

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

**Interim Financial Report
30 June 2006**

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

Unaudited Condensed Consolidated Income Statements
For the second quarter and six months ended 30 June 2006

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year 2 nd Quarter 30.6.2006 RM'000	Preceding Year Corresponding 2 nd Quarter 30.6.2005 RM'000	Current Year To date 30.6.2006 RM'000	Preceding Year Corresponding Period 30.6.2005 RM'000
Revenue	121,100	N/A	233,788	N/A
Operating expenses	(98,320)	N/A	(191,626)	N/A
Other operating income	2,810	N/A	5,539	N/A
Profit from operations	25,590	N/A	47,701	N/A
Finance cost	(2,672)	N/A	(4,648)	N/A
Share of profit in jointly controlled entity	-	N/A	-	N/A
Share of profit/(loss) of associates	(88)	N/A	(175)	N/A
Profit before taxation	22,830	N/A	42,878	N/A
Tax expense	(5,113)	N/A	(9,050)	N/A
Net profit for the period	17,717	N/A	33,828	N/A
Attributable to :				
Equity holders of the parent	9,403	N/A	19,362	N/A
Minority interest	8,314	N/A	14,466	N/A
	17,717	N/A	33,828	N/A
EPS - Basic (sen)	3.98	N/A	8.20	N/A
- Diluted (sen)	N/A	N/A	N/A	N/A

The EPS is calculated based on the net profit attributable to equity holders of the parent for the second quarter and six months ended 30 June 2006 divided by 236,000,000 ordinary shares in issue.

The notes set out on pages 5 to 12 form an integral part of and should be read in conjunction with this interim financial report.

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Unaudited Condensed Consolidated Balance Sheets
As of 30 June 2006

	As at 30.6.06 RM'000	Audited As at 31.12.05 Restated RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	278,761	289,232
Associates	6,465	6,641
Jointly controlled entity	4,497	4,497
Investments	5,163	156
Prepaid lease payment	4,245	4,357
Investment properties	30,924	24,338
Land held for property development	82,674	82,254
Goodwill on consolidation	7,785	7,785
	420,514	419,260
Current Assets		
Inventories	39,183	38,677
Property development	7,116	5,517
Trade and other receivables	124,205	106,193
Bank balances and deposits	84,380	95,525
	254,884	245,912
TOTAL ASSETS	675,398	665,172
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders		
Of The Parent		
Share capital	236,000	236,000
Reserves	56,550	40,139
Shareholders' funds	292,550	276,139
Minority Interests	109,150	96,139
Total Equity	401,700	372,278
Deferred And Non Current Liabilities		
Borrowings – non-current	39,523	40,248
Other long term payables	2,760	3,992
Deferred taxation	25,609	26,170
	67,892	70,410
Current Liabilities		
Trade and other payables	116,628	123,513
Short term borrowings	80,730	91,964
Taxation	8,448	7,007
	205,806	222,484
Total Liabilities	273,698	292,894
Total Equity And Liabilities	675,398	665,172
Net Assets Per Share Attributable To Ordinary		
Equity Holders Of The Parent (RM)		
	1.24	1.17

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Unaudited Condensed Consolidated Statement Of Changes In Equity
For the six months ended 30 June 2006

	← Attributable to equity holders of the parent →					Total	Minority Interest	Total Equity
	Share Capital	Non-distribution reserves		Capital	Retained Profits			
	RM'000	Share Premium	Translation	RM'000	RM'000	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000			
Balance at 1 January 2006	236,000	33,380	8,171	2,213	(3,625)	276,139	96,139	372,278
Net income recognised directly in equity								
Currency translation differences	-	-	(402)	-	-	(402)	-	(402)
Profit for the period	-	-	-	-	19,362	19,362	14,466	33,828
Total recognised income and expense for the period	-	-	(402)	-	19,362	18,960	14,466	33,426
Dividends	-	-	-	-	(2,549)	(2,549)	(1,415)	(3,964)
Purchase of additional investment in a subsidiary	-	-	-	-	-	-	(40)	(40)
Balance at 30 June 2006	236,000	33,380	7,769	2,213	13,188	292,550	109,150	401,700

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Unaudited Condensed Consolidated Cash Flow Statements
For the six months ended 30 June 2006

	30 June 2006 RM'000	30 June 2005 RM'000
Net profit before tax	42,878	N/A
Adjustment for non-cash flow :		
Non-cash items	13,547	N/A
Non-operating items	3,940	N/A
Operating profit before changes in working capital	<u>60,365</u>	N/A
Changes in working capital :		
Net change in current assets	(20,117)	N/A
Net change in current liabilities	<u>(6,885)</u>	N/A
Cash generated from operations	33,363	N/A
Tax paid	<u>(7,609)</u>	N/A
Net cash inflow from operating activities	25,754	N/A
Net cash inflow/(outflow) from investing activities		
(Increase)/Decrease in :		
Interest income	884	N/A
(Increase)/decrease in land held for property development	(420)	N/A
Increase in investment properties	(6,586)	N/A
Proceeds from disposal of property, plant and equipment	7,350	N/A
Purchase of investment	(5,007)	N/A
Purchase of property, plant and equipment	<u>(6,604)</u>	N/A
Net cash (used in)/from investing activities	<u>(10,383)</u>	N/A
Net cash outflow from financing activities		
Increase/(Decrease) in :		
Increase/(decrease) in short term borrowings excluding overdrafts	(20,834)	N/A
Proceeds from term loans	3,004	N/A
Repayment of term loans	(2,474)	N/A
Interest paid	(4,461)	N/A
Dividends paid	(4,445)	N/A
(Decrease)/Increase in hire purchase payables	<u>(1,232)</u>	N/A
Net cash used in financing activities	<u>(30,442)</u>	N/A
Net change in cash & cash equivalents	(15,071)	N/A
Cash & cash equivalents at beginning of period	<u>88,179</u>	N/A
Cash & cash equivalents at end of period	<u><u>73,108</u></u>	N/A

The notes set out on pages 5 to 12 form an integral part of and should be read in conjunction with this interim financial report.

Notes to the interim financial report

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the six-month financial period ended 31 December 2005.

The MASB issued a total of 21 new and amended FRS and other interpretations effective for financial statements commencing 1 January 2006 for 18 Financial Reporting Standards and 1 October 2006 for 2 other Standards. The effective date of FRS 139 Financial Instruments : Recognition and Measurement has been deferred to a date to be announced by MASB. The Group has decided for the early adoption of FRS 117 which will only be effective 1 October 2006.

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

Restatement of prior year’s Balance Sheet

	31 December 2005		31 December 2005
Non-current assets	As previously reported RM’000	Reclassification RM’000	Restated RM’000
Property, plant and equipment	293,589	(4,357)	289,232
Prepaid lease payment	-	4,357	4,357

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

2. Qualification of financial statement

The audit report of the Group’s annual financial statements for the six-month financial period ended 31 December 2005 was not subject to any qualification.

3. Seasonal or cyclical factors

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

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4. Unusual item

Other than the loss of RM3.097 million as disclosed in Note 20 (b), there was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence in these financial statements.

5. Nature and amount of changes in estimates

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

6. Debt and equity securities

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

7. Dividend payable

A first and final dividend of 1.5%, less income tax, for the six-month financial period ended 31 December 2005 was approved by the shareholders at the Annual General Meeting held on 28 April 2006. The entitlements to the dividend which were determined on the basis of the record of depositors as at 11 May 2006 was paid on 26 May 2006.

8. Segment information for the six months ended 30 June 2006

2006	Revenue RM'000	Profit/(Loss) Before Tax RM'000
By Activity		
<u>Continuing operations:</u>		
Build, own and operate power plants	167,651	40,056
Property development	9,773	2,015
Quarrying and production of quicklime, hydrated lime and calcium carbonate products	21,002	2,688
Engineering, designing and manufacturing of automotive and transportation components	35,362	3,602
Investment holding	-	(5,308)
Jointly controlled entity	-	-
Associate	-	(175)
	<u>233,788</u>	<u>42,878</u>

9. Valuation of Property, Plant and Equipment

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

10. Events subsequent to the balance sheet date

There was no material event subsequent to the end of the period reported up to 16 August 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

11. Changes in composition of the Group

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

Other than as disclosed above, there was no material change in the composition of the Group for the six months ended 30 June 2006 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12. Changes in contingent liabilities and assets

a) Contingent liabilities

There was no material change in contingent liabilities of the Group from 1 January 2006 to 16 August 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

b) Contingent assets

The Group has no contingent asset as at 16 August 2006, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

13. Review of performance

a) Current quarter

For the current quarter under review, the Group registered a pre-tax profit of RM22.8 million whilst revenue achieved was RM121.1 million.

The Power Division contributed about RM23.4 million of the total pre-tax profit followed by the Engineering Division which registered a pre-tax profit of RM1.5 million. The Limestone Division contributed RM1.4 million whereas the Investment Holding Division registered a loss of RM4.1 million arising mainly from the provision for loss on disposal of its jointly controlled entity (refer note 20 b)

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b) For the six months ended 30 June 2006

For the six months ended 30 June 2006, the Group registered a pre-tax profit of RM42.9 million and a revenue of RM233.8 million. Except for the Investment Holding Division which registered a loss of RM5.3 million due mainly to the provision for loss on disposal of its jointly controlled entity (refer note 20 b) and the share of loss in Associate of RM0.2 million, all the other divisions performed according to expectations. The Power Division continued to be the principal contributor accounting for RM40.0 million of the total pre-tax profits.

14. Variation of results against preceding quarter

For the second quarter ended 30 June 2006, the Group's pre-tax profit and revenue was RM121.1 million and RM22.8 million compared to RM112.7 million and RM20.0 million respectively in the preceding quarter.

Except for the Engineering Division, all the other divisions registered higher revenue when compared to the preceding quarter. The lower revenue from the Engineering Division was primarily due to lower offtake and deferment of new model launches by several automotive manufacturers. However the higher revenue from the other divisions and in particular the Power Division more than offset the setback and at the same time resulted in higher pre-tax profit for the quarter.

15. Prospects

Despite concerns that higher fuel costs and rising global interests rates may have negative impact on corporate earnings and growth prospects, the Board believes that with continuous close monitoring and implementation of a frugal method of operation the Group remains on track for another profitable third quarter.

16. Profit forecast

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

17. Tax expense

	Current Quarter ended 30.6.2006 RM'000	Current Year to date 30.6.2006 RM'000
Current tax expense		
Malaysian	2,308	4,567
Overseas	3,030	5,234
	5,338	9,801
Deferred tax expense		
Malaysian	(327)	(751)
Overprovision in prior years	-	-
Overseas	-	-
	(327)	(751)
Tax expense on share of profit :		
- jointly controlled entity	-	-
- associated company	102	-
Under/(Over) provision in prior years		
	5,113	9,050

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The effective tax rate of the Group for the current quarter and six months ended 30 June 2006 were lower than the statutory tax rate due mainly to the income earned in China which is taxed at the rate of 15 per cent.

18. Unquoted investments and properties

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

	Current Quarter ended 30.6.2006 RM'000	Current Year to date 30.6.2006 RM'000
Proceeds from disposal	7,153	7,153
Less : Carrying value	<u>6,970</u>	<u>6,970</u>
Gain on disposal	<u>183</u>	<u>183</u>

Other than as disclosed above, there was no sale or purchase of unquoted investment or property during the six months ended 30 June 2006.

19. Quoted investment

a) Purchase and sale of quoted investments

i) Acquisition of quoted investments

	Current Quarter ended 30.6.2006 RM'000	Current Year to date 30.6.2006 RM'000
Purchase consideration	<u>3,997</u>	<u>5,007</u>

ii) Disposal of quoted investment

There was no sale of quoted investment during the three months under review.

b) Investments in quoted securities as of 30 June 2006

	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	<u>5,163</u>	<u>5,163</u>	<u>5,451</u>

20. Status of corporate proposal

- a) On 23 March 2006, Mega First Corporation Berhad (“MFCB”) signed an agreement (“Agreement”) with the Government of the Lao People’s Democratic Republic (“GOL”) on 23 March 2006 with a view to develop and implement on a build, operate and transfer (“BOT”) basis a hydroelectric power project in Don Sahong, Khong District, Champasak Province, Laos PDR (“Don Sahong Project”).

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

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

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

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

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

Other than as disclosed above, there was no corporate proposal announced but not completed as at 16 August 2006, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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21. Borrowing and debt securities

Group borrowings as of 30 June 2006 :

	<u>RM'000</u>
<u>Short term borrowings</u>	
<i>Secured Denominated in :</i>	
Ringgit Malaysia	31,464
GBP (GBP1,799,000)	12,084
RMB (RMB60,000,000)	27,900
Rand (R6,848,000)	3,532
<i>Unsecured Denominated in :</i>	
Ringgit Malaysia	5,750
	<u>80,730</u>
<u>Long term borrowings</u>	
<i>Secured Denominated in :</i>	
Ringgit Malaysia	<u>39,523</u>
	<u><u>120,253</u></u>

22. Off balance sheet financial instruments

There was no financial instrument with off balance sheet risk as at 16 August 2006, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

23. Changes in material litigation

There was no pending material litigation as at 16 August 2006, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

24. Dividend

The Board has declared today an interim dividend of 2% less income tax of 28% (31.12.05 : final dividend of 1.5% less income tax of 28%) for the six months ended 30 June 2006. The entitlements to the dividend which were determined on the basis of the record of depositors as at 22 September 2006 will be payable on 10 October 2006. The said dividend has not been included as a liability in these Financial Statements.

25. Basic earnings per share

The calculation of basic earnings per share for the second quarter and six months ended 30 June 2006 is based on the net profit attributable to ordinary equity holders of the parent of RM9,403,000 and RM19,362,000 respectively and the number of ordinary shares in issue of 236,000,000.

26. Significant related party transaction

There were no significant related party transactions during the current quarter under review.

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27. Comparative figures

Effective 1 July 2005, the Group changed its financial year end from 30 June to 31 December as announced to the Exchange on 26 May 2005 (Ref. No. : MF-050526-35730). Consequently no comparative figures are available. The financial report for the second quarter (October 05 – December 05) in respect of the six-month financial period ended 31 December 2005 is attached herewith for reference.

BY ORDER OF THE BOARD

YONG LAI SIM
Group Company Secretary

Kuala Lumpur
23 August 2006