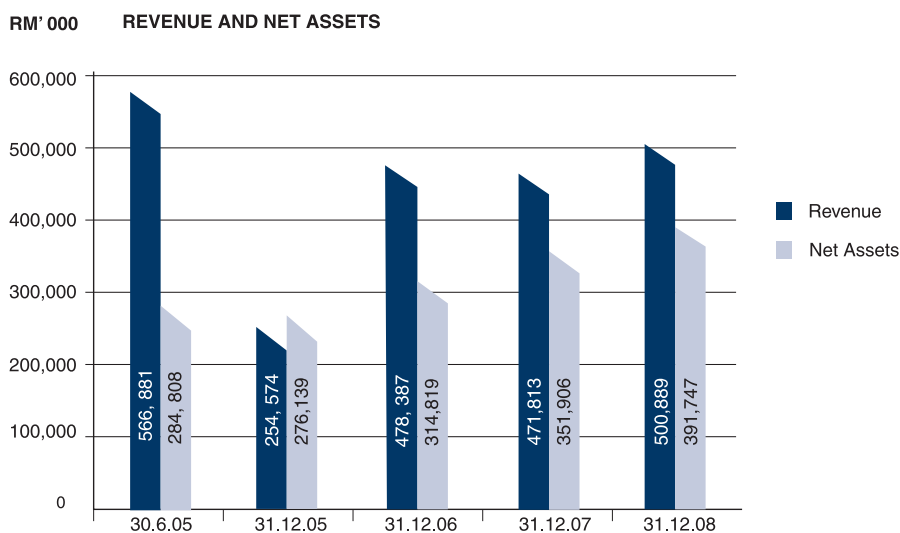
Mr Tay is deemed to be interested in certain transactions between MFCB Group and D & O Group by virtue of his common directorship.

**Note:**

*Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Mega First Corporation Berhad ("MFCB"), have no conflict of interest with MFCB and have not been convicted for any offence within the past 10 years.*

# Financial Highlights

Financial year/period	Year	Period	Year Ended		
	Ended 30.6.05 RM'000	Ended 31.12.05 RM'000	← 31.12.06 RM'000	31.12.07 RM'000	→ 31.12.08 RM'000
<b>Results</b>					
Revenue	566,881	254,574	478,387	471,813	500,889
Profit Before Tax	64,107	46,289	94,676	95,739	75,139
<b>As Of 30 June/31 December</b>					
Net Assets/Shareholders' Equity	284,808	276,139	314,819	351,906	391,747
<b>Per Ordinary Share</b>					
Earnings (sen)	13.5	8.9	19.5	21.2	17.1
Gross Dividend (sen)	3.0	1.5	5.0	5.5	5.5
Net Assets (sen)	120.7	117.0	133.4	148.8	167.1



# Corporate Governance Statement

The Board is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. This disclosure statement sets out the manner in which the Board has applied the Principles of Corporate Governance pursuant to the Malaysian Code on Corporate Governance ("the Code"), and the extent to which it has complied with the Best Practices of the Code throughout the financial year ended 31 December 2008.

## BOARD OF DIRECTORS

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance, standards of conduct and critical business issues.

### Board Composition and Responsibilities

The Company's Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of economics, medicine, accountancy, business management and engineering. All these different skills working together enable the Board to effectively lead and control the Company. A brief profile of each Director is presented in the Directors' Profile section of this Annual Report.

The Board consists of seven (7) Non-Executive Directors (including the Chairman) and two (2) Executive Directors. Five (5) of the nine (9) Directors are independent as defined under the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Board is satisfied that the current board composition fairly reflects the investment of minority shareholders in the Company, and considers its current size adequate given the present scope and nature of the Group's business operations.

The responsibilities of the Chairman, the Managing Director and the Executive Director are divided to ensure a balance of power and authority. The Chairman heads the Board and leads discussions at the Board level. He did not previously hold any executive position in the Group. The Managing Director and the Executive Director are responsible for the implementation of Board policies and decisions, organisational effectiveness and day-to-day running of the Group's business.

The Board has not appointed a Senior Independent Non-Executive Director, to whom concerns can be conveyed. The Board does not believe there is such a necessity because all members of the Board actively and freely participate during Board meetings and the Directors have unrestricted and timely access to the management for any information that they require in discharging their duties and responsibilities.

### Board Meetings

The Board has at least four (4) scheduled quarterly meetings with additional meetings being convened as and when necessary. Meetings for the ensuing financial year are scheduled in advance before the end of each financial year to enable Directors to plan ahead and fit the year's Board meetings into their own schedule. During the year ended 31 December 2008, five (5) Board meetings were held and the attendance record of each Director is as follows:-

Name of Director	Attendance
Goh Nan Kioh	5 out of 5
Dato' Haji Abu Hanifah bin Noordin	5 out of 5
Dr. Lim Thian Soo	4 out of 5
Goh Nan Yang	4 out of 5
Yong Fook Shin	4 out of 5
Maisuri bin Besri	5 out of 5
Yeow See Yuen	5 out of 5
Dato' Jorgen Bornhoft	5 out of 5
Tay Kheng Chiong	5 out of 5



# Corporate Governance Statement (Cont'd)

## Supply of Information

At least five (5) days prior to the Board meeting, all Directors were provided with the agenda and a set of Board papers containing information relevant to the matters to be deliberated at the meeting. These include the reports on the Group's financial position, results of operations, reasons for significant variation from the budgets, key business strategies of operating units in the light of any significant shifts in risk profiles, securities transactions of Directors and Principal Officers, and declaration by Directors on interest in contracts. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

The Directors are notified of any corporate announcements released to the Bursa Malaysia. They are also notified of the impending restriction in dealing with the securities of the Company and of its listed subsidiary at least one month prior to the release of the announcement on the quarterly financial results of the Group.

The Directors have direct access to the advice and services of the Company Secretaries, whether as a full board or in their individual capacities, in the furtherance of their duties. The Directors may seek external professional advice if required by them, at the Company's expense. No such advice was sought by any Director during the year.

## Appointments to the Board and Re-election of Directors

All Directors, including the Managing Director, shall subject themselves for re-election at least once in every three (3) years. Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment by shareholders annually in accordance with Section 129(6) of the Companies Act.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at a Board meeting, giving ample time for deliberations on the suitability of the candidate. In view of this, the establishment of a nomination committee has not been effected as the Board carries out this function.

On joining, all new Directors are given background information describing the Group and its activities as well as other information necessary to enable them to carry out their duties.

## Directors' Remuneration

The Board maintains that the current remuneration for each category of directors is sufficient to attract and retain directors of high calibre needed to run the Group successfully. The Remuneration Committee reviews annually and the Board approves the remuneration for Executive Directors and senior management staff. The remuneration of the Executive Directors and senior management are structured so as to link rewards to corporate and individual performance. The remuneration package consists of basic salary, annual bonus, contribution to EPF based on statutory rate and other customary benefits-in-kind. The director's fees attributable to the Executive Directors for their directorship in other companies within the Group are paid to the Company.

The remuneration for Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at the annual general meeting. The level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors are also paid a meeting allowance for each Board, Board Committee or general meeting they attend. They are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company. The Directors concerned do not participate in the deliberation and decision in respect of his individual remuneration.

## Corporate Governance Statement (Cont'd)

The aggregate remuneration of the Directors paid or payable or otherwise made available from the Company and its subsidiary companies during the year under review and categorized into appropriate components are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salary, bonus and other emoluments	685	-
Benefits-in-kind	14	-
Directors' fees	-	173
Attendance fees	-	20

The number of Directors whose total remuneration for the year falls into the following bands are as follows:-

Range of Remuneration bands	Executive Directors	Non-Executive Directors
Below RM50,000	-	7
RM250,001 - RM300,000	1	-
RM400,001 - RM450,000	1	-

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability is not compromised by the band disclosure as permitted by the Bursa Malaysia Listing Requirements.

### Board Committees

The Board delegates specific responsibilities to four (4) committees namely Executive Committee, Audit Committee, Remuneration Committee and Employee Share Options Committee. All the committees have written terms of reference and, where applicable, comply with the recommendations of the Code. The Board receives reports of the committee's proceedings and deliberations.

#### 1) Executive Committee ("EXCO")

The EXCO was delegated with powers to ensure the smooth and effective running of the Group. The composition of the EXCO is set out in the Corporate Information section of this Annual Report. During the year under review, the EXCO met four (4) times with full attendance.

#### 2) Audit Committee ("AC")

The AC plays an active role in helping the Board discharge its governance responsibilities and the Committee comprises wholly of Independent and Non-Executive Directors. The AC works within the purview of the terms of reference, which have been drafted in accordance with the Listing Requirements. The role of the AC in relation to the external auditors is also embodied under its terms of reference.

The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal control.

The AC has full access to the auditors, both internal and external, who in turn have access at all times to the Chairman of the AC. During the year, the AC met twice with the external auditors, including a meeting without any executive or employee present.

The Report of the AC, including its composition, duties and activities, is presented in the Audit Committee Report section of this Annual Report.

# Corporate Governance Statement (Cont'd)

## 3) Remuneration Committee (“RC”)

The RC is primarily responsible for determining and recommending to the Board the remuneration packages of the Executive Directors of the Company. It is also responsible for reviewing and recommending to the Board the annual salary and bonus for the Executive Directors and senior management staff.

The RC consists of three (3) Directors, all of whom are Non-Executive Directors. The composition of the RC is set out in the Corporate Information section of this Annual Report. During the year under review, the RC met once with full attendance.

## 4) Employee Share Options (“ESOS”) Committee

The ESOS Committee is primarily responsible for administering the MFCB Employee Share Option Scheme in accordance with the Bye-Laws approved by the shareholders of the Company on 30 October 2000. The present ESOS Scheme was implemented on 1 October 2001 and is governed by the Bye-Laws that were approved by the shareholders. The initial five-year term of the ESOS Scheme which expired on 30 September 2006 was extended for another five (5) years to expire on 30 September 2011.

The ESOS Committee which is appointed by the Board of Directors consists of three (3) members, the majority of whom, including the Chairman, are non-Executive Directors. The composition of the ESOS Committee is set out in the Corporate Information section of this Annual Report. During the year under review, the Committee met once with full attendance.

## Directors’ Training

All Directors have successfully completed the mandatory accreditation programme prescribed by Bursa Malaysia.

The Directors are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties. The Directors are also encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board.

During the year, all Directors were updated on new regulations and statutory requirements. A Director also had attended a seminar organized by an external institution.

## Conflict of Interest

The Board is alert to the possibility of potential conflicts of interest involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided.

## Related Party Transactions

The Group has in place a procedure to ensure that the Company meets its obligations under the Listing Requirements relating to related party transactions. The list of related parties is disseminated to the business units for the purposes of better managing the Group’s compliance with requirements pursuant to the Listing Requirements. All related party transactions are reviewed by the Internal Auditors and reported to the Audit Committee every quarter.

A list of significant related party transactions for the year under review is set out in Note 42 to the Financial Statements section of this Annual Report.

# Corporate Governance Statement (Cont'd)

## SHAREHOLDERS

The Board acknowledges the need for shareholders and stakeholders to be informed of all material business matters affecting the Company. They are kept well informed of developments and performances of the Company through timely announcements and disclosures made to the Bursa Malaysia, including the release of financial results on a quarterly basis. The Company's annual report which contains all the necessary disclosures in addition to facts and figures about the Group and the Company is released within four (4) months after the financial year end. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

The Company has been using the Annual General Meeting each year as a means of communicating with shareholders. Members of the Board as well as the external auditors are present to answer questions raised at the general meetings of shareholders. Adequate time is given during Annual and Extraordinary General Meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the shareholders. Shareholders also can obtain up-to-date information on the Group's latest quarterly financial report and announcements by accessing its website at [www.mega-first.com](http://www.mega-first.com).

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are responsible for the preparation of the annual audited financial statements, and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the Bursa Malaysia details of the Group's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the Audit Committee and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the latest Bursa Malaysia guidelines, and is available to the public.

### Internal Control

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the Listing Requirements is separately set out in this Annual Report.

### Internal Audit

The Internal Audit Department reports directly to the Audit Committee. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the Audit Committee, with copies to the parties concerned, so that timely corrective measures can be taken.

A summary of the activities of the Audit Committee during the year as well as the role of the Audit Committee in relation to the external and internal auditors, and the Committee's terms of reference are set out in the Audit Committee Report section of this Annual Report.

### Non-audit fees for external auditors

The non-audit fee incurred for the year for services by the external auditors and their affiliated companies to the Company and its subsidiaries amounted to RM16,000.00.

*This statement is made in accordance with a resolution of the Board of Directors passed on 26 February 2009.*

# Other Disclosures

## 1) **Material Contracts with Related Parties**

There was no material contract subsisting at the end of the financial year on 31 December 2008 or entered into since the end of the financial year by the Company and its subsidiaries which involves interests of directors and major shareholders.

## 2) **Penalties**

There was no sanction or penalty imposed on the Company and its subsidiaries, directors or management by regulatory bodies during the financial year ended 31 December 2008 ("the year").

## 3) **Share buy-backs**

The details on the share buy-back by the Company during the year are reflected under Note 25 of the Financial Statements.

## 4) **Options, warrants or convertible securities**

During the year, 71,000 share options issued in previous years pursuant to the Employee Share Option Scheme were exercised. The Company did not issue any warrants or convertible securities during the year.

## 5) **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**

The Company did not sponsor any ADR or GDR programme during the year.

## 6) **Profit estimate, forecast, projection and variation in results**

The Company did not issue any profit estimate, forecast or projection for the year. There was no variation between the audited results for the year and the unaudited results previously announced by the Company.

## 7) **Profit guarantee**

The Company did not give any profit guarantee during the year.

## 8) **Revaluation policy on landed properties**

The Company does not have a revaluation policy on landed properties.

# Chairman's Statement / Penyata Pengerusi

for the financial year ended 31 December 2008 / bagi tahun kewangan berakhir 31 Disember 2008

*On behalf of the Board of Directors of MFCB, I have pleasure in presenting the 43rd Annual Report incorporating the Financial Statements of the Group and of the Company for the financial year ended 31 December 2008.*

## REVIEW OF OPERATIONS

The Group recorded a pre-tax profit of RM75.1 million for the financial year ended 31 December 2008, against RM95.7 million in the previous financial year. Earnings per share decreased to 17.1 sen from 21.2 sen in 2007.

2008 has been a challenging year. The year was faced with difficulties brought about by increases in fuel prices and cost of construction materials and labour. The sudden rapid escalation in costs have negatively impacted profits.

A major improvement has been in our working capital management as evidenced by our bank balances and deposits as at 31 December 2008 of RM141.6 million, an increase of 16.1% in the financial year. Net assets of the Group increased 11.3% from RM351.9 million as at 31 December 2007 to RM391.7 million as at 31 December 2008.

The results of the business are discussed in the Group Managing Director's Operation Review section of this Report. I would, however, like to highlight the forthcoming development of the hydroelectric power project in Don Sahong, Laos. We firmly believe that there is significant growth potential in the Power business of the Group with the geographical expansion of our business in the next few years.

## SIGNIFICANT CORPORATE EVENTS

In June 2008, Mega First Power (HK) Limited ("MFPL") was incorporated in Hong Kong and is a wholly-owned subsidiary of Mega First Power Industries Sdn Bhd ("MFPI"). In November 2008, MFPL completed its acquisition of 60% equity interest in Shaoxing Mega Heat and Power Company, Limited from MFPI for the consideration of RMB112.2 million pursuant to an internal rationalisation exercise involving the said wholly-owned subsidiaries of the Company.

*Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan Ke-43 menggabungkan Penyata Kewangan Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Disember 2008.*

## ULASAN OPERASI

Kumpulan mencatat keuntungan pra-cukai sebanyak RM75.1 juta bagi tahun kewangan berakhir 31 Disember 2008, berbanding RM95.7 juta pada tahun kewangan sebelumnya. Perolehan setiap saham merosot kepada 17.1 sen daripada 21.2 sen pada tahun 2007.

Tahun 2008 merupakan tahun yang mencabar. Pada tahun tersebut Kumpulan menghadapi kesukaran disebabkan oleh kenaikan dalam harga bahan api, kos bahan binaan dan kos buruh. Lonjakan mendadak dalam kos telah memberi kesan negatif ke atas keuntungan.

Peningkatan ketara adalah dalam pengurusan modal kerja kami sebagaimana dibuktikan oleh baki dan deposit bank kami pada 31 Disember 2008 sebanyak RM141.6 juta, peningkatan sebanyak 16.1% dalam tahun kewangan. Aset-aset bersih Kumpulan meningkat sebanyak 11.3% daripada RM351.9 juta pada 31 Disember 2007 kepada RM391.7 juta pada 31 Disember 2008.

Keputusan perniagaan dibincangkan dalam Ulasan Operasi Pengarah Urusan Kumpulan dalam Laporan ini. Walau bagaimanapun, saya ingin menekankan pembangunan akan datang iaitu projek kuasa hidroelektrik di Don Sahong, Laos. Kami sesungguhnya percaya bahawa terdapat potensi pertumbuhan besar dalam perniagaan janakuasa Kumpulan dengan pengembangan geografi perniagaan kami dalam beberapa tahun akan datang.

## PERISTIWA PENTING KORPORAT

Pada Jun 2008, Mega First Power (HK) Limited ("MFPL") telah diperbadankan di Hong Kong dan merupakan anak syarikat milik penuh Mega First Power Industries Sdn Bhd ("MFPI"). Pada November 2008, MFPL telah menyelesaikan pengambilalihan kepentingan ekuitinya sebanyak 60% dalam Shaoxing Mega Heat dan Power Company, Limited daripada MFPI bagi balasan sebanyak RMB112.2 juta selaras dengan langkah perasionalan dalaman yang melibatkan anak-anak syarikat milik penuh Syarikat tersebut.



# Chairman's Statement (cont'd) / Penyata Pengerusi (Samb)

for the financial year ended 31 December 2008 / bagi tahun kewangan berakhir 31 Disember 2008

## SIGNIFICANT CORPORATE EVENTS (CONT'D)

In July 2008, Don Sahong Power Company Limited ("DSPCL") was incorporated in the British Virgin Islands. DSPCL is a 70%-owned subsidiary of the Company with IJM Corporation Berhad holding the remaining 30% equity interest.

DSPCL is a special purpose vehicle to hold together with the Government of the Lao People's Democratic Republic ("Laos") and other investors, the shares in a project company that will be undertaking the development and operation of the hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos.

In January 2009, Bloxwich Industries (Proprietary) Limited ("BIPL"), a wholly-owned subsidiary of Bloxwich International Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL. The sharp downturn in the global automotive industry worsened the difficult operating conditions resulting in the closure of the Group's businesses in South Africa.

## DIVIDEND

The Board has recommended a final dividend of 3.5% less income tax for the financial year ended 31 December 2008 subject to the approval of the shareholders at the forthcoming Annual General Meeting. This brings the total gross dividend for the financial year to 5.5%.

## CORPORATE SOCIAL RESPONSIBILITY

The Group has rendered support in monetary terms to young school going children besides contributing to community welfare and responding to the plight of disaster victims. In the face of growing demand for energy and depleting natural resources, the Group encourages minimising wastage.

## PROSPECT

The Board is cautiously optimistic that the financial results will continue to be satisfactory in 2009 in the face of prevailing uncertainties in the global financial economy.

## PERISTIWA PENTING KORPORAT (SAMB)

Pada Julai 2008, Don Sahong Power Company Limited ("DSPCL") telah diperbadankan di British Virgin Islands. DSPCL adalah anak syarikat dimiliki 70% oleh Syarikat manakala IJM Corporation Berhad memegang 30% kepentingan ekuiti.

DSPCL adalah sebuah syarikat tujuan khas untuk memegang bersama-sama dengan Kerajaan Republik Demokrasi Rakyat Laos ("Laos") dan pelabur-pelabur lain, saham-saham dalam syarikat projek yang akan melaksanakan pembangunan dan operasi projek janakuasa hidroelektrik di Don Sahong, Daerah Khong, Wilayah Champasak, Laos.

Pada Januari 2009, Bloxwich Industries (Proprietary) Limited ("BIPL"), anak syarikat milik penuh Bloxwich International Sdn Bhd yang sebaliknya merupakan anak syarikat milik penuh Syarikat, telah diletakkan di bawah pembubaran selaras dengan Perintah penggulangan yang diberi oleh Mahkamah Tinggi Afrika Selatan di Durban, Republik Afrika Selatan atas petisyen sukarela BIPL. Kemerosotan mendadak dalam industri automotif global menambah kerumitan keadaan operasi mengakibatkan penutupan perniagaan Kumpulan di Afrika Selatan.

## DIVIDEN

Lembaga telah mengesyorkan dividen akhir sebanyak 5.5% tolak cukai pendapatan bagi tahun kewangan berakhir 31 Disember 2008 tertakluk kepada kelulusan pemegang-pemegang saham dalam Mesyuarat Agung Tahunan akan datang. Ini menjadikan dividen kasar keseluruhan bagi tahun kewangan sebanyak 5.5%.

## TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan telah memberikan sokongan dari segi kewangan kepada kanak-kanak muda yang bersekolah selain menyumbang kepada kebajikan masyarakat dan bantuan kepada mangsa-mangsa bencana yang menyedihkan. Dalam menghadapi permintaan yang semakin meningkat bagi tenaga dan pengurangan sumber asli, Kumpulan menggalakkan pengurangan pembaziran.

## PROSPEK

Lembaga dengan penuh berhati-hati optimistik bahawa keputusan kewangan akan terus memuaskan pada tahun 2009 dalam menghadapi ketidakpastian semasa dalam ekonomi kewangan global.

# **Chairman's Statement (Cont'd) / Penyata Pengerusi (Samb)**

*for the financial year ended 31 December 2008 / bagi tahun kewangan berakhir 31 Disember 2008*

## **ACKNOWLEDGEMENT AND APPRECIATION**

The Board would like to take this opportunity to extend its appreciation to shareholders, customers, business associates and regulatory authorities for their continuing support to the Group.

The Board would also like to thank our hardworking and committed staff for their contribution to our achievements in the year.

**Goh Nan Kioh**  
**Chairman**

**26 February 2009**

## **PENGIKTIRAFAN DAN PENGHARGAAN**

Lembaga ingin mengambil kesempatan ini untuk mengucapkan penghargaan kepada pemegang-pemegang saham, pelanggan-pelanggan, sekutu-sekutu perniagaan dan pihak berkuasa berkaitan atas sokongan berterusan mereka kepada Kumpulan.

Lembaga juga ingin mengucapkan terima kasih kepada kakitangan kami yang bekerja keras dan komited atas sumbangan mereka kepada pencapaian kami pada tahun 2008.

**Goh Nan Kioh**  
**Pengerusi**

**26 Februari 2009**



# Group Managing Director's Operation Review

for the financial year ended 31 December 2008

## Ulasan Operasi Pengarah Urusan Kumpulan

bagi tahun kewangan berakhir 31 Disember 2008

### OVERVIEW

For the financial year under review, the Group reported a revenue of RM500.9 million (2007: RM471.8 million) and a pre-tax profit of RM75.1 million (2007: RM95.7 million).

Despite a number of setbacks in the financial year under review, our Power Division remained the main contributor accounting for 59.0% (2007: 74.0%) of the Group's pre-tax profit whilst Property Division accounted for 45.4% (2007: 20.3%) and Limestone Division 10.5% (2007: 9.0%).

### POWER DIVISION

The Power Division constitutes a major part of the Group's operations. It recorded a pre-tax profit of RM44.4 million (2007: RM70.9 million) and a revenue of RM393.3 million (2007: RM332.4 million).

The power plant in Shaoxing, China registered a higher revenue of RM267.0 million, but considerably lower pre-tax profit of RM27.8 million. The lower result was mainly due to the considerable increase in coal prices during the year. Escalating coal prices in 2008 have plunged many Chinese power companies into the red. Demand from the textile industries in the Shaoxing region for steam and energy dropped 2.7% and 27.2% to 2.9 million tonnes and 265,000 MWh respectively.

The Shaoxing plant is undergoing modifications, expected to complete in 2010. The modifications should result in improvement in plant efficiency and a 25% reduction in coal consumption.

The power plant in Tawau, Malaysia registered a pre-tax profit of RM10.6 million (2007: RM17.8 million) and a revenue of RM126.3 million (2007: RM104.8 million). Pre-tax profit decreased mainly due to a revision in net calorific value in mid-2007 and a provision for a substantial one-off windfall tax payment.

### TINJAUAN

Bagi tahun kewangan di bawah kajian, Kumpulan melaporkan hasil sebanyak RM500.9 juta (2007: RM471.8 juta) dan keuntungan pra cukai sebanyak RM75.1 juta (2007: RM95.7 juta).

Walaupun terdapat beberapa halangan dalam tahun kewangan di bawah kajian, Bahagian Jana Kuasa kami kekal sebagai penyumbang utama dengan mengaunkan bagi 59.0% (2007: 74.0%) daripada keuntungan pra cukai Kumpulan manakala Bahagian Harta mengaunkan bagi 45.4% (2007: 20.3%) dan Bahagian Batu Kapur 10.5% (2007: 9.0%).

### BAHAGIAN TENAGA

Bahagian Tenaga merupakan bahagian utama daripada operasi Kumpulan. Ia merekodkan keuntungan pra cukai sebanyak RM44.4 juta (2007: RM70.9 juta) dan hasil sebanyak RM393.3 juta (2007: RM332.4 juta).

Loji janakuasa di Shaoxing, China mencatatkan hasil lebih tinggi sebanyak RM267.0 juta, tetapi keuntungan pra cukai yang agak lebih rendah sebanyak RM27.8 juta. Hasil lebih rendah itu adalah terutamanya akibat peningkatan yang agak banyak dalam harga arang batu dalam tahun dilapor. Harga arang batu yang meningkat naik pada 2008 telah menyusutkan kebanyakan syarikat janakuasa China ke tahap kerugian. Permintaan daripada industri-industri tekstil di kawasan Shaoxing untuk stim dan tenaga telah jatuh masing-masing sebanyak 2.7% dan 27.2% kepada 2.9 juta tan dan 265,000 MWh.

Loji Shaoxing sedang melalui kerja-kerja pengubahsuaian, dijangka akan siap pada 2010. Ubahsuaian ini seharusnya mengakibatkan peningkatan dalam kecekapan loji dan pengurangan 25% dalam penggunaan arang batu.

Loji janakuasa di Tawau, Malaysia mencatat keuntungan pra cukai sebanyak RM10.6 juta (2007: RM17.8 juta) dan hasil sebanyak RM126.3 juta (2007: RM104.8 juta). Keuntungan pra cukai berkurangan terutamanya akibat daripada semakan dalam nilai kalori bersih pada pertengahan-2007 dan peruntukan bagi bayaran cukai keuntungan sekaligus dalam jumlah yang besar.

# Group Managing Director's Operation Review (Cont'd)

for the financial year ended 31 December 2008

## Ulasan Operasi Pengarah Urusan Kumpulan (Samb)

bagi tahun kewangan berakhir 31 Disember 2008

### PROPERTY DIVISION

The Property Division recorded a pre-tax profit of RM34.1 million (2007: RM19.4 million) and a revenue of RM34.5 million (2007: RM29.0 million).

The Division has significantly bettered its previous financial year's performance, raising its contribution to 45.4% (2007: 20.3%) of the Group's pre-tax profit, arising from the fair value gain from the Group's joint venture project "PJ8" and improved operational efficiencies.

During the year under review, tight control on layout and cost saving designs softened the impact of unprecedented escalation in building material costs on profit margins. The global economic turmoil will intensify the challenging environment which is expected to continue this year. The Division will continue to engage in constructive discussions and negotiations with consultants and clients to mitigate the impact of costs escalation as well as taking measures to sell the stock of completed units.

### ENGINEERING DIVISION

The Engineering Division ended the financial year with a loss of RM4.3 million (2007: loss of RM9.0 million). Revenue was RM9.6 million (2007: RM51.0 million) for the financial year under review.

The loss was principally due to a loss of RM5.1 million on liquidation of our subsidiary in South Africa, which was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa upon the voluntary petition on 19 January 2009.

Generally, new auto sales in Malaysia rose a better-than-expected 12.5% in 2008 but are likely to fall in 2009 amid the global economic slump. Several measures have been taken in line with the cost reduction activities to improve cash flow and profitability.

### BAHAGIAN HARTA

Bahagian Harta merekodkan keuntungan pra cukai sebanyak RM34.1 juta (2007: RM19.4 juta) dan hasil sebanyak RM34.5 juta (2007: RM29.0 juta).

Prestasi bahagian ini telah bertambah baik dengan ketaranya berbanding prestasi tahun kewangan sebelumnya, meningkatkan sumbangannya kepada 45.4% (2007: 20.3%) daripada keuntungan pra cukai Kumpulan, yang terhasil daripada laba nilai saksama timbul daripada projek usaha sama "PJ8" dan kecekapan operasi yang bertambah baik.

Dalam tahun di bawah kajian, kawalan ketat ke atas susun atur dan reka bentuk yang menjimatkan kos mengurangkan kesan kenaikan yang tidak pernah berlaku sebelum ini dalam bahan binaan ke atas margin keuntungan. Pergolakan ekonomi global akan menyengitkan lagi persekitaran mencabar yang dijangka akan berterusan dalam tahun yang akan datang. Bahagian ini akan terus terlibat dalam perbincangan dan perundingan yang membina dengan perunding dan klien bagi mengurangkan kesan peningkatan kos di samping mengambil langkah berjaga-jaga untuk menjual unit-unit siap dalam stok.

### BAHAGIAN KEJURUTERAAN

Bahagian Kejuruteraan mengakhiri tahun kewangan dengan kerugian sebanyak RM4.3 juta (2007: kerugian sebanyak RM9.0 juta). Hasil adalah RM9.6 juta (2007: RM51.0 juta) bagi tahun kewangan di bawah kajian.

Kerugian pada dasarnya disebabkan oleh kerugian sebanyak RM5.1 juta atas penyelesaian anak syarikat kami di Afrika Selatan, yang telah diletakkan di bawah pembubaran selaras dengan Perintah penggulangan yang diberikan oleh Mahkamah Tinggi Afrika Selatan atas petisyen sukarela pada 19 Januari 2009.

Secara amnya, jualan auto baru di Malaysia meningkat lebih baik daripada yang dijangkakan sebanyak 12.5% pada 2008 tetapi berkemungkinan akan jatuh pada 2009 di tengah-tengah kemerosotan ekonomi global. Beberapa langkah telah diambil sejajar dengan kegiatan pengurangan kos untuk meningkatkan aliran tunai dan keberuntungan.

# Group Managing Director's Operation Review (Cont'd)

for the financial year ended 31 December 2008

## Ulasan Operasi Pengarah Urusan Kumpulan (Samb)

bagi tahun kewangan berakhir 31 Disember 2008

### LIMESTONE DIVISION

The Limestone Division recorded a pre-tax profit of RM7.9 million (2007: RM8.6 million) and a revenue of RM63.5 million (2007: RM59.3 million).

Market conditions remained tough during the year. Sales volume of lime products fell by 20.6% from the previous year, while there was a slight rebound in selling prices from the second half this year to offset escalating material prices and production costs. Sales of calcium silicate bricks recorded a 300% improvement, the highest since the plant is in operation.

The Division is continuously embarking on programs to expand its network both locally and overseas to diversify its customer base and at the same time develop new applications for its existing products as well as produce better margin products in order to stay ahead of the competition.

### BAHAGIAN BATU KAPUR

Bahagian Batu Kapur merekodkan keuntungan pra cukai sebanyak RM7.9 juta (2007: RM8.6 juta) dan hasil sebanyak RM63.5 juta (2007: RM59.3 juta).

Keadaan pasaran kekal sukar dalam tahun di bawah kajian. Jumlah jualan produk-produk batu kapur jatuh sebanyak 20.6% dari tahun sebelumnya, manakala terdapat sedikit pantulan dalam harga jualan mulai separuh kedua tahun kewangan untuk mengimbangi harga-harga bahan dan kos pengeluaran yang meningkat naik. Jualan batu silikat kalsium merekodkan peningkatan sebanyak 300%, yang tertinggi sejak kilang ini beroperasi.

Bahagian ini secara berterusan mengadakan program-program untuk memperluaskan rangkaianannya kedua-dua dalam negeri dan seberang laut bagi mempelbagaikan pangkalan pelanggannya dan pada masa yang sama membangunkan aplikasi-aplikasi baru bagi produk-produk sedia ada serta menghasilkan produk-produk bermargin lebih baik untuk kekal berada di hadapan dalam persaingan.

# Audit Committee Report

for the year ended 31 December 2008

## 1. Composition

- Chairman : Mr. Yeow See Yuen (Independent Director)
- Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)  
Dato' Jorgen Bornhoft (Independent Director)

## 2. Terms of Reference

### 2.1. Membership

- 2.1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 2.1.2 All members of the Audit Committee must be non-executive directors, with a majority of them, including the Chairman of the Committee, being independent directors as defined by Chapter 1 of the Listing Requirements of Bursa Malaysia Securities Berhad ("the Exchange").
- 2.1.3 The Committee shall include at least one person:
- (a) who is a member of the Malaysian Institute of Accountants; or
  - (b) Who must have at least 3 years' working experience and:
    - (i) have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - (ii) Is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act 1967, or
  - (c) Who fulfils such other requirements as prescribed or approved by the Exchange.
- 2.1.4 No alternate Directors shall be appointed as a member of the Committee.
- 2.1.5 The members of the Committee may elect a Chairman from amongst their number.
- 2.1.6 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 2.1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

### 2.2 Meetings

- 2.2.1 The quorum for a Committee meeting shall be at least two (2) members, the majority present must be Independent Directors.
- 2.2.2 The Committee shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide.
- 2.2.3 Notwithstanding paragraph 2.2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

# Audit Committee Report (Cont'd)

for the year ended 31 December 2008

## 2. Terms of Reference (Cont'd)

### 2.2 Meetings (Cont'd)

- 2.2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.
- 2.2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting shall report a summary of significant matters and resolutions.

### 2.3 Rights and Authority

The Committee is authorised to:

- 2.3.1 Investigate any matter within its terms of reference.
- 2.3.2 Have adequate resources required to perform its duties.
- 2.3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 2.3.4 Have direct communication channels with the External and Internal Auditors. In this regard, the Chairman of the Committee shall engage on a continuous basis with senior management such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the External Auditors in order to be kept informed of matters affecting the Company or the Group.
- 2.3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.
- 2.3.6 Convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company or of the Group, whenever deemed necessary. In this regard, the Committee shall meet with the External Auditors at least twice a year.

### 2.4 Functions and Duties

- 2.4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 2.4.2 To review the following and report to the Board:
  - (a) With the External Auditors:
    - (i) The audit plans and audit report and the extent of assistance rendered by employees of the Auditee,
    - (ii) Their evaluation of the system of internal controls,

# Audit Committee Report (Cont'd)

for the year ended 31 December 2008

## 2. Terms of Reference (Cont'd)

### 2.4 Functions and Duties (Cont'd)

- (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors,
    - (iv) The management letter and management's response, and
    - (v) Issues and reservations arising from audits.
  - (b) With the Internal Audit Department:
    - (i) The adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work,
    - (ii) The audit plan of work programme and results of internal audit processes including actions taken or recommendations,
    - (iii) The extent of co-operation and assistance rendered by employees of Auditee, and
    - (iv) The appraisal or assessment of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment, resignation and termination.
  - (c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on:
    - (i) Changes and implementation of major accounting policies and practices,
    - (ii) Significant and unusual issues,
    - (iii) Going concern assumption, and
    - (iv) Compliance with Accounting Standards, regulatory and other legal requirements.
  - (d) The major findings of investigations and management response.
  - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- 2.4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to the Exchange.
- 2.4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:-
- (a) The composition of the Committee including the name, designation and directorship of the members,
  - (b) The terms of reference of the Committee,
  - (c) The number of meetings held and details of attendance of each member,
  - (d) A summary of the activities of the Committee in the discharge of its functions and duties,
  - (e) A summary of the activities of the Internal Audit function, and
  - (f) Such other matters as may be required by the relevant regulatory authorities from time to time.
- 2.4.5 To review the following for publication in the Company's Annual Report:
- (a) The disclosure statement of the Board on:
    - (i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance, and
    - (ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas,

# Audit Committee Report (Cont'd)

for the year ended 31 December 2008

## 2. Terms of Reference (Cont'd)

### 2.4 Functions and Duties (Cont'd)

- (b) The statement on the Board's responsibility for the preparation of the annual audited financial statement of accounts,
- (c) The disclosure statement on the state of the system of internal controls of the Company and of the Group, and
- (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the Bursa Malaysia.

2.4.6 To verify the allocation of options pursuant to the share scheme for employees.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

### 2.5 Internal Audit Department

2.5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report directly to the Committee whose scope of responsibility includes overseeing the development, establishment and competency of the Internal Audit function.

2.5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Group Chief Executive.

2.5.3 The Internal Audit Department shall be independent of the activities it audits.

## 3. Summary of Activities of the Committee

The Audit Committee has discharged its duties and responsibilities as set out in its terms of reference. The main activities of the Committee for the year ended 31 December 2008 were as follows:

- (a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit processes, with the internal audit department,
- (b) Reviewed the quarterly financial reports for announcement to the Bursa Malaysia and year-end statutory accounts with management and the internal audit department,
- (c) Reviewed with management on their preparation for the annual financial statements prior to commencement of the annual audit,
- (d) Reviewed with external auditors on their audit plan (including system evaluation, issues raised and management's response) prior to the commencement of audit,
- (e) Reviewed the annual statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors,
- (f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and transactions which may have an impact on management integrity,
- (g) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies,
- (h) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members,



# Audit Committee Report (Cont'd)

for the year ended 31 December 2008

## 3. Summary of Activities of the Committee (Cont'd)

- (i) Prepared the Audit Committee Report for inclusion in the Company's Annual Report,
- (j) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report, and
- (k) Verified the allocation of options pursuant to the share scheme for employees, for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial period.

## 4. Attendance of Meetings

During the year ended 31 December 2008, four (4) meetings of the Committee were held. The attendance record of the Committee members was as follows:

Name of Committee member	Attendance record
Mr. Yeow See Yuen	4/4
Dato' Haji Abu Hanifah bin Noordin	4/4
Dato' Jorgen Bornhoft	4/4

## 5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 31 December 2008 were as follows:

- (a) Prepared the annual audit plan for the Audit Committee's approval.
- (b) Carried out risk-based audits of strategic business units of the Group, which cover reviews of the internal control system, accounting and management information systems, and risk management.
- (c) Co-created management corrective actions on audit issues raised, and issued audit reports to the Audit Committee and Management.
- (d) Reviewed the quarterly financial reports and year-end statutory accounts with management.
- (e) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report.
- (f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and questionable transactions, and report thereon in the audit report.
- (g) Followed up on management corrective actions on audit issues raised by the external auditors.
- (h) Attended the Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.
- (i) Verified the allocation of options pursuant to the share scheme for employees, for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial period.



# Statement on Internal Control

*for the financial year ended 31 December 2008*

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia ("BM") require Directors of listed companies to include in their annual report a statement about the state of their internal controls as a group. The Statement on Internal Control – Guidance for Directors of Public Listed Companies ("the Guidance") issued by the BM's Taskforce on Internal Control provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Internal Control for the financial year ended 31 December 2008 which has been prepared in accordance with the Guidance.

The Board acknowledges that it is responsible for the overall internal control systems for the Group, and for reviewing its adequacy and integrity. However, the Board recognises that such systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the financial year under review. This process is an integral part of the Group's system of internal control. Other key elements of this internal control system are:

- (a) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.
- (b) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by management, focusing on variances and important operational issues, and the findings discussed with the business units.
- (c) On a quarterly basis, the Board reviews and discusses a comprehensive Group Managing Director's report, covering the Group's up to date performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the operating units in the light of any significant shifts in risks profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management.
- (d) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business and functional units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for further enhancement.
- (e) Regular internal audits are carried out to review the adequacy and integrity of the internal control systems of the business units based upon the audit plan. The reports are submitted to the Audit Committee, which reviews the findings with management at its quarterly meetings. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

# FINANCIAL STATEMENTS

<b>26</b>	DIRECTORS' REPORT
<b>33</b>	INDEPENDENT AUDITORS' REPORT
<b>35</b>	INCOME STATEMENTS
<b>36</b>	BALANCE SHEETS
<b>38</b>	STATEMENTS OF CHANGES IN EQUITY
<b>39</b>	CASH FLOW STATEMENTS
<b>42</b>	NOTES TO THE FINANCIAL STATEMENTS
<b>97</b>	STATEMENT BY DIRECTORS
<b>97</b>	STATUTORY DECLARATION

# Directors' Report

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries and associate are set out in Notes 38 and 13 to the financial statements respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year, except as disclosed in Note 2 to the financial statements.

## SIGNIFICANT CORPORATE EVENTS

- (a) On 27 June 2008, Mega First Power (HK) Limited ("MFPL") was incorporated in Hong Kong. MFPL is a wholly-owned subsidiary of Mega First Power Industries Sdn. Bhd. ("MFPI") which in turn is a wholly-owned subsidiary of the Company.

On 12 November 2008, MFPL completed its acquisition of a 60% equity interest in Shaoxing Mega Heat and Power Co., Limited from MFPI for a purchase consideration of RMB112.2 million pursuant to an internal rationalisation exercise involving the said wholly-owned subsidiaries of the Group.

- (b) On 4 July 2008, Don Sahong Power Company Limited ("DSPCL") was incorporated in the British Virgin Islands as a private limited company with an authorised share capital of 300,000,000 shares of USD1.00 each. It has an initial issued and paid-up share capital of 10,000 shares of USD1.00 each. DSPCL is a 70%-owned subsidiary of the Company with IJM Corporation Berhad holding the remaining 30% equity interest.

DSPCL is a special purpose vehicle to hold, together with the Government of the Lao People's Democratic Republic ("GOL") and other investors, the shares in a project company that will be undertaking the development and operation of the hydroelectric power project in Don Sahong, Khong District, Champasak Province, GOL.

- (c) On 4 November 2008, Bloxwich International Sdn. Bhd. ("BISB"), a wholly-owned subsidiary of the Company entered into an agreement with Crescendo Group (Pty) Ltd ("Purchaser") for the disposal of BISB's entire equity interest in Bloxwich Industries (Proprietary) Limited ("BIPL"), a 100%-owned subsidiary, for a total cash consideration of R10,000,000 (South African Rand) (equivalent to approximately RM3.4 million). The agreement was subsequently cancelled and the deposit paid was forfeited due to a material breach of the agreement by the Purchaser.

On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL.

- (d) On 26 December 2008, Mega First Industries Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Grassum Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.
- (e) On 26 December 2008, Mamut Copper Mining Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of MCM Nurseries Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.
- (f) On 7 January 2009, the Company disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Mega First Online Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.

# Directors' Report (Cont'd)

## RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows:

	<b>GROUP RM'000</b>	<b>COMPANY RM'000</b>
Profit before tax	75,139	7,658
Income tax expense	(9,066)	–
<b>Profit for the financial year</b>	<b>66,073</b>	<b>7,658</b>
Attributable to:		
Equity holders of the Company	40,184	7,658
Minority interests	25,889	–
	<b>66,073</b>	<b>7,658</b>

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 6 to the financial statements.

## DIVIDENDS

The amount of dividends paid or declared by the Company during the financial year were as follows:

- (a) A final dividend of 3.5% less income tax of 26% amounting to RM6,093,190 for the financial year ended 31 December 2007 was approved by the shareholders at the Annual General Meeting held on 22 May 2008 and paid on 11 July 2008.
- (b) An interim dividend of 2.0% less income tax of 26% amounting to RM3,474,859 for the financial year ended 31 December 2008 (2007 : interim dividend of 2.0% less income tax of 27%) was paid on 16 October 2008.

The Board proposes a final dividend of 3.5% less income tax of 25% for the financial year ended 31 December 2008 (2007 : 3.5% less income tax of 26%). 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.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

# Directors' Report (Cont'd)

## SHARE OPTIONS

An Employee Share Option Scheme ("ESOS") of the Company was implemented on 1 October 2001 for the benefit of eligible employees and Executive Directors of the Company and its subsidiaries incorporated in Malaysia. The initial five-year term of the ESOS which expired on 30 September 2006 was extended for a further five years to expire on 30 September 2011.

The main features of the ESOS are as follows:

- (a) Employees and Executive Directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the term of the ESOS.
- (c) No employee shall be granted options for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.
- (d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the ESOS committee, which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) An eligible employee can only participate in one ESOS implemented by any company within the Group.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank *pari passu* in all respects with the existing ordinary shares of the Company, other than as may be specified in a resolution approving the distribution of dividends prior to the allotment dates.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders of less than 210,000 shares. The names of the option holders as at 31 December 2008 who have been granted options of 210,000 shares or more are disclosed as follows:

<b>Option holders</b>	<b>Exercise price RM</b>	<b>Number of share options</b>
Dr. Lim Thian Soo	1.00	500,000
Goh Nan Yang	1.00	500,000
Chow Choon Thim	1.00	500,000
Chu Beng Han	1.00	350,000
Foo Kah Heng	1.00	210,000
Liew Leong Ting	1.00	210,000

## Directors' Report (Cont'd)

### SHARE OPTIONS (CONT'D)

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:

	<b>Exercise price per ordinary share RM</b>	<b>Number of options over ordinary shares of RM1 each</b>
Balance as at 1.1.2008	1.00	2,245,000
Granted	1.00	850,000
<hr/>		
Exercised	1.00	3,095,000
Lapsed	1.00	(71,000)
<hr/>		
Balance as at 31.12.2008		2,969,000

### ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there was no change in the authorised share capital of the Company;
- (b) the issued and paid-up share capital increased from RM239,212,000 to RM239,283,000 by way of issuance of 71,000 ordinary shares of RM1 each for cash pursuant to the ESOS at the issue price of RM1 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company; and
- (c) there was no debentures issued by the Company.

### TREASURY SHARES

During the financial year, the Company purchased a total of 2,249,000 of its own issued ordinary shares from the open market at an average purchase price of RM1.12 per share under the Company's share buy-back scheme. These shares were held as treasury shares, and the total consideration paid for the purchase of these shares including transaction costs amounted to RM2,518,705.

As at 31 December 2008, the Company held as treasury shares a total of 4,909,800 of its 239,283,000 issued and fully paid ordinary shares, at a carrying amount of RM6,411,637. None of the treasury shares held were sold or cancelled during the financial year.

The detailed movements of the treasury shares during the financial year are disclosed in Note 25 to the financial statements.

# Directors' Report (Cont'd)

## OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other than as disclosed in Note 34 to the financial statements, at the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:

- (a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (b) no item, transaction or event of a material and unusual nature has arisen during the financial year or in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## DIRECTORS

The following Directors served on the Board of the Company since the date of the last report:

- Goh Nan Kioh
- Dato' Haji Abu Hanifah bin Noordin
- Dr. Lim Thian Soo
- Goh Nan Yang (also alternate to Goh Nan Kioh)
- Yong Fook Shin
- Maisuri Bin Besri
- Yeow See Yuen
- Dato' Jorgen Bornhoft
- Tay Kheng Chiong

## Directors' Report (Cont'd)

### DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			Balance as at 31.12.2008
	Balance as at 1.1.2008	Addition	Disposal	
<b>SHARES IN THE COMPANY</b>				
Goh Nan Kioh				
- Direct	713,600	–	–	<b>713,600</b>
- Deemed	68,342,100	–	–	<b>68,342,100</b>
Dr. Lim Thian Soo				
- Direct	90,000	–	–	<b>90,000</b>
- Deemed	49,832,200	–	–	<b>49,832,200</b>
Yong Fook Shin				
- Direct	60,000	410,200	–	<b>470,200</b>
Goh Nan Yang				
- Direct	10,000	–	–	<b>10,000</b>
Yeow See Yuen				
- Direct	416,500	20,000	–	<b>436,500</b>
- Deemed	26,000	–	–	<b>26,000</b>
Dato' Jorgen Bornhoft				
- Direct	175,000	–	–	<b>175,000</b>
<b>SHARES IN SUBSIDIARY, ROCK CHEMICAL INDUSTRIES (MALAYSIA) BERHAD</b>				
Goh Nan Kioh				
- Deemed	25,594,300	–	–	<b>25,594,300</b>
Dr. Lim Thian Soo				
- Deemed	25,594,300	–	–	<b>25,594,300</b>
Goh Nan Yang				
- Direct	100	–	–	<b>100</b>
Yeow See Yuen				
- Direct	–	40,600	–	<b>40,600</b>
Dato' Jorgen Bornhoft				
- Direct	40,600	–	40,600	<b>–</b>



# Directors' Report (Cont'd)

## DIRECTORS' INTERESTS (CONT'D)

In addition to the above, the following Directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company:

	Options over ordinary shares of RM1 each			Balance as at 31.12.2008
	Balance as at 1.1.2008	Granted	Exercised	
Dr. Lim Thian Soo	500,000	–	–	500,000
Goh Nan Yang	500,000	–	–	500,000

Goh Nan Kioh and Dr. Lim Thian Soo, by virtue of their interests in 29.46% (2007 : 29.19%) and 21.30% (2007 : 21.10%) of the Company respectively, are deemed to have interests in shares of its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965. Other than as disclosed above, the Directors of the Company do not have any other interests in the shares of the Company or of its related corporations.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 42 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Directors pursuant to the Company's ESOS as disclosed above.

## AUDITORS

The auditors, Messrs. Horwath, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**DR. LIM THIAN SOO**

**GOH NAN YANG**

Kuala Lumpur  
26 February 2009

# Independent Auditors' Report

to the Members of MEGA FIRST CORPORATION BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mega First Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 96.

### ***Directors' Responsibility for the Financial Statements***

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

# **Independent Auditors' Report (Cont'd)**

to the Members of MEGA FIRST CORPORATION BERHAD

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **Horwath**

Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
26 February 2009

### **Lee Kok Wai**

Approval No: 2760/06/10 (J)  
Partner

# Income Statements

for the financial year ended 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	5	<b>500,889</b>	471,813	<b>11,124</b>	50,015
Cost Of Sales		<b>(407,674)</b>	(360,462)	-	-
Gross Profit		<b>93,215</b>	111,351	<b>11,124</b>	50,015
Distribution Costs		<b>(1,205)</b>	(6,115)	-	-
Administrative Expenses		<b>(27,855)</b>	(27,223)	<b>(3,331)</b>	(3,022)
Other Expenses		<b>(23,152)</b>	(7,098)	<b>(29)</b>	(17,338)
Other Income		<b>39,438</b>	31,797	<b>73</b>	171
Profit From Operations	6	<b>80,441</b>	102,712	<b>7,837</b>	29,826
Finance Costs	7	<b>(5,567)</b>	(6,887)	<b>(179)</b>	(637)
Share Of Profit/(Loss) In An Associate		<b>265</b>	(86)	-	-
Profit Before Tax		<b>75,139</b>	95,739	<b>7,658</b>	29,189
Income Tax Expense	8	<b>(9,066)</b>	(13,252)	-	(12,726)
Profit For The Financial Year		<b>66,073</b>	82,487	<b>7,658</b>	16,463
Attributable To:					
- Equity Holders Of The Company		<b>40,184</b>	50,463	<b>7,658</b>	16,463
- Minority Interests		<b>25,889</b>	32,024	-	-
		<b>66,073</b>	82,487	<b>7,658</b>	16,463
Earnings Per Share (sen)	10				
- Basic		<b>17.09</b>	21.23		
- Diluted		<b>16.94</b>	21.10		

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Balance Sheets

as at 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant And Equipment	11	<b>208,371</b>	221,216	<b>92</b>	191
Subsidiaries	12	-	-	<b>134,341</b>	134,317
Associate	13	<b>4,263</b>	3,998	<b>3,500</b>	3,500
Investment In Quoted Shares	14	<b>5,478</b>	10,564	-	-
Investment In Unquoted Shares	15	<b>335</b>	335	-	-
Prepaid Lease Payments	16	<b>3,691</b>	3,680	-	-
Investment Properties	17	<b>73,408</b>	45,259	-	-
Land Held For Property Development	18	<b>65,567</b>	68,684	-	-
Goodwill On Consolidation	19	<b>10,027</b>	10,027	-	-
		<b>371,140</b>	363,763	<b>137,933</b>	138,008
<b>Current Assets</b>					
Inventories	20	<b>41,294</b>	39,891	-	-
Property Development	21	<b>22,681</b>	14,920	-	-
Receivables	22	<b>120,093</b>	122,151	<b>153,431</b>	147,922
Bank Balances And Deposits	23	<b>141,597</b>	121,928	<b>7,222</b>	15,532
		<b>325,665</b>	298,890	<b>160,653</b>	163,454
<b>TOTAL ASSETS</b>		<b>696,805</b>	662,653	<b>298,586</b>	301,462

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Balance Sheets (Cont'd)

as at 31 December 2008

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>EQUITY AND LIABILITIES</b>					
Share Capital	24	<b>239,283</b>	239,212	<b>239,283</b>	239,212
Treasury Shares	25	<b>(6,412)</b>	(3,893)	<b>(6,412)</b>	(3,893)
Reserves	26	<b>158,876</b>	116,587	<b>46,721</b>	48,631
<b>Equity Attributable To Equity Holders Of The Company</b>		<b>391,747</b>	351,906	<b>279,592</b>	283,950
<b>Minority Interests</b>		<b>138,618</b>	110,557	-	-
<b>Total Equity</b>		<b>530,365</b>	462,463	<b>279,592</b>	283,950
<b>Non-Current Liabilities</b>					
Long-Term Borrowings	27	<b>12,665</b>	23,745	-	-
Retirement Benefit Obligations		<b>523</b>	736	-	-
Hire Purchase Payables	28	<b>9</b>	1,855	-	-
Deferred Taxation	29	<b>24,502</b>	26,193	-	-
		<b>37,699</b>	52,529	-	-
<b>Current Liabilities</b>					
Payables	30	<b>57,783</b>	84,765	<b>14,983</b>	13,501
Short-Term Borrowings	31	<b>67,763</b>	56,561	<b>4,011</b>	4,011
Taxation		<b>3,195</b>	6,335	-	-
		<b>128,741</b>	147,661	<b>18,994</b>	17,512
<b>Total Liabilities</b>		<b>166,440</b>	200,190	<b>18,994</b>	17,512
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>696,805</b>	662,653	<b>298,586</b>	301,462
Net Assets Per Ordinary Share (sen)	32	<b>167</b>	149		

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Statements of Changes in Equity

for the financial year ended 31 December 2008

GROUP	Attributable to Equity Holders of the Parent									
	Non-Distributable Reserves						Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance at 1 January 2007	236,000	-	33,380	28	6,650	2,213	36,548	314,819	124,913	439,732
Currency translation differences	-	-	-	-	(4,017)*	-	-	(4,017)	(1,646)	(5,663)
Profit for the financial year	-	-	-	-	-	-	50,463	50,463	32,024	82,487
Dividends (Note 9)	-	-	-	-	-	-	(8,678)	(8,678)	(44,734)	(53,412)
Issue of ordinary shares pursuant to ESOS	3,212	-	-	-	-	-	-	3,212	-	3,212
Purchase of treasury shares	-	(3,893)	-	-	-	-	-	(3,893)	-	(3,893)
Balance at 1 January 2008	239,212	(3,893)	33,380	28	2,633	2,213	78,333	351,906	110,557	462,463
Currency translation differences	-	-	-	-	9,213*	-	-	9,213	5,825	15,038
Profit for the financial year	-	-	-	-	-	-	40,184	40,184	25,889	66,073
Dividends (Note 9)	-	-	-	-	-	-	(9,568)	(9,568)	(3,653)	(13,221)
Arising from deconsolidation of a foreign subsidiary	-	-	-	-	2,460	-	-	2,460	-	2,460
Issue of ordinary shares pursuant to ESOS	71	-	-	-	-	-	-	71	-	71
Purchase of treasury shares	-	(2,519)	-	-	-	-	-	(2,519)	-	(2,519)
Balance at 31 December 2008	239,283	(6,412)	33,380	28	14,306	2,213	108,949	391,747	138,618	530,365

\* Represents gains/(loss) not recognised in the income statements.

COMPANY	Non-Distributable Reserves						Distributable
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Option Reserve RM'000	Retained Profits RM'000	Total RM'000	
Balance at 1 January 2007	236,000	-	33,380	28	7,438	276,846	
Dividends (Note 9)	-	-	-	-	(8,678)	(8,678)	
Profit for the financial year	-	-	-	-	16,463	16,463	
Issue of ordinary shares pursuant to ESOS	3,212	-	-	-	-	3,212	
Purchase of treasury shares	-	(3,893)	-	-	-	(3,893)	
Balance at 1 January 2008	239,212	(3,893)	33,380	28	15,223	283,950	
Dividends (Note 9)	-	-	-	-	(9,568)	(9,568)	
Profit for the financial year	-	-	-	-	7,658	7,658	
Issue of ordinary shares pursuant to ESOS	71	-	-	-	-	71	
Purchase of treasury shares	-	(2,519)	-	-	-	(2,519)	
Balance at 31 December 2008	239,283	(6,412)	33,380	28	13,313	279,592	

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Cash Flow Statements

for the financial year ended 31 December 2008

GROUP	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>75,139</b>	95,739
Adjustments for:		
Allowance for doubtful debts	<b>3,512</b>	520
Allowance for slow-moving inventories	<b>69</b>	–
Amortisation of prepaid lease payments	<b>212</b>	194
Depreciation of property, plant and equipment	<b>23,428</b>	24,184
Finance costs	<b>5,567</b>	6,887
Impairment loss on investment in quoted shares	<b>5,086</b>	–
Loss/(Gain) on deconsolidation of a foreign subsidiary	<b>5,060</b>	(2,436)
Write-down in value of assets arising from a change in the basis of consolidation for a foreign subsidiary	–	3,529
Write-off of:		
- Bad debts	–	1,065
- Inventories	<b>327</b>	803
- Property, plant and equipment	<b>813</b>	183
Allowance for doubtful debts written back	<b>(671)</b>	(80)
Dividend income	<b>(170)</b>	(190)
Fair value gain on investment properties	<b>(28,116)</b>	(14,308)
Gain on disposal of:		
- Property, plant and equipment	<b>(364)</b>	(317)
- Quoted investments	–	(4,928)
- Subsidiaries	<b>(51)</b>	–
Gain on foreign exchange - Unrealised	<b>(3,087)</b>	(82)
Impairment loss on land held for property development written back	–	(4,055)
Interest income	<b>(2,847)</b>	(2,693)
Overprovision of retirement benefits	<b>(213)</b>	(450)
Realisation of foreign currency translation reserve	<b>521</b>	(689)
Reversal of cost overaccrued	–	178
Reversal of foreseeable loss on property development no longer required	<b>(394)</b>	(205)
Reversal of provisions no longer required	<b>(1,563)</b>	–
Share of (profit)/loss in an associate	<b>(265)</b>	86
<b>Operating Profit Before Working Capital Changes</b>	<b>81,993</b>	102,935
(Increase)/Decrease in:		
Inventories	<b>(4,750)</b>	(4,324)
Property development	<b>(7,367)</b>	2,836
Receivables	<b>(749)</b>	11,695
(Decrease)/Increase in payables	<b>(2,391)</b>	1,101
<b>Cash Generated From Operations</b>	<b>66,736</b>	114,243
Income tax paid	<b>(12,008)</b>	(22,222)
<b>Net Cash From Operating Activities</b>	<b>54,728</b>	92,021

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.



# Cash Flow Statements (Cont'd)

for the financial year ended 31 December 2008

GROUP	Note	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>			
Interest received		2,847	2,693
Dividend received		170	190
Cash returned		-	213
(Increase)/Decrease in:			
Investment properties		(33)	(33)
Land held for property development		3,117	2,163
Net cash inflow from deconsolidation of a foreign subsidiary	40	2,985	3,657
Net cash inflow from disposal of subsidiaries		51	-
Net cash outflow from acquisition of subsidiaries	39	-	(8,917)
Proceeds from disposal of:			
Property, plant and equipment		838	1,192
Quoted investments		-	9,603
Proceeds from minority interests for shares in a subsidiary		10	-
Purchase of:			
Property, plant and equipment		(7,727)	(19,401)
Quoted investments		-	(7,123)
<b>Net Cash From/(For) Investing Activities</b>		<b>2,258</b>	<b>(15,763)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>			
Finance costs paid		(5,567)	(6,887)
Increase/(Decrease) in:			
Short-term borrowings, excluding bank overdrafts and long-term borrowings due within 12 months		231	(3,145)
Hire purchase payables		(66)	(898)
Dividends paid		(9,568)	(8,678)
Dividend paid to minority shareholders		(22,425)	(26,657)
Proceeds from term loans		14,397	9,356
Repayment from a disposed subsidiary		(124)	-
Proceeds from issue of shares pursuant to ESOS		71	3,212
Purchase of treasury shares		(2,519)	(3,893)
Repayment of:			
Fixed rate serial bonds		(7,000)	(8,000)
Term loans		(5,041)	(4,133)
<b>Net Cash For Financing Activities</b>		<b>(37,611)</b>	<b>(49,723)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>19,375</b>	<b>26,535</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>114,463</b>	<b>88,621</b>
Effect of exchange rate changes		7,665	(693)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	35	<b>141,503</b>	<b>114,463</b>

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Cash Flow Statements (Cont'd)

for the financial year ended 31 December 2008

COMPANY	Note	2008 RM'000	2007 RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
Profit before tax		7,658	29,189
Adjustments for:			
Amount owing by subsidiaries written off		29	-
Depreciation of property, plant and equipment		102	155
Finance costs		179	637
Impairment loss on investment in a subsidiary		-	17,306
Loss on foreign exchange - unrealised		-	31
Write-off of property, plant and equipment		-	1
Dividend income		(9,576)	(48,858)
Gain on disposal of property, plant and equipment		-	(104)
Interest income		(568)	(94)
Operating Loss Before Working Capital Changes		<b>(2,176)</b>	(1,737)
Increase in receivables		<b>(2,680)</b>	(5,413)
Increase in payables		<b>114</b>	4,781
Net Cash For Operating Activities		<b>(4,742)</b>	(2,369)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received		9,576	35,666
Interest received		568	94
Advances to subsidiaries		-	(5,154)
Acquisition of a subsidiary		(24)	-
Proceeds from disposal of property, plant and equipment		-	278
Purchase of property, plant and equipment		(3)	(73)
Net Cash From Investing Activities		<b>10,117</b>	30,811
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>			
Dividends paid		(9,568)	(8,678)
Finance costs paid		(179)	(637)
Repayment of hire purchase obligations		(28)	(62)
Net repayment to subsidiaries		(1,462)	(3,388)
Proceeds from issue of shares pursuant to ESOS		71	3,212
Purchase of treasury shares		(2,519)	(3,893)
Net Cash For Financing Activities		<b>(13,685)</b>	(13,446)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,310)</b>	14,996
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<b>15,521</b>	525
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	35	<b>7,211</b>	15,521

The accompanying Notes on pages 42 to 96 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated under the Malaysian Companies Act 1965 and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities. The registered office and principal place of business of the Company is located at 8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 February 2009.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries and associate are set out in Notes 38 and 13 to the financial statements respectively.

On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL. The financial statements of BIPL have been deconsolidated from the consolidated balance sheets to reflect this adjusting event after the balance sheet date.

Other than as disclosed above, there have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following:

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2007:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets

FRS 120 is not relevant to the Group's operations. The adoption of the other standards did not have any material impact on the form and content of disclosures presented in the financial statements.

(ii) Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* issued and effective for financial periods beginning on or after 1 July 2007.

The adoption of this amendment did not have any material impact on the financial statements of the Group.

# Notes to the Financial Statements (Cont'd)

## 3. BASIS OF PREPARATION (CONT'D)

(iii) IC Interpretations issued and effective for financial periods beginning on or after 1 July 2007:

IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The above IC Interpretations are not relevant to the Group's operations except for IC Interpretation 8 which did not have any material impact on the financial statements of the Group.

(b) The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8	:	Operating Segments
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FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4	:	Insurance Contracts
FRS 7	:	Financial Instruments: Disclosures
FRS 139	:	Financial Instruments: Recognition and Measurement

The Group considers financial guarantee contracts entered to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of applying FRS 7 and FRS 139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in these standards.

(iii) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	:	Reassessment of Embedded Derivatives
IC Interpretation 10	:	Interim Financial Reporting and Impairment

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Consolidation

The Group's financial statements include the financial statements of the Company and of all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the purchase method of accounting. Subsidiaries previously consolidated using the acquisition method have not been retrospectively restated in accordance with FRS 1. The results of the subsidiaries acquired or disposed of during the year are included in the Group's financial statements from the effective date of acquisition or to the effective date of disposal.

Significant intra-group transactions, balances and unrealised gains or losses are eliminated in full on consolidation; unless cost cannot be recovered.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL. The financial statements of BIPL have been deconsolidated from the consolidated balance sheets to reflect this adjusting event after the balance sheet date.

### Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

### Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Functional and Foreign Currency

#### (a) Functional and Presentation Currency

The functional currency of the Company and each of the Group's entity is measured using the currency of the primary economic environment in which the Company or that entity operates.

The Group's financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional and presentation currency.

#### (b) Transactions and Balances

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

#### (c) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for income statement are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

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

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
1 United States Dollar	<b>3.443</b>	3.313
1 Chinese Renminbi	<b>0.520</b>	0.453
1 Australian Dollar	<b>2.350</b>	N/A

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiaries and associates, and goodwill on consolidation are reviewed at each balance sheet date to determine whether there are any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements unless the asset is carried at a revalued amount in which case the impairment losses are treated as a revaluation deficit to the extent of the previously recognised revaluation surplus for the same asset.

The recoverable amount is the greater of the asset's net selling price and its value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. All reversals are recognised in the income statements, unless the asset is carried at its revalued amount, in which case, the reversal is credited directly to the revaluation surplus for the same asset.

### Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Gain or loss on the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

#### (a) **Freehold and Leasehold Quarry Land**

Freehold land is not amortised.

Leasehold quarry land are amortised over the period of the leases which is 30 years.

#### (b) **Other Property, Plant and Equipment**

Other property, plant and equipment, with the exception of power plants and construction-in-progress, are depreciated on the straight-line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are:

Buildings	1.5% to 6.5%
Machinery and equipment	7.5% to 50%
Vehicles	10% to 25%

Power plants are depreciated on the straight-line basis to write off the cost less estimated residual value over the concession periods of 21 to 22 years.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Property, Plant and Equipment and Depreciation (Cont'd)

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Construction-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Construction-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of construction-in-progress includes preliminary expenses, direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

### Capitalisation of Borrowing Costs

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

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

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

### Assets Acquired Under Hire Purchase Arrangements

Assets acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

### Investments

Investments held on a long-term basis are stated at cost. Allowance for diminution in the value of investments is made to recognise any permanent decline.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

### Subsidiaries

Subsidiaries are entities in which the Group has a long-term equity interest and/or power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

On the disposal of the investments in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.



# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Associates

Associates are entities in which the Group has a long-term equity investment and/or the Group is in a position to exercise significant influence through management participation.

Investments in associates are accounted for in the Group's financial statements using the equity method and are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

The Group's share of results and reserves of associates acquired or disposed of is included in the Group's financial statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with the Group.

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

### Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised as profit or loss. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

### Prepaid Lease Payments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the term of the leases.

### Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement; any amount in the revaluation reserve relating to that investment property is transferred to retained earnings.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Land Held for Property Development and Property Development

#### (a) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

#### (b) Property Development

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

### Inventories

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Receivables

Receivables are stated at anticipated realisable value. Bad debts are written off while allowance for doubtful debts made is based on estimates of possible losses from non-collection.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of one year or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

### Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

### Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

### Provisions

#### (a) General Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

#### (b) Provision for Project Costs to Completion

Project costs to completion are unavoidable costs of meeting or completing the obligations under a substantially completed contract. Provisions for project costs to completion are recognised in the period in which the Group becomes legally or constructively committed to perform the contract.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividends from subsidiaries and associates and other investments are recognised when the shareholders' right to receive is established.

Interest income on short-term deposits and advances are recognised on an accrual basis based on prevailing rates.

Revenue from the provision of management services is recognised based on services rendered.

Revenue from the sale of electricity and steam is recognised based on capacity charges, electricity billings and steam supplied.

Revenue from property development projects is accounted for based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated.

Revenue from the sale of goods is recognised upon delivery of products and when risks and rewards of ownership have passed.

### Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Employee Benefits

#### (a) Short-Term Benefits

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

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined Contribution and Retirement Plans

The Group's contributions to defined contribution plans are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

The Group operates an unfunded, non-contributory defined retirement benefits scheme for those employees who are eligible under a collective bargaining agreement. The retirement scheme contributions are estimated and provided for in the financial statements after taking into consideration the length of service and basic earnings of the eligible employees. The provisions are charged to the income statement in the period to which they relate, and represent the amount of contributions payable by the Group under the scheme.

#### (c) Share-Based Compensation

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

#### (d) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for those benefits.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Significant Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are as follows:

#### (a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### (c) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

#### (d) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

#### (e) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

# Notes to the Financial Statements (Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Significant Accounting Estimates and Judgements (Cont'd)

#### (f) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### (g) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

### Related Parties

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## 5. REVENUE

Revenue of the Group represents the gross invoiced value of the sale of electricity and steam and goods and properties sold outside of the Group net of returns and discounts.

Revenue from the sale of properties is accounted for using the stage of completion method. Sale of completed property units is recognised when the risks and rewards associated with ownership are transferred to the property purchasers.

Revenue of the Company represents mainly dividends and management fees received and receivable from subsidiaries, and interest income.

## Notes to the Financial Statements (Cont'd)

### 6. PROFIT FROM OPERATIONS

This is arrived at:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>After crediting:</b>				
Allowance for doubtful debts written back	671	80	-	-
Dividends (gross) from subsidiaries	-	-	9,576	48,858
Fair value gain on investment properties	28,116	14,308	-	-
Gain on deconsolidation of foreign subsidiaries	-	2,436	-	-
Gain on disposal of:				
- Property, plant and equipment	364	317	-	104
- Quoted investments	-	4,928	-	-
- Subsidiaries	51	-	-	-
Gain on foreign exchange:				
- Realised	299	420	-	-
- Unrealised	3,087	82	-	-
Impairment loss on land held for property development written back	-	4,055	-	-
Interest income	2,847	2,693	568	94
Other dividend income	170	190	-	-
Overprovision of retirement benefits	213	450	-	-
Rental income	1,072	815	-	-
Reversal of foreseeable loss on property development no longer required	394	205	-	-
Reversal of provisions no longer required	1,563	-	-	-



## Notes to the Financial Statements (Cont'd)

### 6. PROFIT FROM OPERATIONS (CONT'D)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>After charging:</b>				
Allowance for doubtful debts	<b>3,512</b>	520	-	-
Allowance for slow-moving inventories	<b>69</b>	-	-	-
Amortisation of prepaid lease payments	<b>212</b>	194	-	-
Auditors' remuneration:				
- Statutory	<b>231</b>	318	<b>24</b>	22
- Underprovision in the previous financial year	<b>19</b>	19	<b>2</b>	-
- Others	<b>16</b>	41	<b>16</b>	16
Depreciation of property, plant and equipment	<b>23,428</b>	24,184	<b>102</b>	155
Directors' remuneration:				
- Fees	<b>173</b>	173	<b>173</b>	173
- Other emoluments	<b>705</b>	707	<b>689</b>	439
Impairment loss on investment in a subsidiary	-	-	-	17,306
Impairment loss on investment in quoted shares	<b>5,086</b>	-	-	-
Loss on deconsolidation of a foreign subsidiary	<b>5,060</b>	-	-	-
Loss on foreign exchange:				
- Realised	<b>497</b>	238	-	-
Rental of:				
- Access road	<b>25</b>	57	-	-
- Land and buildings	<b>629</b>	993	<b>259</b>	259
- Motor vehicle	<b>145</b>	183	-	-
- Plant and machinery	<b>28</b>	112	-	-
Write-down in value of assets arising from a change in the basis of consolidation for a foreign subsidiary	-	3,529	-	-
Write-off of:				
- Amount owing by subsidiaries	-	-	<b>29</b>	-
- Bad debts	-	1,065	-	-
- Inventories	<b>327</b>	803	-	-
- Property, plant and equipment	<b>813</b>	183	-	1

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM13,896 (2007 : RM16,596) for the Group and RM11,130 (2007 : RM5,496) for the Company.

## Notes to the Financial Statements (Cont'd)

### 7. FINANCE COSTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest on:				
- Bond	<b>1,353</b>	2,023	-	-
- Term loans	<b>3,814</b>	2,442	-	-
- Bank overdrafts	<b>131</b>	1,016	<b>18</b>	52
- Revolving credits	<b>133</b>	519	<b>117</b>	395
- Others	<b>136</b>	887	<b>44</b>	190
	<b>5,567</b>	6,887	<b>179</b>	637

### 8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income tax				
- Based on results for the financial year:				
- Malaysia taxation	<b>6,260</b>	9,314	-	12,726
- Foreign taxation	<b>5,489</b>	4,452	-	-
- Overprovision in prior years	<b>(992)</b>	(168)	-	-
	<b>10,757</b>	13,598	-	12,726
Deferred taxation (Note 29)				
- For the financial year	<b>(1,108)</b>	416	-	-
- Under/(Over)provision in prior years	<b>136</b>	(762)	-	-
- Change in statutory tax rate	<b>(719)</b>	-	-	-
	<b>9,066</b>	13,252	-	12,726

## Notes to the Financial Statements (Cont'd)

### 8. INCOME TAX EXPENSE (CONT'D)

The income tax expense for the financial year can be reconciled to the profit before tax of the Group and of the Company as per the income statements as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before tax	<b>75,139</b>	95,739	<b>7,658</b>	29,189
Tax at Malaysian statutory rate of 26% (2007 : 27%)	<b>19,536</b>	25,850	<b>1,991</b>	7,881
Tax effects of:				
- Different tax rates in other countries	<b>(2,803)</b>	(3,211)	-	-
- Different tax rate for first RM500,000 of chargeable income	<b>(99)</b>	(537)	-	-
- Effect of change in tax rate on deferred tax	<b>(719)</b>	-	-	-
- Income not subject to tax	<b>(7,428)</b>	(9,288)	<b>(2,236)</b>	-
- Expenses not deductible	<b>4,600</b>	1,162	<b>244</b>	4,845
- Deferred tax assets not recognised during the financial year	-	291	<b>1</b>	-
- Reversal of revaluation surplus	<b>(27)</b>	-	-	-
- Utilisation of previously unrecognised deferred tax assets	<b>(1,881)</b>	(85)	-	-
- Utilisation of previously unrecognised reinvestment allowance	<b>(1,257)</b>	-	-	-
- Overprovision in prior years:				
- Income tax	<b>(992)</b>	(168)	-	-
- Deferred tax	<b>136</b>	(762)	-	-
Income tax expense	<b>9,066</b>	13,252	-	12,726

### 9. DIVIDENDS

A final dividend of 3.5% less income tax of 26% amounting to RM6,093,190 for the financial year ended 31 December 2007 was approved by the shareholders at the Annual General Meeting held on 22 May 2008 and paid on 11 July 2008.

An interim dividend of 2.0% less income tax of 26% amounting to RM3,474,859 for the financial year ended 31 December 2008 (2007 : interim dividend of 2.0% less income tax of 27%) was paid on 16 October 2008.

The Board proposes a final dividend of 3.5% less income tax of 25% for the financial year ended 31 December 2008 (2007 : 3.5% less income tax of 26%). 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.

## Notes to the Financial Statements (Cont'd)

### 10. EARNINGS PER SHARE

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
<b>Basic earnings per share</b>		
Profit for the financial year attributable to ordinary equity holders of the Company	<b>40,184</b>	50,463
Weighted average number of ordinary shares in issue ('000)	<b>235,145</b>	237,724
Basic earnings per share (sen)	<b>17.09</b>	21.23
<b>Diluted earnings per share</b>		
Profit for the financial year attributable to ordinary equity holders of the Company	<b>40,184</b>	50,463
Dilutive effects of outstanding employees' share options	<b>153</b>	180
Diluted earnings	<b>40,337</b>	50,643
Weighted average number of ordinary shares in issue ('000)	<b>235,145</b>	237,724
Adjustment for share options ('000)	<b>2,969</b>	2,245
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<b>238,114</b>	239,969
Diluted earnings per share (sen)	<b>16.94</b>	21.10

- (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 will be exercised.

# Notes to the Financial Statements (Cont'd)

## 11. PROPERTY, PLANT AND EQUIPMENT

GROUP 2008	← AT COST →							Exchange rate fluctuation adjustment RM'000	End of year RM'000
	Beginning of year RM'000	Addition RM'000	Deconsolidation of a subsidiary RM'000	Disposal/ Write-off RM'000	Reclassification RM'000	Transfer RM'000			
Freehold land and buildings	59,702	90	(6,583)	(123)	608	241	5,787	59,722	
Short leasehold quarry land	10,063	-	-	-	(593)	-	-	9,470	
Plant and machinery, equipment, vehicles and construction- in-progress	334,104	7,637	(10,439)	(3,174)	(15)	(241)	19,293	347,165	
<b>Total</b>	<b>403,869</b>	<b>7,727</b>	<b>(17,022)</b>	<b>(3,297)</b>	<b>-</b>	<b>-</b>	<b>25,080</b>	<b>416,357</b>	

	← ACCUMULATED DEPRECIATION →				← NET BOOK VALUE →			
	Beginning of year RM'000	Charge for the year RM'000	Deconsolidation of a subsidiary RM'000	Disposal/ Write-off RM'000	Exchange rate fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	Beginning of year RM'000
Freehold land and buildings	17,269	2,252	(160)	(123)	1,966	21,204	38,518	42,433
Short leasehold quarry land	5,312	351	-	-	-	5,663	3,807	4,751
Plant and machinery, equipment, vehicles and construction- in-progress	160,072	20,825	(7,239)	(1,887)	9,348	181,119	166,046	174,032
<b>Total</b>	<b>182,653</b>	<b>23,428</b>	<b>(7,399)</b>	<b>(2,010)</b>	<b>11,314</b>	<b>207,986</b>	<b>208,371</b>	<b>221,216</b>

## Notes to the Financial Statements (Cont'd)

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP 2007	← AT COST →									
	Beginning of year RM'000	Addition RM'000	Acquisition of subsidiaries RM'000	Break-up adjustment#/ Deconsolidation of subsidiaries RM'000	Disposal/ Write-off RM'000	Reclassification RM'000	Exchange rate fluctuation adjustment RM'000	Transfer RM'000	Reversal of cost overaccrued RM'000	End of year RM'000
Freehold land and buildings	55,541	6,739	6,049	(8,702)	-	365	(1,034)	922	(178)	59,702
Short leasehold quarry land	9,211	-	852	-	-	-	-	-	-	10,063
Plant and machinery, equipment, vehicles and construction- in-progress	434,444	12,389	16,738	(121,723)	(2,024)	(638)	(4,160)	(922)	-	334,104
<b>Total</b>	<b>499,196</b>	<b>19,128</b>	<b>23,639</b>	<b>(130,425)</b>	<b>(2,024)</b>	<b>(273)</b>	<b>(5,194)</b>	<b>-</b>	<b>(178)</b>	<b>403,869</b>

# This refers to the write-down of plant and machinery amounting to RM4,125,000, as a result of preparing the financial statements of a foreign subsidiary on a break-up basis.

	← ACCUMULATED DEPRECIATION →							← NET BOOK VALUE →		
	Beginning of year RM'000	Charge for the year RM'000	Acquisition of subsidiaries RM'000	Deconsolidation of subsidiaries RM'000	Disposal/ Write-off RM'000	Exchange rate fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	Beginning of year RM'000	
Freehold land and buildings	12,806	2,270	2,482	-	-	(289)	17,269	42,433	42,735	
Short leasehold quarry land	4,778	384	150	-	-	-	5,312	4,751	4,433	
Plant and machinery, equipment, vehicles and construction- in-progress	247,006	21,530	11,569	(116,737)	(1,615)	(1,681)	160,072	174,032	187,438	
<b>Total</b>	<b>264,590</b>	<b>24,184</b>	<b>14,201</b>	<b>(116,737)</b>	<b>(1,615)</b>	<b>(1,970)</b>	<b>182,653</b>	<b>221,216</b>	<b>234,606</b>	

## Notes to the Financial Statements (Cont'd)

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY	← AT COST →				← ACCUMULATED DEPRECIATION →			← NET BOOK VALUE →		
	Beginning of year	Addition	Disposal/ Write-off	End of year	Beginning of year	Charge for the year	Disposal/ write-off	End of year	End of year	Beginning of year
2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and machinery, equipment, vehicles and construction-in-progress	1,364	3	(1)	1,366	1,173	102	(1)	1,274	92	191
<b>2007</b>										
Plant and machinery, equipment, vehicles and construction-in-progress	2,084	73	(793)	1,364	1,636	155	(618)	1,173	191	448

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM123,224,000 (2007 : RM124,534,000).

Property, plant and equipment of certain subsidiaries with a total carrying value of RM88,572,000 (2007 : RM102,451,000) have been charged as security for banking facilities granted to those subsidiaries.

Property, plant and equipment of the Group with a total carrying value of RM76,000 (2007 : RM10,518,000) were acquired under hire purchase arrangements.

## Notes to the Financial Statements (Cont'd)

### 12. SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia, at cost		
- At beginning of financial year	<b>361,787</b>	361,787
- Addition during the financial year	<b>24</b>	-
- Disposal during the financial year *	<b>-</b>	-
- At end of financial year	<b>361,811</b>	361,787
Less : Impairment loss		
- At beginning of financial year	<b>(280,126)</b>	(262,820)
- Addition during the financial year	<b>-</b>	(17,306)
- At end of financial year	<b>(280,126)</b>	(280,126)
Quoted shares in Malaysia, at cost	<b>81,685</b>	81,661
Loan to a subsidiary	<b>25,181</b>	25,181
	<b>27,475</b>	27,475
	<b>134,341</b>	134,317
Market value of quoted shares in Malaysia	<b>25,850</b>	19,189

\* This refers to the disposal of the Company's entire equity interest in Mega First Online Sdn. Bhd., Grassum Sdn. Bhd. and MCM Nurseries Sdn. Bhd. The original cost of each investment was RM2.00.

The subsidiaries are listed in Note 38 to the financial statements.

The loan to a subsidiary is unsecured, interest-free and repayable on demand. The amount is to be settled in cash.

The investments in quoted shares of a subsidiary of the Group and of the Company with carrying values of RM35,208,000 (2007 : RM35,208,000) and RM18,470,000 (2007 : RM18,470,000) respectively are pledged to a local financial institution as collateral for credit facilities extended to the Company.



## Notes to the Financial Statements (Cont'd)

### 13. ASSOCIATE

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost				
- At beginning of financial year	<b>3,998</b>	6,173	<b>3,500</b>	3,500
- Transfer to subsidiaries during the financial year	-	(2,400)	-	-
- Share of profit after tax	<b>265</b>	225	-	-
- At end of financial year	<b>4,263</b>	3,998	<b>3,500</b>	3,500

Details of the associate are as follows:

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2008 %	2007 %
Hexachase Corporation Sdn. Bhd.	Desktop publishing and manufacturing of labels and packaging materials	Malaysia	<b>50.0</b>	50.0

The associate's financial year end is 31 December. For the purpose of applying the equity method of accounting for associate, the unaudited management financial statements of the associate have been used.

The summarised financial information of the associate is as follows:

	GROUP	
	2008 RM'000	2007 RM'000
<b>Assets and liabilities</b>		
Non-current assets	<b>5,156</b>	5,446
Current assets	<b>4,292</b>	4,546
Total assets	<b>9,448</b>	9,992
Non-current liabilities	<b>1,841</b>	1,799
Current liabilities	<b>3,990</b>	5,389
Total liabilities	<b>5,831</b>	7,188
<b>Results</b>		
Revenue	<b>13,163</b>	12,171
Profit for the financial year	<b>530</b>	453

## Notes to the Financial Statements (Cont'd)

### 14. INVESTMENT IN QUOTED SHARES

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Quoted shares in Malaysia, at cost		
- At beginning of financial year	<b>10,564</b>	8,329
- Addition during the financial year	-	7,123
	<b>10,564</b>	15,452
- Disposal during the financial year	-	(4,888)
- At end of financial year	<b>10,564</b>	10,564
Less : Impairment loss		
- At beginning of financial year	-	-
- Addition during the financial year	<b>(5,086)</b>	-
- At end of financial year	<b>(5,086)</b>	-
	<b>5,478</b>	10,564
Market value of quoted shares in Malaysia	<b>5,478</b>	10,753

### 15. INVESTMENT IN UNQUOTED SHARES

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Unquoted shares in Malaysia, at cost		
- At beginning of financial year	<b>335</b>	-
- Addition during the financial year	-	335
- At end of financial year	<b>335</b>	335

## Notes to the Financial Statements (Cont'd)

### 16. PREPAID LEASE PAYMENTS

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Leasehold land, at cost		
- At beginning of financial year	<b>7,012</b>	6,247
- Acquisition of a subsidiary	-	765
- At end of financial year	<b>7,012</b>	7,012
Less : Amortisation		
- At beginning of financial year	<b>3,332</b>	2,751
- Acquisition of a subsidiary	-	329
- Amortisation during the financial year	<b>212</b>	194
- Exchange fluctuation adjustment	<b>(223)</b>	58
- At end of financial year	<b>3,321</b>	3,332
	<b>3,691</b>	3,680
Analysed as:		
- Long-term leasehold land	<b>3,502</b>	3,501
- Short-term leasehold land	<b>189</b>	179
	<b>3,691</b>	3,680

Leasehold land with an aggregate carrying value of RM3,691,000 (2007 : RM3,255,000) are pledged as security for banking facilities granted to certain subsidiaries.

### 17. INVESTMENT PROPERTIES

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Leasehold property, at fair value		
- At beginning of financial year	<b>45,259</b>	30,918
- Addition during the financial year	<b>33</b>	33
- Fair value adjustment	<b>28,116</b>	14,308
- At end of financial year	<b>73,408</b>	45,259

Investment properties consist of a few parcels of leasehold land held for development. On 23 April 2004, a subsidiary entered into a Development Agreement with a third party to jointly undertake a mixed development project on the land held by the subsidiary. Based on the terms of the Development Agreement, the third party is to carry out the development activities and the consideration receivable by the subsidiary in exchange for the usage of its land would be in the form of completed properties. The construction of this project was completed during the financial year.

The carrying amounts of the above investment properties are marked to their respective market values adjusted for prevailing market conditions at the balance sheet date.

## Notes to the Financial Statements (Cont'd)

### 18. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP	
	2008 RM'000	2007 RM'000
At beginning of financial year:		
- Freehold land	4,106	4,424
- Leasehold land	783	783
- Development expenditure	63,795	65,640
- Impairment loss	-	(4,055)
	<b>68,684</b>	66,792
Addition during the financial year:		
- Development expenditure	1,042	2,035
Transfer to property development costs:		
- Freehold land	-	(318)
- Development expenditure	(4,159)	(3,880)
	<b>(4,159)</b>	(4,198)
Impairment loss written back during the financial year	-	4,055
At end of financial year:		
- Freehold land	4,106	4,106
- Leasehold land	783	783
- Development expenditure	60,678	63,795
	<b>65,567</b>	68,684

Certain parcels of properties of a subsidiary with a total cost of approximately RM1,375,000 (2007 : RM8,548,000) have been pledged as security for its bank overdraft and bank guarantee facilities. The bank overdraft bears interest at 1.5% per annum above the banker's base lending rate.

### 19. GOODWILL ON CONSOLIDATION

	GROUP	
	2008 RM'000	2007 RM'000
At beginning of financial year	10,027	7,785
Additional investment in subsidiaries	-	2,988
Deconsolidation of a foreign group of subsidiaries	-	(746)
At end of financial year	<b>10,027</b>	10,027

## Notes to the Financial Statements (Cont'd)

### 19. GOODWILL ON CONSOLIDATION (CONT'D)

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGU") are as follows:

	<b>GROUP</b>	
	<b>2008</b> <b>RM'000</b>	2007 RM'000
Property	<b>2,455</b>	2,455
Limestone	<b>7,572</b>	7,572
	<b>10,027</b>	10,027

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a period of less than five years using estimated growth rates which are based on past performance and their expectations of market developments and are discounted at pre-tax discount rates ranging from 3.80% to 6.75%.

In assessing the value-in-use, the management is of the view that no foreseeable changes to their assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

### 20. INVENTORIES

	<b>GROUP</b>	
	<b>2008</b> <b>RM'000</b>	2007 RM'000
At cost:		
- Finished goods and work-in-progress	<b>2,578</b>	1,115
- Raw materials and consumables	<b>24,942</b>	24,042
- Completed properties for sale	<b>10,954</b>	8,346
	<b>38,474</b>	33,503
At net realisable value:		
- Finished goods and work-in-progress	-	1,607
- Raw materials and consumables	<b>69</b>	2,189
- Completed properties for sale	<b>3,460</b>	3,460
- Less: Allowance for slow-moving inventories	<b>(69)</b>	-
: Allowance for write-down	<b>(640)</b>	(640)
: Break-up adjustment	-	(228)
	<b>2,820</b>	6,388
	<b>41,294</b>	39,891

A third party first legal charge is applied to a landed property of a subsidiary with a carrying value of approximately RM475,000 (2007 : RM475,000) for a banking facility granted by a local bank to another subsidiary of the Company.

## Notes to the Financial Statements (Cont'd)

### 21. PROPERTY DEVELOPMENT

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
<b>Property development costs</b>		
Cumulative costs at beginning of financial year:		
- Freehold land	1,294	2,571
- Leasehold land	9,470	9,444
- Development costs	118,021	122,162
	<b>128,785</b>	134,177
 Additional costs incurred during the financial year:		
- Freehold land	-	318
- Leasehold land	(18)	26
- Development costs	35,132	17,226
	<b>35,114</b>	17,570
 Less : Costs for completed projects:		
- Freehold land	-	(1,595)
- Leasehold land	(1,831)	-
- Development costs	(62,679)	(21,367)
	<b>(64,510)</b>	(22,962)
<hr/>		
Cumulative costs at end of financial year:		
- Freehold land	1,294	1,294
- Leasehold land	7,621	9,470
- Development costs	90,474	118,021
	<b>99,389</b>	128,785
 Costs recognised in income statement:		
Cumulative costs recognised at beginning of financial year	(115,435)	(115,964)
Costs recognised during the financial year	(25,799)	(21,320)
Costs recognised for completed projects	64,827	21,849
Cumulative costs recognised at end of financial year	<b>(76,407)</b>	(115,435)
 Allowance for foreseeable losses	(7)	(401)
<hr/>		
Property development costs at end of financial year carried forward	<b>22,975</b>	12,949

## Notes to the Financial Statements (Cont'd)

### 21. PROPERTY DEVELOPMENT (CONT'D)

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Property development costs at end of financial year brought forward	<b>22,975</b>	12,949
Cumulative revenue recognised in income statements	<b>100,538</b>	144,409
Less : Cumulative billings to purchasers	<b>(100,832)</b>	(142,438)
(Progress billings raised but not yet recognised as revenue)/Progress billings recognised as revenue but not yet raised	<b>(294)</b>	1,971
Net Balance at end of financial year	<b>22,681</b>	14,920

The Group considers that portion of property development projects on which development work has commenced and is expected to be completed within the normal operating cycle of two to three years as current assets.

Pursuant to a joint-venture agreement, a subsidiary was assigned the right to undertake the entire development of a piece of leasehold land belonging to the joint-venture partner and the proceeds arising therefrom are shared between the said joint-venture partner and the subsidiary in the agreed proportions.

Current year charges to the property development expenditure include the following:

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Interest on:		
- Revolving credit	<b>194</b>	-
- Bank overdraft	-	118
- Bridging loan	-	12
- Term loan	-	61

## Notes to the Financial Statements (Cont'd)

### 22. RECEIVABLES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Trade receivables</b>	<b>106,980</b>	110,802	-	-
Less : Allowance for doubtful debts	<b>(19,502)</b>	(16,598)	-	-
	<b>87,478</b>	94,204	-	-
<b>Other receivables</b>				
Sundries	<b>14,148</b>	14,927	<b>3,092</b>	3,130
Less : Allowance for doubtful debts	<b>(4,355)</b>	(4,418)	<b>(100)</b>	(100)
	<b>9,793</b>	10,509	<b>2,992</b>	3,030
Advances for Don Sahong project	<b>8,167</b>	5,702	<b>8,167</b>	5,702
Refundable deposits	<b>1,008</b>	1,109	<b>105</b>	105
Prepaid expenses	<b>2,040</b>	1,670	<b>20</b>	21
Tax recoverable	<b>4,272</b>	6,461	<b>2,264</b>	2,010
Progress payments to contractors	<b>7,335</b>	2,496	-	-
Amount owing by subsidiaries	-	-	<b>139,883</b>	137,054
	<b>32,615</b>	27,947	<b>153,431</b>	147,922
	<b>120,093</b>	122,151	<b>153,431</b>	147,922

Trade receivables of the Group represent amounts receivable for the sale of goods and services rendered less discounts and returns, sale of electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 to 120 days (2007 : 21 to 120 days).

The amounts owing by subsidiaries are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

The currency profile of the receivables is as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Trade receivables (net)</b>				
Ringgit Malaysia	<b>50,277</b>	49,957	-	-
Chinese Renminbi	<b>37,163</b>	41,478	-	-
United States Dollar	<b>38</b>	37	-	-
South African Rand	-	2,732	-	-
	<b>87,478</b>	94,204	-	-
<b>Sundry receivables (net)</b>				
Ringgit Malaysia	<b>6,451</b>	6,892	<b>2,992</b>	3,030
United States Dollar	<b>3,342</b>	3,617	-	-
	<b>9,793</b>	10,509	<b>2,992</b>	3,030



## Notes to the Financial Statements (Cont'd)

### 23. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed financial institutions	<b>118,790</b>	78,112	<b>3,700</b>	13,800
Cash and bank balances	<b>16,597</b>	34,939	<b>3,522</b>	1,732
Housing Development Accounts	<b>6,210</b>	8,877	-	-
	<b>141,597</b>	121,928	<b>7,222</b>	15,532

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 0.09% to 4.24% (2007 : 2.30% to 5.24%) per annum. The fixed deposits have maturity periods of 3 to 393 days (2007 : 3 to 184 days).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act 1966. These accounts consist of monies received from house purchasers to be utilised for property development expenditure after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	<b>71,123</b>	96,856	<b>7,220</b>	15,530
Chinese Renminbi	<b>31,651</b>	23,289	<b>1</b>	1
United States Dollar	<b>24,729</b>	1,781	-	-
Australian Dollar	<b>14,091</b>	-	-	-
Others	<b>3</b>	2	<b>1</b>	1
	<b>141,597</b>	121,928	<b>7,222</b>	15,532

### 24. SHARE CAPITAL

	GROUP/COMPANY			
	Number of shares		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised shares of RM1.00 each	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Issued and fully paid-up ordinary shares of RM1.00 each				
At beginning of financial year	<b>239,212</b>	236,000	<b>239,212</b>	236,000
Issue of shares pursuant to ESOS	<b>71</b>	3,212	<b>71</b>	3,212
At end of financial year	<b>239,283</b>	239,212	<b>239,283</b>	239,212

## Notes to the Financial Statements (Cont'd)

### 24. SHARE CAPITAL (CONT'D)

During the financial year, 71,000 ordinary shares of RM1 each were issued at par pursuant to the exercise of options under the Company's ESOS. As at 31 December 2008, options over 2,969,000 (2007 : 2,245,000) unissued ordinary shares remained outstanding.

Of the total 239,283,000 (2007 : 239,212,000) issued and fully paid-up ordinary shares as at 31 December 2008, 4,909,800 ordinary shares (2007 : 2,660,800) were held as treasury shares by the Company. As at 31 December 2008, the number of outstanding ordinary shares in issue and fully paid-up amounted to 234,373,200 (2007 : 236,551,200).

### 25. TREASURY SHARES

	GROUP/COMPANY			
	Number of shares		Amount	
	2008	2007	2008	2007
	'000	'000	RM'000	RM'000
At beginning of financial year	2,661	–	3,893	–
Purchase of treasury shares	2,249	2,661	2,519	3,893
At end of financial year	4,910	2,661	6,412	3,893

The shareholders of the Company, by a special resolution passed in a general meeting held on 22 May 2008, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased 2,249,000 of its issued ordinary shares from the open market at an average price of RM1.12 per share for a total consideration of RM2,518,705 comprising purchase price of RM2,499,833 and total transaction cost of RM18,872. These shares are held as treasury shares in accordance with Section 67A of the Companies Act 1965.

The details of the shares purchased during the financial year are as follows:

Month	No. of shares purchased	Lowest price paid per share RM	Highest price paid per share RM	Average cost per share RM	Total consideration RM
January	225,000	1.29	1.38	1.33	299,881
February	268,000	1.22	1.32	1.29	345,183
March	272,700	1.13	1.24	1.20	327,332
April	190,400	1.16	1.27	1.23	234,687
May	288,700	1.23	1.28	1.27	367,492
June	100,800	1.13	1.27	1.20	121,393
July	72,200	1.00	1.13	1.07	77,317
August	101,500	1.02	1.07	1.05	106,677
September	320,000	0.94	1.03	0.98	313,213
October	163,200	0.70	0.93	0.82	134,525
November	163,500	0.74	0.83	0.80	131,110
December	83,000	0.71	0.73	0.72	59,895
Total	2,249,000				2,518,705

## Notes to the Financial Statements (Cont'd)

### 26. RESERVES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Non-distributable reserves *</b>				
Share premium	<b>33,380</b>	33,380	<b>33,380</b>	33,380
Capital reserve	<b>2,213</b>	2,213	–	–
Share option reserve #	<b>28</b>	28	<b>28</b>	28
Translation reserve	<b>14,306</b>	2,633	–	–
	<b>49,927</b>	38,254	<b>33,408</b>	33,408
<b>Retained profits</b>	<b>108,949</b>	78,333	<b>13,313</b>	15,223
	<b>158,876</b>	116,587	<b>46,721</b>	48,631

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

# *The share option reserve represents the cumulative value of option cost recognised in the Financial Statements.*

Subject to the agreement of the tax authorities, at the balance sheet date, the Company has sufficient tax credits under Section 108 of the Income Tax Act 1967 and tax-exempt income to frank the payment of dividends out of its entire retained profits without incurring any additional tax liabilities.

The Company can also elect for the single tier system and pay the entire retained profits as dividends without incurring any additional tax liabilities. However, the Company has not elected for the single tier system at the date of this report.

### 27. LONG-TERM BORROWINGS

	GROUP	
	2008 RM'000	2007 RM'000
Fixed rate serial bonds	<b>10,000</b>	17,000
Mortgage bond	–	4,269
Term loans	<b>11,103</b>	12,897
	<b>21,103</b>	34,166
Less : Portion payable within 12 months (Note 31)	<b>(8,438)</b>	(10,421)
Non-current portion	<b>12,665</b>	23,745

## Notes to the Financial Statements (Cont'd)

### 27. LONG-TERM BORROWINGS (CONT'D)

The non-current portion is repayable as follows:

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Between 1 – 2 years	<b>4,465</b>	15,909
Between 2 – 5 years	<b>4,914</b>	5,860
After 5 years	<b>3,286</b>	1,976
	<b>12,665</b>	23,745

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

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Ringgit Malaysia	<b>12,665</b>	20,281
South African Rand	–	3,464
	<b>12,665</b>	23,745

#### Fixed Rate Serial Bonds

On 11 September 2000, a subsidiary issued RM75 million fixed rate serial bonds to refinance its existing term loans. These bonds consist of ten series and bear interest at rates ranging from 5.80% to 9.20% per annum with each series carrying varying fixed interest rates. The bonds are redeemable in full by September 2010.

The bonds are secured by way of a debenture covering a first fixed and floating charge over all the assets, properties and undertakings, present and future of the said subsidiary and deeds of assignment over the said subsidiary's rights under various agreements pertaining to the operation of a power plant.

#### Term Loans

The term loans of the Group bear a weighted average effective interest rate of 5.55% (2007 : 7.69%) per annum and are secured by way of a first party legal charge over the landed properties of certain subsidiaries, debentures covering fixed and floating charges over the present and future assets of a subsidiary, and a corporate guarantee from a subsidiary.

## Notes to the Financial Statements (Cont'd)

### 28. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Hire purchase payables	48	2,751	-	28
Less : Portion payable within 12 months (Note 30)	(39)	(896)	-	(28)
Non-current portion	9	1,855	-	-

The non-current portion is payable as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Between 1 – 2 years	9	977	-	-
Between 2 – 5 years	-	878	-	-
	9	1,855	-	-

The hire purchase payables of the Group bear an effective interest of 5.11% (2007 : 4.38% to 5.11%) per annum.

### 29. DEFERRED TAXATION

	GROUP	
	2008 RM'000	2007 RM'000
At beginning of financial year	26,193	27,497
Recognised in income statements (Note 8)	(1,691)	(346)
Acquisition of subsidiaries	-	582
Break-up adjustment	-	(824)
Translation reserve	-	(716)
At end of financial year	24,502	26,193
The deferred taxation represents the tax effects of:		
- Temporary differences of capital allowances and depreciation	24,076	21,816
- Revaluation surplus	1,293	5,400
- Others	(867)	(1,023)
	24,502	26,193

## Notes to the Financial Statements (Cont'd)

### 29. DEFERRED TAXATION (CONT'D)

Deferred tax assets not recognised in the balance sheet are as follows:

	GROUP	
	2008 RM'000	2007 RM'000
Differences of capital allowances and depreciation	1	7
Unabsorbed capital allowances	70	483
Unutilised tax losses	110,479	116,918
Provision	1,187	1,566
<b>Total deferred tax assets</b>	<b>111,737</b>	<b>118,974</b>

Deferred tax assets have not been recognised in respect of the unabsorbed capital allowances and unutilised tax losses as they arose from the subsidiaries that have a history of losses and it is not probable that there will be future taxable profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2008, subject to agreement with the Inland Revenue Board, apart from the unabsorbed capital allowances and unutilised tax losses, the Group has unutilised reinvestment allowances of RM22,038,000 (2007 : RM26,871,000) available to be carried forward to be offset against future taxable income.

### 30. PAYABLES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Trade payables</b>	<b>23,182</b>	33,008	-	-
<b>Other payables</b>				
Accrued expenses	11,908	10,823	690	628
Hire purchase payables due within 12 months (Note 28)	39	896	-	28
Sundry payables:				
- Dividend payable to minority shareholders	-	18,209	-	-
- Amount owing to minority shareholders of a subsidiary	8,515	8,515	-	-
- Others	14,139	13,314	4,919	4,867
Amount owing to subsidiaries	-	-	9,374	7,978
	<b>34,601</b>	51,757	<b>14,983</b>	13,501
	<b>57,783</b>	84,765	<b>14,983</b>	13,501

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 23 to 120 days (2007 : 23 to 120 days).

Included in the amount owing to subsidiaries is an amount of RM2,500,000 (2007 : RM1,100,000) which is non-trade in nature, unsecured and repayable on demand. The amount owing is to be settled in cash and bears interest at a rate of 4.00% (2007 : 4.00%) per annum.

## Notes to the Financial Statements (Cont'd)

### 30. PAYABLES (CONT'D)

The currency profile of the payables is as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Trade payables</b>				
Ringgit Malaysia	18,232	21,973	-	-
Chinese Renminbi	4,950	7,015	-	-
South African Rand	-	4,020	-	-
	<b>23,182</b>	33,008	-	-
<b>Hire purchase payables</b>				
Ringgit Malaysia	39	63	-	28
South African Rand	-	833	-	-
	<b>39</b>	896	-	28
<b>Sundry payables</b>				
Ringgit Malaysia	19,832	18,116	4,895	4,867
Chinese Renminbi	2,822	21,922	-	-
United States Dollar	-	-	24	-
	<b>22,654</b>	40,038	<b>4,919</b>	4,867

### 31. SHORT-TERM BORROWINGS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Bank overdrafts (Note 35)				
- secured	83	7,454	-	-
- unsecured	11	11	11	11
Trust receipts				
- secured	231	-	-	-
Revolving credits				
- unsecured	7,000	7,000	4,000	4,000
Term loans				
- secured	19,240	16,742	-	-
- unsecured	32,760	14,933	-	-
Long-term borrowings due within 12 months (Note 27)	8,438	10,421	-	-
	<b>67,763</b>	56,561	<b>4,011</b>	4,011

## Notes to the Financial Statements (Cont'd)

### 31. SHORT-TERM BORROWINGS (CONT'D)

The currency profile of the short-term borrowings is as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	15,763	18,496	4,011	4,011
Chinese Renminbi	52,000	31,675	-	-
South African Rand	-	6,390	-	-
	<b>67,763</b>	56,561	<b>4,011</b>	4,011

The bank overdrafts and trust receipts of the Group and of the Company bear interest at 1.25% to 2.00% per annum above the bankers' base lending rate (2007 : 8.00% to 14.50%) whilst the revolving credits of the Group and of the Company bear interest at rates ranging from 1.25% to 1.50% (2007 : 1.25% to 1.50%) per annum above the bankers' base lending rate and/or cost of fund.

The short-term loans of the Group bear interest at rates ranging from 5.04% to 6.90% (2007 : 6.03% to 6.55%) per annum.

In respect of secured borrowings, other than the long-term borrowings due within 12 months, the nature of the security is as follows:

- (a) Legal charges over the landed properties of a subsidiary;
- (b) A debenture incorporating a fixed and floating charge over the present and future assets of a subsidiary;
- (c) A joint and several guarantee from former directors of a subsidiary; and
- (d) Charges on certain property, plant and equipment and the land use rights with a total carrying value of approximately RM20,665,000 (2007 : RM21,191,000) of a foreign subsidiary.

### 32. NET ASSETS PER ORDINARY SHARE

Net assets per ordinary share has been calculated based on the Group's shareholders' funds as of 31 December 2008 of RM391,747,000 (2007 : RM351,906,000) on 234,373,200 (2007 : 236,551,200) ordinary shares of RM1.00 each in issue (net of treasury shares).



## Notes to the Financial Statements (Cont'd)

### 33. CAPITAL COMMITMENTS

	<b>GROUP</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
<b>Property, Plant and Equipment</b>		
Authorised but not provided for:		
- Contracted	<b>498</b>	117
- Not contracted	<b>49,403</b>	90,865
	<b>49,901</b>	90,982

### 34. CONTINGENT LIABILITIES

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Unsecured</b>				
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah				
	<b>7,871</b>	5,892	-	-
Corporate guarantee given to a financial institution for facilities extended to a subsidiary				
	-	-	-	8,000

### 35. CASH AND CASH EQUIVALENTS

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Bank balances and deposits (Note 23)	<b>141,597</b>	121,928	<b>7,222</b>	15,532
Bank overdrafts (Note 31)	<b>(94)</b>	(7,465)	<b>(11)</b>	(11)
	<b>141,503</b>	114,463	<b>7,211</b>	15,521

# Notes to the Financial Statements (Cont'd)

## 36. FINANCIAL INSTRUMENTS

### Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, price risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to these risks and/or the costs associated with the financing, investing and operating activities of the Group.

#### (a) Foreign Currency Risk

The Group has foreign subsidiaries and has limited exposure to foreign exchange risk as the transactional currencies are mostly in the functional currencies of the respective operating entities.

The Group is exposed to foreign currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than Malaysian currency. The currencies giving rise to this risk are primarily Chinese Renminbi, United States Dollar and Australian Dollar. Foreign exchange exposures in transactional currencies other than functional currencies of the reporting entities are kept to acceptable levels.

#### (b) Interest Rate Risk

The Group is exposed to interest rate risks through the impact of rate changes on interest-bearing assets and interest-bearing borrowings.

The interest-bearing assets are made up of deposits with licensed financial institutions. The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank by placing them as short-term deposits and actively reviewing its portfolio of deposits.

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets, so as to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (c) Price Risk

The Group's principal exposure to price risks arises mainly from changes in quoted securities prices. Price risk is monitored closely and managed to an acceptable level.

#### (d) Credit Risk

Management has a credit policy in place and the exposure to credit is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit.

The Group has no significant concentration of credit risk except that the majority of its deposits are placed with major financial institutions in Malaysia. Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers, who are dispersed and have a variety of end markets in which they sell. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts of allowance for collection losses is inherent in the Group's trade receivables.

# Notes to the Financial Statements (Cont'd)

## 36. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (e) *Liquidity and Cash Flow Risk*

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash and cash convertible investments to meet its working capital requirements. Besides, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. The Group is able to raise funds from financial institutions and balances its portfolio with some short-term fundings so as to achieve overall cost effectiveness.

#### (f) *Cash Flow Risk*

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

### Financial Assets

The Group's principal financial assets are receivables and bank balances and deposits. The Company's principal financial assets are investment in subsidiaries, bank balances and deposits.

The accounting policies applicable to the major financial assets are as disclosed in Note 4 to the financial statements.

### Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group and of the Company include payables and borrowings. Borrowings are recorded at the proceeds received net of transaction costs and finance charges and are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

### Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions are used by management to determine the fair values of the Group and the Company's financial instruments:

#### (a) *Investment in Quoted Shares*

The fair values for quoted shares are obtained using market values as disclosed in Note 14 to the financial statements.

#### (b) *Amounts Owed By/To Subsidiaries*

It is not practicable to estimate the fair values of the amounts owing by/to subsidiaries, due principally to the lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

## Notes to the Financial Statements (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### Fair Values (Cont'd)

**(c) Cash and Cash Equivalents, Receivables, Payables, Short-Term Borrowings**

The carrying amounts approximate fair values because of the relatively short-term maturity of these instruments.

**(d) Term Loans, Bonds and Hire Purchase Payables**

The fair values of term loans, bonds and hire purchase payables are estimated using the discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of these liabilities as at the balance sheet date.

**(e) Retirement Benefit Obligations**

The carrying amount represents the present value of the defined benefit obligations, determined by discounting the benefit using the Projected Unit Credit method.

**(f) Contingent Liabilities**

The nominal amount and net fair value of the financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:

	GROUP		COMPANY	
	Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
<b>Disputed increase in assessment on a power plant</b>				
At 31 December 2008				
Contingent liability (Note 34)	7,871	7,871	-	-
<hr/>				
At 31 December 2007				
Contingent liability (Note 34)	5,892	5,892	-	-
<hr/>				
<b>Corporate guarantee</b>				
At 31 December 2008				
Contingent liability (Note 34)	-	-	-	-
<hr/>				
At 31 December 2007				
Contingent liability (Note 34)	-	-	8,000	*
<hr/>				

\* The net fair value of the contingent liability was estimated to be minimal as the subsidiary was expected to fulfill its obligations to repay the borrowings.

# Notes to the Financial Statements (Cont'd)

## 37. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is organised into the following main divisions:

Division	Description
Power	Build, own and operate power plants.
Property	Property development and investment.
Limestone	Quarrying of limestone, manufacturing and trading of calcium carbonate powder, lime based products and calcium silicate bricks.
Engineering	Engineering, designing and manufacturing of automotive and transportation components.
Investment holding	Investment holding.

GROUP 2008	Continuing Operations					Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
	Power RM'000	Property RM'000	Limestone RM'000	Engineering RM'000				
<b>Revenue</b>								
External sales	393,294	34,453	63,475	9,563	104	-	500,889	
Inter-segment revenue	-	-	-	-	11,580	(11,580)	-	
<b>Total revenue</b>	<b>393,294</b>	<b>34,453</b>	<b>63,475</b>	<b>9,563</b>	<b>11,684</b>	<b>(11,580)</b>	<b>500,889</b>	
<b>Results</b>								
Profit/(Loss) from operations	48,540	34,167	9,016	(4,184)	(7,098)	-	80,441	
Finance costs	(4,186)	(20)	(1,140)	(82)	(139)	-	(5,567)	
	44,354	34,147	7,876	(4,266)	(7,237)	-	74,874	
Share of profit in an associate							265	
Income tax expense							(9,066)	
Profit after tax							66,073	
Minority interests							(25,889)	
Net profit for the financial year							40,184	
<b>Other information</b>								
Capital expenditure	5,463	164	1,839	256	5	-	7,727	
Depreciation and amortisation	17,118	129	5,483	796	114	-	23,640	

## Notes to the Financial Statements (Cont'd)

### 37. SEGMENT INFORMATION (CONT'D)

GROUP 2008	←————— Continuing Operations —————→					Eliminations RM'000	Consolidated RM'000
	Power RM'000	Property RM'000	Limestone RM'000	Engineering RM'000	Investment Holding & Others RM'000		
<b>Assets</b>							
Segment assets	328,531	209,830	120,253	8,529	21,127	–	688,270
Unallocated corporate assets	–	1,620	326	–	2,326	–	4,272
Inter-segment assets	(500)	39,672	2,517	–	204,222	(245,911)	–
Investment in an associate	–	–	–	–	4,263	–	4,263
Consolidated total assets	<b>328,031</b>	<b>251,122</b>	<b>123,096</b>	<b>8,529</b>	<b>231,938</b>	<b>(245,911)</b>	<b>696,805</b>
<b>Liabilities</b>							
Segment liabilities	83,422	25,789	18,332	993	10,207	–	138,743
Unallocated corporate liabilities	13,920	4,374	7,923	1,420	60	–	27,697
Inter-segment liabilities	829	133,950	500	53,973	57,057	(246,309)	–
Consolidated total liabilities	<b>98,171</b>	<b>164,113</b>	<b>26,755</b>	<b>56,386</b>	<b>67,324</b>	<b>(246,309)</b>	<b>166,440</b>

## Notes to the Financial Statements (Cont'd)

### 37. SEGMENT INFORMATION (CONT'D)

GROUP 2007	Continuing Operations						Eliminations RM'000	Consolidated RM'000
	Power RM'000	Property RM'000	Limestone RM'000	Engineering RM'000	Investment Holding & Others RM'000			
<b>Revenue</b>								
External sales	332,381	29,018	59,295	51,028	91	-		471,813
Inter-segment revenue	-	-	-	-	50,389	(50,389)		-
<b>Total revenue</b>	<b>332,381</b>	<b>29,018</b>	<b>59,295</b>	<b>51,028</b>	<b>50,480</b>	<b>(50,389)</b>		<b>471,813</b>
<b>Results</b>								
Profit/(Loss)								
from operations	74,371	19,409	9,683	(7,354)	6,603	-		102,712
Finance costs	(3,517)	(20)	(1,089)	(1,624)	(637)	-		(6,887)
	70,854	19,389	8,594	(8,978)	5,966	-		95,825
Share of loss in associates								(86)
Income tax expense								(13,252)
Profit after tax								82,487
Minority interests								(32,024)
Net profit for the financial year								50,463
<b>Other information</b>								
Capital expenditure	7,798	53	3,080	8,124	73	-		19,128
Depreciation and amortisation	16,214	336	5,421	2,240	167	-		24,378

## Notes to the Financial Statements (Cont'd)

### 37. SEGMENT INFORMATION (CONT'D)

GROUP 2007	← Continuing Operations →						Eliminations RM'000	Consolidated RM'000
	Power RM'000	Property RM'000	Limestone RM'000	Engineering RM'000	Investment Holding & Others RM'000			
<b>Assets</b>								
Segment assets	303,260	173,847	119,097	24,170	31,820		-	652,194
Unallocated corporate assets	1,067	2,497	281	346	2,270		-	6,461
Inter-segment assets	(488)	40,974	1,128	5	207,334		(248,953)	-
Investment in an associate	-	-	-	-	3,998		-	3,998
Consolidated total assets	303,839	217,318	120,506	24,521	245,422		(248,953)	662,653
<b>Liabilities</b>								
Segment liabilities	92,347	23,634	21,275	17,854	12,552		-	167,662
Unallocated corporate liabilities	18,613	4,710	7,574	1,424	207		-	32,528
Inter-segment liabilities	3,232	135,274	501	49,026	61,832		(249,865)	-
Consolidated total liabilities	114,192	163,618	29,350	68,304	74,591		(249,865)	200,190

#### Geographical segments

Analysis by geographical segments:

	Revenue		Carrying value of segment assets		Capital additions	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	211,901	181,305	512,378	470,243	5,083	5,028
Other ASEAN countries	14,512	16,736	-	-	-	-
China	266,988	227,559	184,427	176,024	2,644	7,035
India	6,838	-	-	-	-	-
South Africa	-	45,043	-	16,386	-	7,065
Other countries	650	1,170	-	-	-	-
	500,889	471,813	696,805	662,653	7,727	19,128



## Notes to the Financial Statements (Cont'd)

### 38. SUBSIDIARIES

The principal activities of the subsidiaries, their place of incorporation and the effective interest of the Company are shown below:

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2008 %	2007 %
Mega First Power Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Power (HK) Limited ^	Investment holding	Hong Kong	100	–
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of power plants	Malaysia	100	100
Serudong Power Sdn. Bhd.	Build, own and operate a power plant	Malaysia	51	51
Shaoxing Mega Heat And Power Co. Limited *	Own and operate a power plant	The People's Republic of China	60	60
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
Gombak Land Sdn. Bhd.	Property development	Malaysia	100	100
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Empayar Permai Sdn. Bhd.	Property development	Malaysia	100	100
Highland Resources Sdn. Bhd.	Property development	Malaysia	100	100
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	65	65
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	100	100
Rock Chemical Industries (Malaysia) Berhad	Investment holding and provision of management consultancy services	Malaysia	60.4	60.4

## Notes to the Financial Statements (Cont'd)

### 38. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2008 %	2007 %
Batamas Sdn. Bhd.	Manufacture and sale of calcium silicate bricks	Malaysia	60.4	60.4
Mega First Ventures Limited *	Dormant	Hong Kong	60.4	60.4
Mesrasasi Sdn. Bhd.	Limestone quarry operator	Malaysia	60.4	60.4
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and limestone quarry operator	Malaysia	60.4	60.4
RCI Marketing Sdn. Bhd.	Trading of building materials and chemical products	Malaysia	60.4	60.4
RCI Minerals Sdn. Bhd.	Investment holding	Malaysia	60.4	60.4
RCI Ventures Sdn. Bhd.	Investment holding	Malaysia	60.4	60.4
Cheng Sun Industries Sdn. Bhd.	Investment holding	Malaysia	99.6	99.6
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	100	100
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, design and manufacture of automotive and transportation components	Malaysia	95	95
Bloxwich Industries (Pty) Limited **	Manufacture of automotive components	South Africa	100	100
Bloxwich South Africa (Pty) Limited #	Dormant	South Africa	100	100
Bloxwich Tool & Die (Pty) Limited #	Dormant	South Africa	100	100
Authentic Excellence Sdn. Bhd.	Investment holding	Malaysia	100	100
Bayangan Sutera Sdn. Bhd.	Investment holding	Malaysia	100	100

## Notes to the Financial Statements (Cont'd)

### 38. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2008 %	2007 %
MFFB International Limited	Dormant	British Virgin Islands	100	100
Don Sahong Power Company Limited ^	Investment holding	British Virgin Islands	70	–
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100
Jitu Optima Sdn. Bhd.	Dormant	Malaysia	100	100
Mamut Copper Mining Sdn. Bhd.	Dormant	Malaysia	100	100
Geo-Mobile Asia (HK) Limited *	Dormant	Hong Kong	100	100
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	100	100
Mega First Development Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Consotech Sdn. Bhd.	Dormant	Malaysia	100	100
MFCB Marketing Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Equity Group Investments Ltd	Investment holding	British Virgin Islands	100	100
Mega First Properties Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Property Management Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Resources Sdn. Bhd.	Dormant	Malaysia	100	100

## Notes to the Financial Statements (Cont'd)

### 38. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2008 %	2007 %
Mega First Ventures Sdn. Bhd.	Dormant	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Online Sdn. Bhd. @	Dormant	Malaysia	100	100
Grassum Sdn. Bhd.	Dormant	Malaysia	–	100
MCM Nurseries Sdn. Bhd.	Dormant	Malaysia	–	100

\* The financial statements of these companies are examined by auditors other than the auditors of the Company.

\*\* On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL. The financial statements of BIPL have been deconsolidated from the consolidated balance sheets to reflect this adjusting event after the balance sheet date.

# Pursuant to Section 73 (5) of the South African Companies Act, the directors of these companies have, subsequent to the end of the financial year, applied for deregistration on the basis that these companies have ceased to carry on business and have no assets and liabilities. The financial statements of these companies have been deconsolidated from the consolidated balance sheets to reflect these adjusting events after the balance sheet date.

^ Newly incorporated.

@ The Company disposed of its entire 100% equity interest in Mega First Online (“MFO”) Sdn. Bhd. on 7 January 2009. The financial statements of MFO have been deconsolidated from the consolidated balance sheets to reflect this adjusting event after the balance sheet date.

# Notes to the Financial Statements (Cont'd)

## 39. ACQUISITION OF SUBSIDIARIES

### 2008

On 27 June 2008, Mega First Power Industries Sdn. Bhd. ("MFPI") which in turn is a wholly-owned subsidiary of the Company, subscribed for the entire issued and paid-up share capital of Mega First Power (HK) Limited ("MFPL") comprising 10 ordinary shares of HK\$1 each.

On 4 July 2008, the Company subscribed for 70% of the issued and paid-up share capital of Don Sahong Power Company Limited ("DSPCL") comprising 10,000 shares of USD1.00 each.

There have been no effects of the acquisition of these subsidiaries on the financial results of the Group from the date of acquisitions to the end of the financial year because the results of external transactions are immaterial.

### 2007

During the previous financial year, Rock Chemical Industries (Malaysia) Berhad ("RCI"), a 60.42% owned subsidiary of the Company, completed the acquisition of subsidiary companies as follows:-

- (a) RCI acquired the remaining 66.56% equity interest in Batamas Sdn. Bhd. ("Batamas") for the total cash consideration of RM4,610,000. Batamas became a 100% owned subsidiary of RCI on 30 May 2007.
- (b) RCI acquired the entire issued and paid-up share capital of Mesrasasi Sdn. Bhd. comprising 200,000 fully paid ordinary shares of RM1 each for the total purchase consideration of RM2,577,000; and
- (c) RCI acquired the entire issued and paid-up share capital of Mega First Ventures Limited comprising 10 fully paid ordinary shares of HK\$1 each for the total purchase consideration of RM45.

The acquired businesses contributed revenues of approximately RM5,393,000 and net loss of approximately RM710,000 to the RCI Group for the period from the date of acquisition to 31 December 2007. If the acquisition had occurred on 1 January 2007, the RCI Group's revenue would have been approximately RM56,008,000 and profit after tax would have been approximately RM5,091,000.

The details of net assets acquired and cash flow arising from the acquisition of subsidiaries were as follows:

	<b>Group 2007 RM'000</b>
Non-current assets	10,209
Current assets	5,131
Non-current liabilities	(1,817)
Current liabilities	(7,224)
<hr/>	
Fair value of net assets acquired	6,299
Attributable to shares retained as an associate	(2,100)
Goodwill on consolidation	2,988
<hr/>	
Total purchase consideration	7,187
Cash and cash equivalents of subsidiaries acquired	1,730
<hr/>	
Net cash outflow on acquisition of subsidiaries	8,917

## Notes to the Financial Statements (Cont'd)

### 40. DECONSOLIDATION OF SUBSIDIARIES

#### 2008

BIPL was placed under liquidation as described in Note 38 to the Financial Statements. Pursuant to FRS 110 - Events After the Balance Sheet Date, BIPL has been deconsolidated to reflect this subsequent event in the Group's financial statements for the financial year ended 31 December 2008.

The financial statements of BIPL for the financial year ended 31 December 2007 was prepared on a break-up basis, i.e. the carrying values of assets and liabilities were recorded at their fair values and/or net realisable values and accrued for additional relevant liabilities as appropriate. Accordingly, the Group had taken a charge of RM3,529,000 in its financial statements for the financial year ended 31 December 2007, which represented a net write-down in the carrying value of BIPL's assets.

#### 2007

The Group had deconsolidated one of the foreign group of subsidiaries, BEL and its subsidiaries as the Group had no control over their operations following the appointment of administrators for the BEL Group.

The deconsolidation has the following effects on the financial position of the Group as at the end of the financial year:

	<b>GROUP</b>	
	<b>2008</b> RM'000	2007 RM'000
Non-current assets	<b>9,623</b>	9,445
Current assets	<b>6,888</b>	40,748
Non-current liabilities	<b>(5,268)</b>	(13,437)
Current liabilities	<b>(11,243)</b>	(39,938)
Translation reserve	<b>2,460</b>	-
Fair value of net assets/(liabilities) deconsolidated	<b>2,460</b>	(3,182)
Reversal of goodwill on consolidation	-	746
(Loss)/Gain on deconsolidation	<b>(5,060)</b>	2,436
Effect of the deconsolidation of subsidiaries	<b>(2,600)</b>	-
Cash and cash equivalents of subsidiaries deconsolidated	<b>5,585</b>	3,657
Net cash inflow on deconsolidation of subsidiaries	<b>2,985</b>	3,657

## Notes to the Financial Statements (Cont'd)

### 41. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive Directors				
- Basic salary, bonus and Employees Provident Fund	<b>685</b>	685	<b>669</b>	417
Non-Executive Directors				
- Fees, including meeting allowances	<b>193</b>	195	<b>193</b>	195
	<b>878</b>	880	<b>862</b>	612

The details of directors' remuneration received and receivable for the financial year in bands of RM50,000 are as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive Directors				
RM250,001 – RM300,000	<b>1</b>	1	<b>1</b>	–
RM400,001 – RM450,000	<b>1</b>	1	<b>1</b>	1
Non-Executive Directors				
- Below RM50,000	<b>7</b>	7	<b>7</b>	7

### 42. RELATED PARTY DISCLOSURES

For the purpose of the financial statements, the Group and the Company have related party relationships with:

- (a) its subsidiaries as disclosed in Note 38 to the financial statements; and
- (b) key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company consist of Executive Directors and members of senior management and heads of major subsidiaries of the Group.

## Notes to the Financial Statements (Cont'd)

### 42. RELATED PARTY DISCLOSURES (CONT'D)

In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:

- (a) The details of the transactions with subsidiaries are as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b> RM'000	2007 RM'000	<b>2008</b> RM'000	2007 RM'000
Dividend income received and receivable	-	-	<b>9,576</b>	48,858
Management fee from a foreign subsidiary which has been put into liquidation	<b>989</b>	-	-	-
Management fee received and receivable	-	-	<b>980</b>	890

The directors are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated terms.

- (b) The remuneration of key management personnel is as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b> RM'000	2007 RM'000	<b>2008</b> RM'000	2007 RM'000
Directors' fee	<b>173</b>	173	<b>173</b>	173
Salary, bonus and other remuneration, including benefits-in-kind (gross)	<b>2,890</b>	3,076	<b>963</b>	837

- (c) The movement in share options of key management personnel is as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b> RM'000	2007 RM'000	<b>2008</b> RM'000	2007 RM'000
At 1 January 2008	<b>1,520</b>	2,080	<b>1,100</b>	1,450
Granted	<b>850</b>	-	-	-
Exercised	-	(560)	-	(350)
At 31 December 2008	<b>2,370</b>	1,520	<b>1,100</b>	1,100



# Notes to the Financial Statements (Cont'd)

## 43. SIGNIFICANT CORPORATE EVENTS

- (a) On 27 June 2008, MFPL was incorporated in Hong Kong. MFPL is a wholly-owned subsidiary of MFPI which in turn is a wholly-owned subsidiary of the Company.

On 12 November 2008, MFPL completed its acquisition of a 60% equity interest in Shaoxing Mega Heat and Power Co., Limited from MFPI for a purchase consideration of RMB112.2 million pursuant to an internal rationalisation exercise involving the said wholly-owned subsidiaries of the Group.

- (b) On 4 July 2008, DSPCL was incorporated in the British Virgin Islands as a private limited company with an authorised share capital of 300,000,000 shares of USD1.00 each. It has an initial issued and paid-up share capital of 10,000 shares of USD1.00 each. DSPCL is a 70%-owned subsidiary of the Company with IJM Corporation Berhad holding the remaining 30% equity interest.

DSPCL is a special purpose vehicle to hold, together with the Government of the Lao People's Democratic Republic ("GOL") and other investors, the shares in a project company that will be undertaking the development and operation of the hydroelectric power project in Don Sahong, Khong District, Champasak Province, GOL.

- (c) On 4 November 2008, Bloxwich International Sdn. Bhd. ("BISB"), a wholly-owned subsidiary of the Company entered into an agreement with Crescendo Group (Pty) Ltd ("Purchaser") for the disposal of BISB's entire interest in Bloxwich Industries (Proprietary) Limited ("BIPL"), a 100%-owned subsidiary, for a total cash consideration of R10,000,000 (South African Rand) (equivalent to approximately RM3.4 million). The agreement was subsequently cancelled and the deposit paid was forfeited due to a material breach of the agreement by the Purchaser.

On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL.

- (d) On 26 December 2008, Mega First Industries Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Grassum Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.
- (e) On 26 December 2008, Mamut Copper Mining Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of MCM Nurseries Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.
- (f) On 7 January 2009, the Company disposed of two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Mega First Online Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.

## Statement by Directors

The Directors of **MEGA FIRST CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2008 and of the results of their businesses and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance  
with a resolution of the Directors,

**DR. LIM THIAN SOO**

**GOH NAN YANG**

Kuala Lumpur  
26 February 2009

## Statutory Declaration

I, **DR. LIM THIAN SOO**, the director primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed  
**DR. LIM THIAN SOO** at **KUALA LUMPUR** this  
26 February 2009

Before me,

**DATO' NG MANN CHEONG**  
**COMMISSIONER FOR OATHS**

# List of Properties Held

as at 31 December 2008

No.	Description	Location	Approximate Age of Building (years)	Total Area (sq. metre)	Tenure	Date of Acquisition	Date of Last Valuation	NBV @ 31.12.08 Total RM
1.	Factory land and building	Lot P. T. 839 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	21	28,850	Leasehold 60 years (Expires on 2047)	18 Dec 87	n/a	1,389
2.	Quarrying Limestone hill	Lot P. T. 132 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	n/a	36,367	Leasehold 30 years (Expires on 2011)	28 Jul 81	n/a	366
3.	Quarrying Limestone hill	Lot P. T. 1109 Mukim of Sg. Raia Kinta District, Perak Darul Ridzuan	n/a	8,099	Leasehold 30 years (Expires on 2022)	26 Feb 92	n/a	3
4.	Factory land and building	P. T. 2620 & P. T. 2621 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota, Perak Darul Ridzuan	11	12,565	Leasehold 99 years (Expires on 2095)	22 Nov 96	n/a	2,759
5.	Factory land and building	Qi Yang Gong Lu Qi Xian Town Shaoxing County Zhejiang Province People's Republic of China	12	61,960	Leasehold 22 years (Expires on 2019)	1997	n/a	30,178
6.	Vacant land held for development	P. T. Nos. 2388, 2397, 2401 Mukim Setapak Wilayah Persekutuan Kuala Lumpur	n/a	2,298	Leasehold 99 years (Expires on 2086)	21 Sep 87	n/a	180
7.	Vacant land held for development	P. T. Nos. 134908, 134914 Daerah Kinta, Ipoh Perak Darul Ridzuan	n/a	10,072	Leasehold 99 years (Expires on 2094)	30 Mar 95	n/a	4,408
8.	Vacant land held for development	P. T. Nos. 1006 to 1037 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	5,248	Leasehold 99 years (Expires on 2082)	27 Mar 93	n/a	1,035
9.	Vacant land held for development	P. T. Nos. 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	n/a	184,990	Freehold	31 May 93	n/a	8,740
10.	Vacant land held for development	P. T. No. 134909 Greentown, Ipoh Perak Darul Ridzuan	n/a	8,094	Leasehold 99 years (Expires on 2094)	26 Jan 05	n/a	5,615
11.	Vacant land held for development	P. T. Nos. 1076 to 1389 1391, 1395 to 1418 1421-1492 Mukim Dengkil, Daerah Sepang Selangor Darul Ehsan	n/a	345,622	Leasehold 99 years (Expires on 2097)	20 Jun 96	n/a	37,115
12.	Quarry and limestone hill	HS(D) KA46712 P. T. 3997 Gunung Panjang Gopeng, Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expires on 29.12.2025)	1996	1996	3,361

## List of Properties Held (Cont'd)

as at 31 December 2008

No.	Description	Location	Approximate Age of Building (years)	Total Area (sq. metre)	Tenure	Date of Acquisition	Date of Last Valuation	NBV @ 31.12.08 Total RM
13.	Office and warehouse	Lot 45158 Gunung Panjang Gopeng, Perak Darul Ridzuan	6	22,600	Freehold	1997	1997	1,579
14.	Integrated lime klin and hydration plant	Lot 45157 Gunung Panjang Gopeng, Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	164
15.	Stockyard	Lot 21487 Gunung Panjang Gopeng, Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
16.	Stockyard	Lot 45156 Gunung Panjang Gopeng, Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	271
17.	Quarry, Limestone Hill and Guardhouse	Lot 45152 Gunung Panjang Gopeng, Perak Darul Ridzuan	2	16,010	Freehold	2007	n/a	495
18.	Office and warehouse	One unit 3 storey shophouse at Station 18, Ipoh Perak Darul Ridzuan	6	185	Leasehold (Expires on 2096)	2002	n/a	316
19.	Office and warehouse	One unit double storey detached house in Ipoh, Perak Darul Ridzuan	2	130	Freehold	2006	n/a	126
20.	Freehold land and buildings	P. T. 4728, Jalan Raja Musa Mukim Batang Berjuntai Selangor Darul Ehsan	11	77,118	Freehold	01 Nov 97	n/a	2,873
21.	Leasehold land and building	Lot 138321, Jalan Changkat Larang Batu Gajah, Perak Darul Ridzuan	26	42,576	Leasehold (Expires on 2045)	01 Sep 82	1985	409
22.	Quarry and limestone hill	P. T. 1491, Mukim Kampar Gopeng, Perak Darul Ridzuan	n/a	58,474	Leasehold (Expires on 2037)	2007	n/a	83
23.	Quarry and limestone hill	P. T. 3962, Mukim Kampar Gopeng, Perak Darul Ridzuan	n/a	28,328	Leasehold (Expires on 2022)	2007	n/a	44
24.	Office and warehouse	Lot No. 28 Jalan Pengacara U1/48, Temasya Industrial Park Mukim Damansara District of Petaling Selangor Darul Ehsan	9	892	Freehold	2000	2000	1,173

n/a Not applicable

# Statistics of Shareholdings

as at 31 March 2009

Authorised Capital	:	RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.
Issued and Paid-up Capital	:	RM239,283,000 divided into 239,283,000 ordinary shares of RM1.00 each fully paid-up.
Class of Shares	:	Ordinary shares of RM1.00 each.
Voting Rights	:	One vote per ordinary share on a poll One vote per shareholder on a show of hands

Size of Shareholdings	No. of Shareholders	No. of Share Held	% of Shareholdings
1 to 99	740	41,244	0.02
100 to 1,000	5,545	5,231,854	2.18
1,001 to 10,000	8,112	30,489,376	12.74
10,001 to 100,000	980	26,028,540	10.88
100,001 to less than 5% of issued shares	131	114,799,506	47.98
5% and above of issued shares	2	62,692,480	26.20
<b>Total</b>	<b>15,510</b>	<b>239,283,000</b>	<b>100.00</b>

# Statistics of Shareholdings (Cont'd)

as at 31 March 2009

## THIRTY LARGEST SHAREHOLDERS

No.	Name of Securities Account Holder	No. of shares held	% of shareholdings
1)	Amsec Nominees (Tempatan) Sdn Bhd - A/C for Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.02
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.18
3)	HLB Nominees (Asing) Sdn Bhd - A/C for Keen Capital Investments Limited	7,643,000	3.19
4)	PRT Capital Pte Ltd	5,916,500	2.47
5)	Mega First Corporation Berhad - Shares Buy-Back Account No. 1	5,316,500	2.22
6)	ECM Libra Avenue Nominees (Asing) Sdn Bhd - A/C for Keen Capital Investments Limited	4,950,400	2.07
7)	Amanah Raya Nominees (Tempatan) Sdn Bhd - A/C for Skim Amanah Saham Bumiputera	4,730,000	1.98
8)	Lim Gaik Bway @ Lim Chiew Ah	4,360,900	1.82
9)	Omega Semiconductor Sdn Bhd	4,340,300	1.81
10)	Shoptra Jaya (M) Sdn Bhd	3,413,300	1.43
11)	Apsara Vohrah	3,397,000	1.42
12)	JF Apex Nominees (Tempatan) Sdn Bhd - A/C for Lim Gaik Bway @ Lim Chiew Ah	3,187,800	1.33
13)	Kah Hin Loong Sdn Bhd	3,030,000	1.27
14)	Grand Terrace Sdn Bhd	2,950,600	1.23
15)	Malaysia Nominees (Tempatan) Sdn Bhd - A/C for Great Eastern Life Assurance (Malaysia) Bhd (DR)	2,514,000	1.05
16)	HSBC Nominees (Asing) Sdn Bhd - A/C for Tenacious Hold Limited	2,493,700	1.04
17)	Koay Keng Huat	2,261,100	0.94
18)	DB (Malaysia) Nominee (Asing) Sdn Bhd - A/C for Devonshire Assets Limited	2,005,150	0.84
19)	Lanai Etika Sdn Bhd	1,927,200	0.81
20)	JF Apex Nominees (Tempatan) Sdn Bhd - A/C for Chong Ah Suan	1,815,000	0.76
21)	Malaysia Nominees (Tempatan) Sdn Bhd - A/C for Great Eastern Life Assurance (Malaysia) Bhd (LGF)	1,681,200	0.70
22)	Zulkifli bin Hussain	1,515,000	0.63
23)	Zulkifli bin Hussain	1,490,000	0.62
24)	Kumpulan Y R Sdn Bhd	1,486,000	0.62
25)	Espoir Investments Pte Ltd	1,360,000	0.57
26)	HSBC Nominees (Asing) Sdn Bhd - A/C for Fidelity Low-Priced Stock Fund	1,300,000	0.54
27)	JF Apex Nominees (Tempatan) Sdn Bhd - A/C for Chong Wah Sin	1,254,000	0.52
28)	Citigroup Nominees (Asing) Sdn Bhd - A/C for Mellon Bank (Mellon)	1,200,000	0.50
29)	JF Apex Nominees (Tempatan) Sdn Bhd - A/C for Teo Kwee Hock	1,167,700	0.49
30)	Citigroup Nominees (Asing) Sdn Bhd - A/C for DFA Emerging Markets Fund	1,101,700	0.46
	Total	142,500,530	59.53

# Statistics of Shareholdings (Cont'd)

as at 31 March 2009

## SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	Goh Nan Kioh	713,600	0.30	68,342,100 <sup>(a)</sup>	29.21
2)	Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.47	1,927,200 <sup>(b)</sup>	0.82
3)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.32	–	–
4)	Keen Capital Investments Limited	12,593,400	5.38	–	–
5)	Laju Riang Sdn Bhd	–	–	49,832,200 <sup>(c)</sup>	21.30
6)	Kema Development Sdn Bhd	–	–	49,832,200 <sup>(c)</sup>	21.30
7)	Cambrew (Malaysia) Sdn Bhd	–	–	49,832,200 <sup>(c)</sup>	21.30
8)	Dr. Lim Thian Soo	90,000	0.04	49,832,200 <sup>(c)</sup>	21.30
9)	Lim Thiam Cheok	10,000	*	49,832,200 <sup>(c)</sup>	21.30
10)	Lim Yam Poh	–	–	49,832,200 <sup>(c)</sup>	21.30

## DIRECTORS' INTEREST IN SHARES

No.	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
<b>Shares in the Company</b>					
1)	Goh Nan Kioh	713,600	0.30	68,342,100 <sup>(a)</sup>	29.21
2)	Dr. Lim Thian Soo	90,000	0.04	49,832,200 <sup>(c)</sup>	21.30
3)	Goh Nan Yang	10,000	*	–	–
4)	Yong Fook Shin	470,200	0.20	–	–
5)	Yeow See Yuen	436,500	0.19	26,000	0.01
6)	Dato' Jorgen Bornhoft	175,000	0.07	–	–

### Shares in subsidiary company Rock Chemical Industries (Malaysia) Berhad

1)	Goh Nan Kioh	–	–	25,594,300 <sup>(d)</sup>	60.42
2)	Dr. Lim Thian Soo	–	–	25,594,300 <sup>(d)</sup>	60.42
3)	Goh Nan Yang	100	*	–	–
4)	Yeow See Yuen	40,600	0.10	–	–

### Share Options in the Company

Name of Director	Options Granted	Option Price	Options Exercised	Balance of Options
Dr. Lim Thian Soo	500,000	RM1.00	–	500,000
Goh Nan Yang	500,000	RM1.00	–	500,000

#### Notes:

\* less than 0.01%

<sup>(a)</sup> Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd, PRT Capital Pte Ltd, Keen Capital Investments Limited

<sup>(b)</sup> Deemed interest by virtue of interest in Lanai Etika Sdn Bhd

<sup>(c)</sup> Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd

<sup>(d)</sup> Deemed interest by virtue of interest in Mega First Corporation Berhad and Authentic Excellence Sdn Bhd

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Forty-Third Annual General Meeting of the Company will be held at the Berjaya Hall, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 50490 Kuala Lumpur on Wednesday, 20 May 2009 at 10:00 a.m. for the following purposes:-

## AGENDA

- 1) To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2008. *(Resolution 1)*
- 2) To declare a final dividend of 3.5% less 25% income tax in respect of the year ended 31 December 2008. *(Resolution 2)*
- 3) To approve the payment of Directors' fees of RM173,000 (2008: RM173,000) for the financial year ended 31 December 2008. *(Resolution 3)*
- 4) To re-elect the following Directors who are retiring by rotation pursuant to Article 99 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-
  - 4.1 Mr Goh Nan Kioh *(Resolution 4)*
  - 4.2 Mr Yong Fook Shin *(Resolution 5)*
  - 4.3 Dato' Jorgen Bornhoft *(Resolution 6)*
- 5) To re-appoint Messrs Horwath as auditors of the Company and to authorise the Board of Directors to fix their remuneration. *(Resolution 7)*
- 6) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-
  - 6.1 **Ordinary Resolution** *(Resolution 8)*  
**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

"**THAT**, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting."
  - 6.2 **Ordinary Resolution** *(Resolution 9)*  
**Authority to allot shares pursuant to the Employee Share Option Scheme**

"**THAT**, pursuant to the Company's Employee Share Option Scheme ("the Scheme"), the Directors of the Company be and are hereby empowered and authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."



# Notice of Annual General Meeting (Cont'd)

## 6.3 Ordinary Resolution

(Resolution 10)

### Authority to Directors on purchase of the Company's own shares

**“THAT**, subject to the Companies Act, 1965 (“the Act”), rules, regulations and orders made pursuant to the Act, and the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and any applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to:-

- i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company as quoted on BMSB as at the point of purchase and the total funds allocated shall not exceed the total retained earnings and share premium of the Company which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);
  - ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;
  - iii) deal with the shares purchased in the manner prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of BMSB and any other relevant authorities for the time being in force; and
  - iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares.”
- 7) By way of special business, to consider and if thought fit, to pass the following resolution as a Special Resolution:-

### Special Resolution

(Resolution 11)

### Amendment to the Memorandum of Association of the Company

**“THAT**, Clause 2 of the Memorandum of Association of the Company be amended by substituting the words “Kuala Lumpur in the Federal Territory” with the word “Malaysia” and the amended clause shall read as follows:-

“The Registered Office of the Company will be situated in Malaysia.”

- 8) To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board  
**YONG LAI SIM**  
**GHEE YOKE PING**  
Secretaries

23 April 2009  
Kuala Lumpur

## Notice of Annual General Meeting (Cont'd)

### NOTES:

- 1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.
- 2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
- 3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.
- 4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than **forty-eight (48) hours** before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid. **Fax copy of duly executed form of proxy will not be accepted.**

### EXPLANATORY NOTE ON SPECIAL BUSINESS

- a) Resolution No: 8, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten per cent (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
- b) Resolution No: 9, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company to those employees who have exercised their options under the Employee Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
- c) Resolution No: 10, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.  
  
For further information, please refer to the Share Buy-back Statement dated 23 April 2009 which is despatched together with the Company's Annual Report for the financial year ended 31 December 2008.
- d) Resolution No: 11, if passed, will allow the Registered Office of the Company to be situated outside Kuala Lumpur but within Malaysia.

# Statement Accompanying Notice of Annual General Meeting

## 1) **Directors who are standing for re-election**

The Directors who are offering themselves for re-election at the Forty-Third Annual General Meeting of the Company are as follows:-

- |     |                       |                |
|-----|-----------------------|----------------|
| 1.1 | Mr Goh Nan Kioh       | (Resolution 4) |
| 1.2 | Mr Yong Fook Shin     | (Resolution 5) |
| 1.3 | Dato' Jorgen Bornhoft | (Resolution 6) |

Mr Goh Nan Kioh is a Non-Independent and Non-Executive Director, and Chairman of the Board of Directors.

Mr Yong Fook Shin and Dato' Jorgen Bornhoft are Independent and Non-Executive Directors of the Company.

The profile and interests in shares of the respective gentlemen can be found in the sections on Profile of Directors and Statistics of Shareholdings in this Annual Report.

## 2) **Details of attendance of Directors at Board meetings**

The Board met for five (5) times during the financial year ended 31 December 2008 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of this Annual Report.

## 3) **Date, time and venue of the Forty-Third Annual General Meeting**

Date: 20 May 2009  
Time: 10:00 a.m.  
Venue: Berjaya Hall  
Bukit Kiara Equestrian and Country Resort  
Jalan Bukit Kiara  
Off Jalan Damansara  
50490 Kuala Lumpur

# Notice of Dividend Entitlement

**NOTICE IS HEREBY GIVEN THAT** the final dividend of 3.5% less 25% income tax for the financial year ended 31 December 2008, if approved by the shareholders at the 43rd Annual General Meeting, will be paid on 15 July 2009 to Depositors whose names appear in the Record of Depositors at the close of business on 30 June 2009.

A depositor shall qualify for entitlement to the dividend only in respect of :-

- a) Shares deposited into the Depositor's securities account before 12:30 p.m. on 26 June 2009 in respect of shares exempted from mandatory deposit;
- b) Shares transferred into the Depositor's securities account before 4:00 p.m. on 30 June 2009 in respect of ordinary transfer; and
- c) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board  
**YONG LAI SIM**  
**GHEE YOKE PING**  
Secretaries

23 April 2009  
Kuala Lumpur

# Directory

No.	Company Name & E_mail Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Mega First Power Industries Sdn. Bhd. <i>mfc@mega-first.com</i>	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Dr. Lim Thian Soo
2.	Mega First Power Services Sdn. Bhd. <i>s-powert@streamyx.com</i>	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
3.	Serudong Power Sdn. Bhd. <i>s-powert@streamyx.com</i>	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
4.	Shaoxing Mega Heat And Power Co., Limited <i>smhp@mail.sxptt.zj.cn</i>	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	0086-575-85181025	0086-575-85182287	Mr. Liew Leong Teng
5.	Mega First Housing Development Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 34 & 36, Jalan Mawar 1B, Taman Mawar, Bandar Baru Salak Tinggi, 43900 Selangor Darul Ehsan.	03-87060088/8800	03-87060808	Mr. Tan Pee Giak
6.	Gombak Land Sdn. Bhd. <i>mfc.property@mega-first.com</i>	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Mr. Foo Kah Heng
7.	Gombak Land Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 12-1, Persiaran Greentown 10, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.	05-2433093/92	05-2433094	Mr. Chung Kok Sung
8.	Gombak Land Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
9.	Community Consortium Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu

## Directory (Cont'd)

No.	Company Name & E_mail Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
10.	Paya Emas Sdn. Bhd. <i>mfc.property@mega-first.com</i>	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
11.	Rock Chemical Industries (Malaysia) Berhad <i>info@rci.com.my</i>	Lot 45157 & 45158, Gunong Panjang, 31600 Gopeng, Perak Darul Ridzuan.	05-359 3188	05-359 3228	Mr. Chris Chow
12.	Syarikat Cheng Sun Quarry Sdn. Bhd. <i>csquarry@tm.net.my</i>	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. John Chu
13.	Bloxwich (Malaysia) Sdn. Bhd. <i>admin@bloxwich.com.my</i>	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan.	05-3711516/17/18	05-3711520	Mr. Ong Hock Kheng

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# MFCB

## MEGA FIRST CORPORATION BERHAD

(Company No. 6682-V)  
(Incorporated in Malaysia)

### FORM OF PROXY

(To be completed in capital letters)

No. of Shares	CDS Account No.

I/We, \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

being a member of **Mega First Corporation Berhad**, hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

or failing whom, \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy/proxies to attend and, on a poll, to vote for me/us on my/our behalf at the 43<sup>rd</sup> Annual General Meeting of the Company, to be held at the Berjaya Hall, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 50490 Kuala Lumpur on 20 May 2009 at 10:00 a.m. and at any adjournment thereof.

Resolution	For	Against	Abstain
1) Receive the Directors' Report and Audited Financial Statements for the year ended 31 December 2008.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Declaration of the final dividend.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Payment of Directors' fees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Re-elect Mr Goh Nan Kioh as Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5) Re-elect Mr Yong Fook Shin as Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6) Re-elect Dato' Jorgen Bornhoft as Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7) Re-appoint Messrs Horwath as auditors and authorise the Board of Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8) Special Business - Ordinary Resolution Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9) Special Business - Ordinary Resolution Authority to issue shares pursuant to the Employee Share Option Scheme.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10) Special Business - Ordinary Resolution Renewal of authority to Directors on purchase of the Company's own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11) Special Business - Special Resolution Amendment to the Memorandum of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

My/Our proxy is to vote on the resolutions as indicated by an (✓) in the appropriate box above. If no indication is given, my/our proxy shall vote or abstain as he/she think fit.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-	
Proxy 1	%
Proxy 2	%
Total	100%

\_\_\_\_\_  
Signature/Common Seal of Member(s)

Date: \_\_\_\_\_

Tel. No. \_\_\_\_\_

#### NOTES:

- 1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.
- 2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
- 3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.
- 4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5) Duly completed Form of Proxy **must be deposited** at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur **not less than forty-eight (48) hours** before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid. **FAX COPY OF DULY COMPLETED FORM OF PROXY WILL NOT BE ACCEPTED.**





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Postage  
Stamp

*The Company Secretaries*

**MEGA FIRST CORPORATION BERHAD** (6682-V)

8-05, Level 8, Menara Milenium

8 Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Malaysia

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