

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

**Interim Financial Report  
31 March 2005**

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

**Unaudited Condensed Consolidated Income Statements**  
**For the third quarter and nine months ended 31 March 2005**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year 3 <sup>rd</sup> Quarter 31.03.2005 RM'000	Preceding Year Corresponding 3 <sup>rd</sup> Quarter 31.03.2004 RM'000	Current Year To date 31.03.2005 RM'000	Preceding Year Corresponding Period 31.03.2004 RM'000
<b>Revenue</b>	126,563	114,087	428,758	319,342
<b>Operating expenses</b>	(108,947)	(101,457)	(385,724)	(290,568)
Other operating income	3,469	8,753	10,820	29,035
Gain on disposal of subsidiary companies	-	-	1,162	-
Profit from operations	21,085	21,383	55,016	57,809
Finance cost	(3,188)	(2,919)	(9,375)	(8,460)
Share of profit in jointly controlled entity	631	-	1,786	-
Share of profit/(loss) of associates	(131)	161	203	845
<b>Profit before taxation</b>	18,397	18,625	47,630	50,194
Tax expense	(3,219)	(4,249)	(8,046)	(9,938)
<b>Profit after taxation</b>	15,178	14,376	39,584	40,256
Less : Minority interests	(4,224)	(5,191)	(15,002)	(15,479)
<b>Net profit for the period</b>	10,954	9,185	24,582	24,777
EPS - Basic (sen)	4.64	3.89	10.42	10.50
- Diluted (sen)	N/A	N/A	N/A	N/A

The EPS is calculated based on the net profit for the third quarter and nine months ended 31 March 2005 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**  
**At 31 March 2005**

	<b>31 March 2005 RM'000</b>	<b>Audited 30 June 2004 RM'000</b>
<b>Property, plant and equipment</b>	280,399	267,708
<b>Investments in associate</b>	6,840	3,124
<b>Investment in jointly controlled entity</b>	4,422	3,149
<b>Other investments</b>	904	154
<b>Property development – non-current</b>	112,308	104,480
<b>Intangible assets</b>	8,342	10,258
	<u>413,215</u>	<u>388,873</u>
<b>Current assets</b>		
Inventories	48,624	45,968
Property development	6,930	12,879
Trade and other receivables	130,249	141,215
Bank balances and deposits	86,823	99,597
	<u>272,626</u>	<u>299,659</u>
<b>Current liabilities</b>		
Trade and other payables	98,657	124,613
Borrowings	118,103	109,275
Taxation	6,738	3,186
	<u>223,498</u>	<u>237,074</u>
<b>Net current assets</b>	<u>49,128</u>	<u>62,585</u>
	<u>462,343</u>	<u>451,458</u>
<b>Finance by :</b>		
<b>Capital and reserves</b>		
Share capital	236,000	236,000
Reserves	43,232	20,873
	<u>279,232</u>	<u>256,873</u>
<b>Minority shareholders' interests</b>	97,561	91,321
<b>Long term and deferred liabilities</b>		
Borrowings	55,644	69,840
Other long term payables	1,266	4,015
Deferred taxation	28,640	29,409
	<u>85,550</u>	<u>103,264</u>
	<u>462,343</u>	<u>451,458</u>

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**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For the nine months ended 31 March 2005**

	<b>Share Capital RM'000</b>	<b>Non- distributable RM'000</b>	<b>Distributable Retained profits RM'000</b>	<b>Total RM'000</b>
At 1 July 2004	236,000	69,719	(48,846)	256,873
Deconsolidation adjustment of Mega Fortris ( <i>Note 1</i> )	-	-	(1,654)	(1,654)
Equity accounting of Mega Fortris, jointly controlled entity ( <i>Note 1</i> )	-	-	1,654	1,654
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	326	-	326
Net profit for the period	-	-	24,582	24,582
Dividends	-	-	(2,549)	(2,549)
<b>At 31 March 2005</b>	<b>236,000</b>	<b>70,045</b>	<b>(26,813)</b>	<b>279,232</b>
At 1 July 2003	236,000	65,512	(77,407)	224,105
Net gains and losses not recognized in the income statement :				
Currency translation differences	-	4,216	-	4,216
Net profit for the period	-	-	24,777	24,777
Dividends	-	-	(1,700)	(1,700)
<b>At 31 March 2004</b>	<b>236,000</b>	<b>69,728</b>	<b>(54,330)</b>	<b>251,398</b>

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**Unaudited Condensed Consolidated Cash Flow Statements**  
**For the nine months ended 31 March 2005**

	<b>31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>
Net profit before tax	47,630	50,194
Adjustment for non-cash flow :		
Non-cash items	21,055	17,322
Non-operating items	12,459	(13,613)
	<hr/>	<hr/>
Operating profit before changes in working capital	81,144	53,903
Changes in working capital :		
Net change in current assets	10,576	(3,618)
Net change in current liabilities	(25,956)	3,481
	<hr/>	<hr/>
Cash generated from operations	65,764	53,766
Tax paid	(4,331)	(8,541)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>61,433</b>	<b>45,225</b>
<b>Net cash inflow/(outflow) from investing activities</b>		
(Increase)/Decrease in :		
Interest income	1,258	1,015
(Increase)/decrease in property development non current	(7,828)	(38,309)
Acquisition of associated company	(3,500)	(5,000)
(Increase)/decrease in fixed deposit pledged	-	11,109
Proceeds from disposal of property, plant and equipment	310	516
Increase in investment in subsidiary company	(4,525)	-
Proceeds from disposal of investment	-	40,284
Purchase of investment	(750)	-
Purchase of property, plant and equipment	(39,434)	(9,402)
	<hr/>	<hr/>
<b>Net cash (used in)/from investing activities</b>	<b>(54,469)</b>	<b>213</b>
<b>Net cash outflow from financing activities</b>		
Increase/(Decrease) in :		
Increase/(decrease) in short term borrowings excluding overdrafts	13,594	(4,111)
Proceeds from term loans	838	-
Repayment of term loans	(5,913)	(7,802)
Repayment of bonds	(8,000)	(9,000)
Dividend paid	(2,549)	(1,700)
Interest paid	(10,193)	(9,031)
(Decrease)/Increase in hire purchase payables	(2,749)	974
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(14,972)</b>	<b>(30,670)</b>
	<hr/>	<hr/>
<b>Net change in cash &amp; cash equivalents</b>	<b>(8,008)</b>	<b>14,768</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>70,544</b>	<b>26,432</b>
	<hr/>	<hr/>
<b>Cash &amp; cash equivalents at end of period</b>	<b>62,536</b>	<b>41,200</b>

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 report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those in the financial statements for the year ended 30 June 2004. However with effect from 1 July 2004, Mega Fortris (Malaysia) Sdn. Bhd. ("MFM") formerly considered a subsidiary company has now been treated as an investment in Jointly Controlled Entity pursuant to MASB 11 and 16 in view of the fact that the Group does not have effective control. Consequently, the Group has deconsolidated the financial statements of MFM. Accordingly, certain comparative figures have been reclassified to conform with current year's presentation.

The Group has also adopted MASB 31 Accounting for Government Grants and Disclosure of Government Assistance and MASB 32 Property Development Activities for the first time. The adoption of MASB 31 and 32 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

**2. Qualification of financial statement**

The audit report of the Group's preceding annual financial statements was not subject to any qualification.

**3. Seasonal or cyclical factors**

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

**4. Unusual item**

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 interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter under review.

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**6. Debt and equity securities**

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

**7. Dividend paid**

A first and final dividend of 1.5% less income tax of 28% (2003 : 1% less income tax of 28%) for the year ended 30 June 2004 was approved by the shareholders at the Annual General Meeting held on 28 October 2004. The entitlements to the dividend were determined on the basis of the record of depositors as at 19 November 2004 and payment was made on 16 December 2004.

**8. Segment information for the nine months ended 31 March 2005**

	<b>Revenue</b>	<b>Profit/(Loss)</b>
	<b>RM'000</b>	<b>Before</b>
		<b>Tax</b>
<b>2005</b>	<b>RM'000</b>	<b>RM'000</b>
<b>By Activity</b>		
<u>Continuing operations:</u>		
Build, own and operate power plants	198,634	38,841
Property development	19,319	341
Quarrying and production of quicklime, hydrated lime and calcium carbonate products	19,316	1,131
Engineering, designing and manufacturing of automotive and transportation components	135,212	8,905
Investment holding	445	(2,751)
Jointly controlled entity	-	1,786
Associated company	-	203
	<u>372,926</u>	<u>48,456</u>
<u>Discontinued operations:</u>		
Travel and lingerie	<u>55,832</u>	<u>(826)</u>
	<u>428,758</u>	<u>47,630</u>

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

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

**10. Events subsequent to the balance sheet date**

Other than as disclosed in note 20 (c), there was no material event subsequent to the end of the period reported up to 19 May 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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

- a) On 31 July 2004, the Group completed the acquisition of 62,500 ordinary shares of RM1.00 each representing 50% of the issued and paid-up share capital of Hexachase Corporation Sdn. Bhd. (“HCSB”) for a total cash consideration of RM3.5 million. HCSB is principally involved in the business of desktop publishing.
- b) With effect from 1 July 2004, Mega Fortris (Malaysia) Sdn. Bhd. (“MFM”) formerly considered a subsidiary company has now been treated as an investment in Jointly Controlled Entity pursuant to MASB 11 as disclosed in Note 1.
- c) On 16 September 2004, Rock Chemical Industries (M) Bhd (“RCI”) a subsidiary company of the Group announced that it had entered into a Conditional Sale and Purchase Agreement on 15 September 2004 with Wawasan TKH Sdn. Bhd. to dispose of its entire equity stake in four subsidiary companies at the cost of investment to RCI for a total cash consideration of RM1,063,335 as follows :
  - i) 63,333 fully paid ordinary shares of RM1.00 each representing 70.37% of the issued and paid-up share capital of Asia Experience Sdn. Bhd. (“AE”) for a cash consideration of RM63,333;
  - ii) 300,000 fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Xilouette Manufacturer Sdn. Bhd. (“XM”) for a cash consideration of RM300,000;
  - iii) 2 fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Xixili Intima Sdn. Bhd. (“XI”) for a cash consideration of RM2.00; and
  - iv) 2,500,000 fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of PST Travel Services Sdn. Bhd. (PST”) for a cash consideration of RM700,000.

The above mentioned disposals which resulted in a gain of RM1.162 million were approved by the shareholders of RCI at an Extraordinary General Meeting held on 20 December 2004 and completed on 21 December 2004.



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- d) On 26 January 2005, Gombak Land Sdn. Bhd., a wholly owned subsidiary of the Group entered into a sale and purchase agreement to acquire 2 fully paid ordinary shares of RM1.00 each in Kinta Ceria Sdn. Bhd. (“KCSB”) representing 100% of the issued and paid-up capital of KCSB for a total cash consideration of RM2,569,166. KCSB has entered into a sale and purchase agreement dated 1 August 2003 to purchase the land held under PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak measuring approximately 8,094 square meters. The transaction has since been completed.

Other than as disclosed above, there was no material change in the composition of the Group for the nine months ended 31 March 2005 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

**12. Changes in contingent liabilities and assets**

- a) Contingent liabilities

There was no material change in contingent liabilities of the Group from 1 July 2004 to 19 May 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

- b) Contingent assets

The Group have no contingent asset as at 19 May 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

- c) Significant related party transaction

	<b><u>RM'000</u></b>
Rental of premises from The Trustees For The Time Being Of The Rockingham Trust No. 6660/87, a Trust in which a director of a foreign subsidiary company Harvey Smith is a beneficiary	<u>771</u>

**13. Review of performance**

- a) For the current quarter

For the current quarter under review, the Group registered a pre-tax profit of RM18.4 million whilst revenue achieved was RM126.6 million.

The pre-tax profit was mainly derived from the Engineering Division which recorded a pre-tax profit of RM10.5 million after accounting for write-back of previous years' provision for shortfall in a funded pension scheme of a foreign subsidiary company of the Group of RM16.042 million as it is no longer probable that there will be an outflow of resources from the Group in view of the precarious financial position faced by that subsidiary offset by additional provisions for foreseeable losses arising from operations. The Power Division contributed a pre-tax profit of RM9.5 million during the quarter under review.

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- b) For the nine months ended 31 March 2005

For the nine months ended 31 March 2005, the Group achieved a pre-tax profit of RM47.6 million and a total revenue of RM428.8 million. The Power Division contributed RM38.8 million followed by the Engineering Division which recorded a pre-tax profit of RM8.9 million due mainly to the write-back of previous years' provision for shortfall in pension fund of RM16.0 million as explained in Note 13 (a) offset by additional provision for foreseeable losses arising from operation.

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

For the third quarter ended 31 March 2005, the Group's revenue was RM126.6 million compared to RM147.5 million in the preceding quarter. The lower revenue was mainly due to the loss in revenue from the travel and lingerie divisions which were disposed of on 20 December 2004.

However, the Group pre-tax profit for the third quarter of RM18.4 million was higher than that of the preceding quarter of RM14.2 million. The higher profit was mainly from the Engineering Division which recorded a pre-tax profit of RM10.5 million due to the write-back of previous years' provision for shortfall in pension fund of RM16.0 million as explained in Note 13 (a) offset by additional provision for foreseeable losses arising from operation.

**15. Prospects**

With the continuing efforts to strengthen the Group's businesses, the Directors are optimistic that the results for the remaining quarter will be satisfactory.

**16. Profit forecast**

The Group did not issue any profit forecast or profit guarantee in these financial statements.

**17. Tax expense**

	<b>Current quarter ended 31 March 2005 RM'000</b>	<b>Nine months ended 31 March 2005 RM'000</b>
Current tax expense		
Malaysian - current	811	2,756
Overseas - current	1,951	3,845
	<hr/>	<hr/>
	2,762	6,601
Deferred tax expense		
Malaysian	294	915
Overseas	-	-
	<hr/>	<hr/>
	294	915
Tax expense on share of profit :		
- jointly controlled entity	163	513
- associated company	-	17
	<hr/>	<hr/>
	3,219	8,046
	<hr/>	<hr/>

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The effective tax rates of the Group for the current quarter and nine months ended 31 March 2005 were lower than the statutory tax rate due mainly to the income earned in China which is taxed at the rate of 15 per cent and the tax rebate of about RM1.8 million from reinvestment in China.

**18. Unquoted investments and properties**

On 26 July 2004, Mega First Corporation Bhd entered into a conditional agreement to transfer its rights to a sub-lease over the land held under H.S. (M) 12/1978 Plot 3, Mukim Pekula Daerah Kuala Muda, Kedah for a total cash consideration of RM1.35 million. The consent from Perbadanan Kemajuan Negeri Kedah for the said transfer was obtained on 26 October 2004. This transaction was completed during the quarter under review and resulted in a gain of about RM1.2 million.

Other than as disclosed above, there was no sale of unquoted investment or property during the nine months under review.

**19. Quoted investment**

a) Purchase and sale of quoted investments

i) Acquisition of quoted investment in a subsidiary company

On 3 September 2004, Authentic Excellence Sdn. Bhd. (“AESB”) a wholly-owned subsidiary of the Company acquired 2,008,000 ordinary shares of RM1.00 each representing 4.74% of the issued and paid-up share capital of Rock Chemical Industries (M) Bhd (“RCI”) for a total cash consideration of RM4.5 million. Pursuant to this additional acquisition of RCI shares, the equity in RCI increase from 55.78% to 60.52%.

ii) Acquisition of other quoted investments

	<b>Current Quarter ended 31 March 2005 RM'000</b>	<b>Nine months ended 31 March 2005 RM'000</b>
Purchase consideration	<u>152</u>	<u>904</u>

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

	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	<u>904</u>	<u>904</u>	<u>908</u>

**20. Status of corporate proposal**

- a) On 10 March 2004, Bloxwich Forgings (Pty.) Limited (“BFPL”), a 96.9% owned subsidiary of the Group was liquidated pursuant to an Order of the High Court of South Africa.

BFPL, incorporated in the Republic of South Africa on 29 June 1993, was principally involved in the manufacturing of forged components mainly for the container and automotive industry, and had recorded losses for several years. The liquidation of BFPL is still in progress.

- b) On 26 May 2004 the Company proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of the Company (“Placement Shares”) and this was approved by the Securities Commission (“SC”) and Foreign Investment Committee on 26 July 2004.

The maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement is based on 10% of the issued and paid-up share capital of the Company of RM236,000,000 comprising 236,000,000 ordinary shares of RM1.00 each in the Company. To-date, no placement has been made. The SC has granted an extension of time until 27 July 2005 to complete the private placement.

- c) On 9 May 2005, Hatherton Engineering Limited (“HE”), a 97.2% owned subsidiary of the Group was placed under voluntary administration by the Directors of HE.

HE which was incorporated in England on 17 January 1958 as a private limited company is principally involved in the design and manufacture of precision tools. HE has been incurring losses and its financial position is not expected to improve in the foreseeable future.

The voluntary administration of HE will result in a Group loss of approximately RM3.5 million and this loss has been provided for in the current quarter under review.

Other than as disclosed above there was no corporate proposal announced but not completed as at 19 May 2005, 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 at 31 March 2005 :

**RM'000**

**Short term borrowings**

***Secured Denominated in :***

Ringgit Malaysia

GBP (GBP 3,222,000)

RMB (RMB 78,000,000)

Rand (R 11,306,000)

22,105

23,019

35,802

6,804

***Unsecured Denominated in :***

Ringgit Malaysia

30,373

118,103

**Long term borrowings**

***Secured Denominated in :***

Ringgit Malaysia

GBP (GBP 1,997,000)

41,376

14,268

55,644

173,747

**22. Off balance sheet financial instruments**

There was no financial instrument with off balance sheet risk as at 19 May 2005, 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 19 May 2005, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**24. Dividend**

No dividend was declared during the nine months under review.

**25. Basic earnings per share**

The calculation of basic earnings per share for the third quarter and nine months ended 31 March 2005 is based on the net profit attributable to ordinary shareholders of RM10,954,000 and RM24,582,000 respectively and the number of ordinary shares in issue of 236,000,000.

**BY ORDER OF THE BOARD**

**YONG LAI SIM**

Group Company Secretary

Kuala Lumpur

26 May 2005