

All abbreviations and defined terms used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus, unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your MFCB Shares, you should hand this Abridged Prospectus, together with the Notice of Provisional Allotment and Rights Subscription Form (collectively, the "Documents") at once to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The Documents are only despatched to the shareholders whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on 11 March 2016 who have a registered address in Malaysia or who have provided the Share Registrar with a registered address in Malaysia in writing on or before 5.00 p.m. on 11 March 2016.

The Documents are not intended to be, and will not be issued, circulated or distributed in countries or jurisdictions where to do so might constitute a violation of the securities laws or regulations of such countries or jurisdictions. No action has been or will be taken to ensure that either the Rights Issue with Warrants or the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be the sole responsibility of the Entitled Shareholders and/or their renounees/transferees (if applicable) who are or may be subject to the laws of countries or jurisdictions other than Malaysia to immediately consult their legal advisers and/or other professional advisers as to whether the acceptance or renunciation, as the case may be, of all or any part of the Provisional Rights Shares with Warrants, the Excess Application, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares with Warrants, would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 10 of this Abridged Prospectus. Neither MFCB, Maybank IB, CIMB nor any of their respective directors and officers or affiliates shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or renunciation, as the case may be, of all or any part of the Provisional Rights Shares with Warrants, the Excess Application, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares with Warrants made by the Entitled Shareholders and/or their renounees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions other than Malaysia.

The Provisional Rights Shares with Warrants and the Rights Shares with Warrants have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States, and as such, the Provisional Rights Shares with Warrants and the Rights Shares with Warrants may not be accepted, and the Provisional Rights Shares with Warrants and the Rights Shares with Warrants may not be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered, directly or indirectly, within the United States or to United States persons except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the applicable securities laws of any state or other jurisdiction of the United States. The Rights Shares with Warrants will be offered and sold only (i) within the United States to QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) thereunder, and (ii) outside the United States in offshore transactions in reliance on Regulation S. There is no intention to register any portion of the Provisional Rights Shares with Warrants or the Rights Shares with Warrants in the United States or to conduct a public offering of securities in the United States.

Approval for the Rights Issue with Warrants has been obtained from the shareholders of the Company at the EGM held on 4 February 2016. Approval has also been obtained from Bursa Securities vide its letter dated 18 December 2015 for the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and Exercised Shares on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares and Warrants will commence after, among others, the receipt of confirmation from Bursa Depository that the Rights Shares and Warrants have been duly credited into the CDS Accounts of the successful Entitled Shareholders and/or their renounees/transferees (if applicable) and the notices of allotment have been despatched to them. The admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares and Warrants are in no way reflective of the merits of the Rights Issue with Warrants.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of each of the Documents has also been lodged with the Companies Commission of Malaysia, who takes no responsibility for the contents of the Documents.

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Maybank IB and CIMB, being the Joint Principal Advisers and Joint Underwriters for the Rights Issue with Warrants, acknowledge that, based on all available information and to the best of their knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

MFCB

MEGA FIRST CORPORATION BERHAD

(Company No.: 6682-V)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 157,048,290 NEW ORDINARY SHARES OF RM1.00 EACH IN MEGA FIRST CORPORATION BERHAD ("MFCB") ("MFCB SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM1.59 PER RIGHTS SHARE, WHICH CAN BE SUBSCRIBED FOR AT USD0.38 PURSUANT TO THE SUBSCRIPTION OPTION, TOGETHER WITH 67,306,410 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF SEVEN (7) RIGHTS SHARES FOR EVERY TEN (10) MFCB SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 11 MARCH 2016 AND THREE (3) WARRANTS FOR EVERY SEVEN (7) RIGHTS SHARES SUBSCRIBED FOR

Joint Principal Advisers and Joint Underwriters



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

| | |
|--|--|
| Entitlement date | : Friday, 11 March 2016 at 5.00 p.m. |
| Last date and time for the sale of the Provisional Rights Shares with Warrants | : Tuesday, 22 March 2016 at 5.00 p.m. |
| Last date and time for the transfer of the Provisional Rights Shares with Warrants | : Friday, 25 March 2016 at 4.00 p.m. |
| Last date and time for the acceptance of and payment for the Provisional Rights Shares with Warrants | : Wednesday, 30 March 2016 at 5.00 p.m.* |
| Last date and time for the application and payment for the Excess Rights Shares with Warrants | : Wednesday, 30 March 2016 at 5.00 p.m.* |

* or such later date and time as the Board and the Joint Underwriters may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated date and time

This Abridged Prospectus is dated 11 March 2016

ALL ABBREVIATIONS AND DEFINED TERMS USED HEREIN SHALL HAVE THE SAME MEANINGS AS THOSE DEFINED IN THE “DEFINITIONS” SECTION OF THIS ABRIDGED PROSPECTUS, UNLESS STATED OTHERWISE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU ARE PROVIDED WITH THE SUBSCRIPTION OPTION, WHEREBY YOU CAN OPT TO (I) ACCEPT YOUR PROVISIONAL RIGHTS SHARES WITH WARRANTS EITHER SOLELY IN RM OR SOLELY IN USD, BUT COMBINATION OF THESE CURRENCIES IS NOT ALLOWED; AND/OR (II) APPLY FOR THE EXCESS RIGHTS SHARES WITH WARRANTS EITHER SOLELY IN RM OR SOLELY IN USD, BUT COMBINATION OF THESE CURRENCIES IS NOT ALLOWED. FOR RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE), IT IS A CONDITION IMPOSED BY BNM IN RESPECT OF THE SUBSCRIPTION OPTION THAT ONLY RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE) WITH EXISTING USD FUNDS ARE ALLOWED TO SUBSCRIBE FOR THE RIGHTS SHARES IN USD AND ANY CONVERSION OF RM TO USD FOR THE PURPOSES OF SUBSCRIBING FOR THE RIGHTS SHARES IS NOT ALLOWED.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE WITH WARRANTS AND ANY INVESTMENT IN THE COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, AMONG OTHERS, DIRECTORS OF THE COMPANY AND THE ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. THE COMPANY AND THE ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE COMPANY AND THE ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF THE RIGHTS SHARES AND WARRANTS BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE RIGHTS SHARES AND WARRANTS IN ANY COUNTRY OR JURISDICTION WHERE TO DO SO MIGHT CONSTITUTE VIOLATION OF THE SECURITIES LAWS OR REGULATIONS OF SUCH COUNTRY OR JURISDICTION. THE COMPANY AND THE ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. THE COMPANY AND THE ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

THE DOCUMENTS ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA OR JAPAN OR ANY OTHER STATE OR JURISDICTION WHERE SUCH DISTRIBUTION IS UNLAWFUL. THE RIGHTS ISSUE WITH WARRANTS REFERRED TO IN THE DOCUMENTS IS NOT, AND UNDER NO CIRCUMSTANCES SHALL IT BE CONSTRUED AS AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES IN ANY COUNTRY OR JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH COUNTRY OR JURISDICTION.

THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE RIGHTS SHARES WITH WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE ACCEPTED, OFFERED OR SOLD WITHIN THE UNITED STATES OR TO UNITED STATES PERSONS EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE RIGHTS SHARES WITH WARRANTS WILL BE OFFERED AND SOLD ONLY (I) WITHIN THE UNITED STATES TO QIBS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY SECTION 4(A)(2) THEREUNDER; AND (II) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S.

THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE RIGHTS SHARES WITH WARRANTS MAY ONLY BE ACCEPTED, AND THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE RIGHTS SHARES WITH WARRANTS MAY ONLY BE OFFERED, TAKEN UP, SUBSCRIBED, ACQUIRED, SOLD, RESOLD, PLEDGED, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO UNITED STATES PERSONS IN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, BY OR TO ENTITLED QIBS WHO HAVE EACH PROVIDED THE COMPANY WITH A SIGNED U.S. INVESTOR REPRESENTATION LETTER (AND SUCH U.S. INVESTOR REPRESENTATION LETTER HAS BEEN RECEIVED AND ACCEPTED BY THE COMPANY) ON OR BEFORE THE CLOSING DATE (WITH A COPY TO THE JOINT PRINCIPAL ADVISERS AND JOINT UNDERWRITERS). PLEASE REFER TO APPENDIX VIII OF THIS ABRIDGED PROSPECTUS ENTITLED "OFFERING, SELLING AND TRANSFER RESTRICTIONS" FOR FURTHER INFORMATION.

THE COMPANY WILL NOT ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR PERSON ACTING ON BEHALF OF ANY PERSON, WHO APPEARS TO BE, OR WHO THE COMPANY HAS REASON TO BELIEVE IS LOCATED IN THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THE DOCUMENTS, THE RIGHTS ISSUE WITH WARRANTS, THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND/OR THE RIGHTS SHARES WITH WARRANTS UNDER THE U.S. SECURITIES ACT OF THE LAWS OF ANY STATE OF JURISDICTION OF THE UNITED STATES.

DEFINITIONS

The following definitions shall apply throughout this Abridged Prospectus and the accompanying appendices unless the context requires otherwise:

| | |
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| 11MP | : Eleventh Malaysia Plan |
| Abridged Prospectus | : This abridged prospectus dated 11 March 2016 issued by MFCB in connection with the Rights Issue with Warrants |
| Act | : Companies Act, 1965 |
| Additional Undertaking | : Irrevocable undertaking in writing from Keen Capital, being the nominee of GNK and a company wholly-owned by GNK, to subscribe, by way of Excess Application, in aggregate with the Undertakings, for 50% of the total Rights Shares pursuant to the Rights Issue with Warrants |
| BNM | : Bank Negara Malaysia |
| Board | : Board of Directors of MFCB |
| Bursa Depository | : Bursa Malaysia Depository Sdn Bhd |
| Bursa Securities | : Bursa Malaysia Securities Berhad |
| By-Laws | : By-laws of the ESOS |
| CBH | : Chu Beng Han, being a shareholder of MFCB |
| CDS | : Central Depository System |
| CDS Account | : A securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor |
| CH or Reporting Accountants | : Messrs. Crowe Horwath, being the reporting accountants for the Rights Issue with Warrants |
| CIMB | : CIMB Investment Bank Berhad |
| Closing Date | : 30 March 2016 at 5.00 p.m., being the last date and time for the acceptance, application and payment for the Provisional Rights Shares with Warrants and the Excess Rights Shares with Warrants or such later date and time as the Board and the Joint Underwriters may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated date and time in relation to the Rights Issue with Warrants |
| CMSA | : Capital Markets and Services Act, 2007 |
| Code | : Malaysian Code on Take-Overs and Mergers, 2010 |
| Corporate Exercises | : Collectively, the Rights Issue with Warrants and Exemptions |
| Deed Poll | : The deed poll executed by the Company on 25 February 2016 constituting the Warrants |
| Director | : Members of the Board and the term "director" has the same meaning assigned to it in Section 2(1) of the CMSA |
| Documents | : Collectively, the Abridged Prospectus and the accompanying NPA and RSF |
| Don Sahong Hydropower Project | : A run-of-river hydropower project located at the Hou Sahong channel of the Mekong River in Khong District, Champasak Province in Lao PDR |
| DSPC | : Don Sahong Power Company Ltd, being an indirect 80%-owned subsidiary of MFCB incorporated in Lao PDR, which will be undertaking the development and implementation of the Don Sahong Hydropower Project |
| EDL | : Electricite Du Laos, being a state-owned enterprise duly organised and existing under the laws of Lao PDR |
| EGM | : Extraordinary general meeting of MFCB |

DEFINITIONS (Cont'd)

| | | |
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| EIA | : | U.S. Energy Information Administration |
| Entitled Shareholders | : | Shareholders of MFCB whose names appear in the Record of Depositors of the Company on the Entitlement Date in order to be entitled to the Rights Issue with Warrants |
| Entitlement Date | : | 11 March 2016 at 5.00 p.m., being the date and time on which the names of the shareholders of MFCB must appear in the Record of Depositors of the Company in order to be entitled to the Rights Issue with Warrants |
| EPS | : | Earnings per share |
| ESOS | : | Employees share option scheme of MFCB, expiring on 31 July 2020 |
| Excess Application | : | Application for additional Rights Shares with Warrants in excess of the entitlements of the Entitled Shareholders and/or their renounees/transferees (if applicable) under the Rights Issue with Warrants, the procedures of which are as set out in Section 10.5 of this Abridged Prospectus and the accompanying RSF |
| Excess Rights Shares with Warrants | : | Rights Shares with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounees/transferees (if applicable) by the Closing Date |
| Exemptions | : | Exemptions to GNK and his PACs from the obligation to undertake a mandatory take-over offer for all MFCB Shares and Warrants not held by GNK and his PACs under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Code |
| Exercise Price | : | RM2.22, being the price at which one (1) Warrant is exercisable into one (1) MFCB Share, subject to such adjustments as may be allowed under the Deed Poll |
| Exercised Shares | : | New MFCB Shares arising from the exercise of the Warrants |
| Foreign Addressed Shareholders | : | Entitled Shareholders who falls into the following categories: <ul style="list-style-type: none"> (i) person whose address in the Record of Depositors of the Company on the Entitlement Date is not a Malaysian address; or (ii) person who failed to notify the Share Registrar of a mailing address in Malaysia, on or before the Entitlement Date |
| FYE | : | Financial year ended or ending, as the case may be |
| GDP | : | Gross domestic product |
| GNK | : | Goh Nan Kioh, being the Executive Chairman and a substantial shareholder of MFCB |
| GNY | : | Goh Nan Yang, being a Director and shareholder of MFCB |
| GOL | : | Government of Lao PDR |
| Government | : | Government of Malaysia |
| GWh | : | Gigawatt-hours |
| Issue Price | : | RM1.59, being the issue price for each Rights Share, or which can be subscribed for at USD0.38 pursuant to the Subscription Option |
| Joint Principal Advisers or Joint Underwriters | : | Collectively, Maybank IB and CIMB |
| Keen Capital | : | Keen Capital Investments Limited, being a substantial shareholder of MFCB |
| kV | : | Kilovolt |
| Lanai Etika | : | Lanai Etika Sdn Bhd, being a shareholder of MFCB |
| Lao PDR | : | Lao People's Democratic Republic |

DEFINITIONS (Cont'd)

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| Listing Requirements | : Main Market Listing Requirements of Bursa Securities |
| LPD | : 25 February 2016, being the latest practicable date prior to the date of this Abridged Prospectus |
| M&E | : Machinery and equipment |
| Market Day | : A day on which Bursa Securities is open for trading in securities |
| Maybank IB | : Maybank Investment Bank Berhad |
| MFCB or Company | : Mega First Corporation Berhad |
| MFCB Group or Group | : Collectively, MFCB and its subsidiaries |
| MFCB Shares | : Ordinary shares of RM1.00 each in MFCB |
| MFO | : Medium fuel oil |
| MW | : Megawatts |
| NA | : Net assets |
| NBS | : National Bureau Statistics of China |
| NPA | : Notice of provisional allotment of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants |
| Official List | : A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed |
| Options | : Options granted pursuant to the ESOS |
| Options A | : Options exercisable at any time from 21 May 2014 to 31 July 2020 |
| Outstanding Options | : The 13,458,000 outstanding Options comprising: <ul style="list-style-type: none"> (i) 1,273,000 Options A; and (ii) 12,185,000 Options, 50% of which are exercisable at any time from 30 June 2018 and the remaining are exercisable at any time from 1 July 2019 to 31 July 2020 |
| PACs | : Persons acting in concert with GNK, namely Rubber Thread, Keen Capital, PRT Capital, Lanai Etika, GNY and CBH pursuant to the Corporate Exercises |
| PAT | : Profit after taxation |
| PBT | : Profit before taxation |
| Price-Fixing Date | : 17 February 2016, being the date on which the Board fixed the Issue Price in both RM and USD, the entitlement basis for the Rights Shares and Warrants as well as the Exercise Price |
| Provisional Rights Shares with Warrants | : Rights Shares with Warrants provisionally allotted to the Entitled Shareholders |
| PRT Capital | : PRT Capital Pte Ltd, being a shareholder of MFCB |
| QIBs | : Qualified institutional buyers, as defined under Rule 144A |
| Record of Depositors | : Record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository |
| Regulation S | : Regulation S under the U.S. Securities Act |
| Resident | : Resident means: <ul style="list-style-type: none"> (i) a citizen of Malaysia, excluding a citizen who has obtained permanent resident status in a country or a territory outside Malaysia and is residing outside Malaysia; |

DEFINITIONS (Cont'd)

| | | |
|----------------------------|-------|---|
| | (ii) | a non-citizen of Malaysia who has obtained permanent resident status in Malaysia and is ordinarily residing in Malaysia; |
| | (iii) | a body corporate incorporated or established, or registered with or approved by any authority, in Malaysia; |
| | (iv) | an unincorporated body registered with or approved by any authority in Malaysia; or |
| | (v) | the Government or any state government, as defined under Section 213 of the Financial Services Act, 2013 |
| Rights Issue Proceeds | : | Gross proceeds of approximately RM249.7 million to be raised pursuant to the Rights Issue with Warrants before the exercise of the Warrants |
| Rights Issue with Warrants | : | Renounceable rights issue of 157,048,290 Rights Shares at the Issue Price together with 67,306,410 Warrants on the basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date and three (3) Warrants for every seven (7) Rights Shares subscribed for |
| Rights Shares | : | New MFCB Shares to be issued under the Rights Issue with Warrants |
| RSF | : | Rights subscription form pursuant to the Rights Issue with Warrants |
| Rubber Thread | : | Rubber Thread Industries (M) Sdn Berhad, being a substantial shareholder of MFCB |
| Rule 144A | : | Rule 144A under the U.S. Securities Act |
| Rules of Bursa Depository | : | Rules of Bursa Depository as issued pursuant to the SICDA |
| SC | : | Securities Commission Malaysia |
| SESB | : | Sabah Electricity Sdn Bhd |
| Share Registrar | : | Symphony Share Registrars Sdn Bhd |
| SICDA | : | Securities Industry (Central Depositories) Act, 1991 |
| Solicitors | : | Messrs. Christopher & Lee Ong, Messrs. Cheang & Ariff and Clifford Chance Pte Ltd |
| SPSB | : | Serudong Power Sdn Bhd, being a 51%-owned subsidiary of Mega First Power Industries Sdn Bhd, which is in turn a wholly-owned subsidiary of MFCB |
| Subscription Condition | : | Pursuant to the condition imposed by BNM in relation to the Subscription Option, for Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable), only Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) with existing USD funds are allowed to subscribe for the Rights Shares in USD and any conversion of RM to USD for the purposes of subscribing for the Rights Shares is not allowed |
| Subscription Option | : | Option to subscribe for the Rights Shares either solely in RM or solely in USD |
| TERP | : | Theoretical ex-rights price |
| Treasury Shares | : | 20,497,300 MFCB Shares purchased and held as treasury shares by MFCB |
| U.S. Securities Act | : | U.S. Securities Act of 1933 |
| Undertaking Shareholders | : | Collectively, GNK and his PACs |

DEFINITIONS (Cont'd)

| | | |
|--------------------------|---|---|
| Undertakings | : | Irrevocable undertakings in writing from the Undertaking Shareholders to subscribe in full for their respective entitlements under the Rights Issue with Warrants on the Entitlement Date |
| Underwriting Agreement | : | Underwriting agreement dated 19 February 2016 entered into between MFCB and the Joint Underwriters in relation to the Rights Issue with Warrants |
| Underwriting Arrangement | : | Underwriting arrangement for the remaining portion of the Rights Shares for which no undertaking has been obtained |
| United States or U.S. | : | United States of America |
| VWAMP | : | Volume weighted average market price |
| Warrants | : | Free detachable warrants to be issued pursuant to the Rights Issue with Warrants |

CURRENCIES

| | | |
|------|---|-----------------------|
| HKD | : | Hong Kong Dollar |
| Rand | : | South African Rand |
| RM | : | Ringgit Malaysia |
| RMB | : | Renminbi |
| USD | : | United States Dollars |

All references to “**you**” in this Abridged Prospectus are to the Entitled Shareholders and/or where the context otherwise requires, their renounees/transferees.

Any reference in this Abridged Prospectus to any enactment, code, rules and regulations is a reference to that enactment, code, rules and regulations as for the time being amended or re-enacted.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day and date in this Abridged Prospectus is a reference to Malaysian time and date.

This Abridged Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding the Group’s financial position, business strategies, prospects, plans and objectives of the Company for future operations, are forward-looking statements. There is no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

Unless otherwise stated, the exchange rate of USD1.00:RM4.2195, being the middle rate quoted by BNM as at 5.00 p.m. on the LPD is used throughout this Abridged Prospectus.

Any exchange rate translations in this Abridged Prospectus are provided solely for the convenience of readers and should not be constituted as representative that the translated amounts stated in this Abridged Prospectus could have been or would have been converted into such other amounts or vice versa.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

| Name/Designation | Address | Nationality | Profession |
|---|---|--------------------|-------------------|
| Goh Nan Kioh <i>Executive Chairman</i> | 21 Jalan Setiakasih Damansara Heights 50490 Kuala Lumpur Malaysia | Malaysian | Company Director |
| Dato' Haji Abu Hanifah bin Noordin <i>Independent and Non-Executive Deputy Chairman</i> | 2 Lorong Chan Chin Mooi 1 Taman Tasek Titiwangsa 53200 Kuala Lumpur Malaysia | Malaysian | Company Director |
| Goh Nan Yang <i>Executive Director (Also the alternate director to Goh Nan Kioh)</i> | 62 Jalan 1/149K Taman Sri Petaling 57000 Kuala Lumpur Malaysia | Malaysian | Company Director |
| Khoo Teng Keat <i>Executive Director</i> | 9 Elitis Dahina Valencia 47000 Sungai Buloh Selangor Darul Ehsan Malaysia | Malaysian | Company Director |
| Yeow See Yuen <i>Independent and Non-Executive Director</i> | 40 Dakota Cres #03-13 Dakota Residences Singapore 399939 Singapore | Malaysian | Company Director |
| Tay Kheng Chiong <i>Non-Independent and Non-Executive Director</i> | Lot 149 Taman Bukit Beruang Heights Bukit Beruang 75450 Melaka Malaysia | Malaysian | Company Director |
| Dato' Tan Ang Meng <i>Independent and Non-Executive Director</i> | B-06-06, Block B Surian Condo Jalan PJU 7/12B Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Malaysia | Malaysian | Company Director |
| Dato' Koh Hong Sun <i>Independent and Non-Executive Director</i> | 51 Persiaran Abang Haji Openg Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia | Malaysian | Company Director |
| Pengiran Saifuddin bin Pengiran Tahir <i>Independent and Non-Executive Director</i> | Kampung Buang Sayang 1 Peti Surat 34 89606 Papar Sabah Malaysia | Malaysian | Company Director |

AUDIT COMMITTEE

| Name | Designation | Directorship |
|------------------------------------|--------------------|---|
| Yeow See Yuen | Chairman | Independent and Non-Executive Director |
| Dato' Haji Abu Hanifah bin Noordin | Member | Independent and Non-Executive Deputy Chairman |
| Dato' Tan Ang Meng | Member | Independent and Non-Executive Director |

CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Yong Lai Sim (MAICSA 0862552)
Ghee Yoke Ping (MAICSA 7014691)
- A-12-01, Level 12, Block A, PJ8
23 Jalan Barat, Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- HEAD / MANAGEMENT / REGISTERED OFFICE** : A-12-01, Level 12, Block A, PJ8
23 Jalan Barat, Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- Tel. No.: +603 7960 8818
E-mail: mfc@mega-first.com
Website: www.mega-first.com
- AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE WITH WARRANTS** : Crowe Horwath (AF 1018)
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
- Tel. No.: +603 2788 9999
E-mail: info@crowehorwath.com.my
Website: www.crowehorwath.com.my
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- Tel. No.: +603 7849 0777
Fax. No.: +603 7841 8151/52
- PRINCIPAL BANKERS** : Malayan Banking Berhad
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
- Tel. No.: +603 2070 8833
- CIMB Islamic Bank Berhad
17th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia
- Tel. No.: +603 2261 8888

CORPORATE DIRECTORY (Cont'd)

AmBank (M) Berhad
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Tel. No.: +603 2036 2633

AmBank Islamic Berhad
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Tel. No.: +603 2036 2633

Bank of China (Malaysia) Berhad
Grd. Mezz. & 1st Floor, Plaza OSK
25 Jalan Ampang
50450 Kuala Lumpur
Malaysia

Tel. No.: +603 2162 6633

**JOINT PRINCIPAL ADVISERS
AND JOINT UNDERWRITERS**

: Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Tel. No.: +603 2059 1888

CIMB Investment Bank Berhad
17th Floor, Menara CIMB
No.1, Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel. No.: +603 2261 8888

**SOLICITORS FOR THE RIGHTS
ISSUE WITH WARRANTS**

: *To MFCB as to Malaysian law*
Messrs. Christopher & Lee Ong
Level 22, Axiata Tower
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel. No.: +603 2273 1919

To the Joint Underwriters as to Malaysian law
Messrs. Cheang & Ariff
39 Court @ Loke Mansion
273A, Jalan Medan Tuanku
50300 Kuala Lumpur
Malaysia

Tel. No.: +603 2691 0803

CORPORATE DIRECTORY (Cont'd)

To the Joint Underwriters as to U.S. federal law
Clifford Chance Pte Ltd
12 Marina Boulevard
25th Floor, Tower 3
Marina Bay Financial Centre
Singapore 018982

Tel. No.: +65 6410 2200

STOCK EXCHANGE LISTED AND LISTING SOUGHT : Main Market of Bursa Securities

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MFCB

MEGA FIRST CORPORATION BERHAD

(Company No.: 6682-V)

(Incorporated in Malaysia under the Act)

Registered Office:

A-12-01, Level 12
Block A, PJ8
23 Jalan Barat
Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

11 March 2016

Board of Directors:

Goh Nan Kioh (*Executive Chairman*)

Dato' Haji Abu Hanifah bin Noordin (*Independent and Non-Executive Deputy Chairman*)

Goh Nan Yang (*Executive Director*)

Khoo Teng Keat (*Executive Director*)

Yeow See Yuen (*Independent and Non-Executive Director*)

Tay Kheng Chiong (*Non-Independent and Non-Executive Director*)

Dato' Tan Ang Meng (*Independent and Non-Executive Director*)

Dato' Koh Hong Sun (*Independent and Non-Executive Director*)

Pengiran Saifuddin bin Pengiran Tahir (*Independent and Non-Executive Director*)

To: The shareholders of MFCB

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 157,048,290 RIGHTS SHARES AT THE ISSUE PRICE TOGETHER WITH 67,306,410 WARRANTS ON THE BASIS OF SEVEN (7) RIGHTS SHARES FOR EVERY TEN (10) MFCB SHARES HELD BY THE ENTITLED SHAREHOLDERS ON THE ENTITLEMENT DATE AND THREE (3) WARRANTS FOR EVERY SEVEN (7) RIGHTS SHARES SUBSCRIBED FOR

1. INTRODUCTION

On 26 November 2015, on behalf of the Board, the Joint Principal Advisers announced that the Company proposed to undertake, among others, the Rights Issue with Warrants.

On 18 December 2015, on behalf of the Board, the Joint Principal Advisers announced that Bursa Securities had, vide its letter dated 18 December 2015, approved the following:

- (i) listing of and quotation for the Rights Shares;
- (ii) admission to the Official List of Bursa Securities and listing of and quotation for the Warrants; and
- (iii) listing of and quotation for the Exercised Shares,

on the Main Market of Bursa Securities, subject to the conditions set out below:

| No. | Conditions | Status of compliance |
|-------|--|----------------------|
| (i) | MFCB and the Joint Principal Advisers must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants; | To be complied |
| (ii) | MFCB and the Joint Principal Advisers to inform Bursa Securities upon the completion of the Rights Issue with Warrants; | To be complied |
| (iii) | MFCB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and | To be complied |
| (iv) | MFCB to furnish Bursa Securities on a quarterly basis a summary of the total number of new MFCB Shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable. | To be complied |

On 4 February 2016, on behalf of the Board, the Joint Principal Advisers announced that the following had been approved:

- (i) Rights Issue with Warrants by the shareholders of MFCB by show of hands; and
- (ii) Exemptions by the non-interested shareholders of MFCB by way of a poll,

at the EGM held on even date. A certified true copy of the extract of the resolutions relating to the Corporate Exercises passed at the aforesaid EGM is set out in **Appendix I** of this Abridged Prospectus.

On 5 February 2016, on behalf of the Board, the Joint Principal Advisers announced that the SC had, vide its letter dated 5 February 2016, approved the Exemptions.

On 17 February 2016, on behalf of the Board, the Joint Principal Advisers announced that:

- (i) the Issue Price had been fixed at RM1.59 or USD0.38 per Rights Share at an entitlement basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date;
- (ii) the entitlement basis for the Warrants had been fixed at three (3) Warrants for every seven (7) Rights Shares subscribed for; and
- (iii) the Exercise Price had been fixed at RM2.22 for each Warrant.

On 19 February 2016, on behalf of the Board, the Joint Principal Advisers announced that the Company had entered into the Underwriting Agreement. The details of the Underwriting Arrangement are set out in **Section 3.2** of this Abridged Prospectus.

On 25 February 2016, on behalf of the Board, the Joint Principal Advisers announced that the Entitlement Date for the Rights Issue with Warrants had been fixed on 11 March 2016 at 5.00 p.m.

No person is authorised to give any information or make any representation not contained in the Documents and if given or made, such information or representation must not be relied upon as having been authorised by MFCB, the Joint Principal Advisers and/or the Joint Underwriters, in connection with the Rights Issue with Warrants.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Introduction

In accordance with the terms of the Rights Issue with Warrants as approved by the shareholders of MFCB at the EGM held on 4 February 2016 and subject to the terms of the Documents, the Rights Issue with Warrants entails a provisional allotment of 157,048,290 Rights Shares at the Issue Price together with 67,306,410 Warrants on the basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date with three (3) Warrants for every seven (7) Rights Shares subscribed for.

The final number of Rights Shares and Warrants to be issued pursuant to the Rights Issue with Warrants are set out below:

| | No. of MFCB Shares | RM |
|---|---------------------------|--------------------|
| Issued and paid-up share capital as at the LPD | 243,852,000 | 243,852,000 |
| Less: Treasury Shares | (20,497,300) | (20,497,300) |
| | 223,354,700 | 223,354,700 |
| To be issued pursuant to the exercise of Options A ⁽¹⁾ | 1,000,000 | 1,000,000 |
| | 224,354,700 | 224,354,700 |
| To be issued pursuant to the Rights Issue with Warrants | 157,048,290 | 157,048,290 |
| | 381,402,990 | 381,402,990 |
| To be issued pursuant to the full exercise of the Warrants | 67,306,410 | 67,306,410 |
| Enlarged issued and paid-up share capital | 448,709,400 | 448,709,400 |

Note:

⁽¹⁾ On 15 February 2016, the Company received the undertakings from GNK and GNY that they will exercise each of their 500,000 Options A in full and the undertaking from the remaining Options A holder that he will not exercise his remaining 273,000 Options A, prior to the Entitlement Date.

For the avoidance of doubt, the final number of Rights Shares with Warrants to be issued will not take into consideration the remaining Outstanding Options other than Options A as they are not exercisable prior to the Entitlement Date.

As at the LPD, the Board has resolved that the Company:

- (i) will not grant further Options to the eligible employees and Directors of the MFCB Group;
- (ii) will not undertake any further share buy-back after the LPD; and
- (iii) will retain all Treasury Shares held by the Company,

prior to the Entitlement Date. For the avoidance of doubt, the retained Treasury Shares will have no participation rights in the Rights Issue with Warrants.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce/transfer their entitlements to the Rights Shares with Warrants in full or in part.

The renunciation of the Rights Shares by the Entitled Shareholders will entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants in the proportion of their acceptance of their Rights Shares entitlements. For the avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.

The Warrants will be attached to the Rights Shares and be issued for free to the Entitled Shareholders and/or their renounees/transferees (if applicable) who subscribe for the Rights Shares based on their respective entitlements under the Rights Issue with Warrants. The Warrants will be immediately detached from the Rights Shares upon issuance and allotment, and will be separately traded on the Main Market of Bursa Securities.

Any fractional entitlements of the Rights Shares with Warrants under the Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and in the best interest of MFCB.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for Excess Application by the Entitled Shareholders and/or their renounees/transferees (if applicable).

It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner, in accordance with the procedures as set out in **Section 10.5** of this Abridged Prospectus.

2.2 Subscription Option

(i) Details of the Subscription Option

MFCB is currently undertaking the Don Sahong Hydropower Project.

MFCB intends to utilise up to RM150.0 million, representing approximately 60% of the Rights Issue Proceeds, to partially fund the construction of the Don Sahong Hydropower Project, which will be financed in USD. Further details on the Don Sahong Hydropower Project are set out in **Section 4** of this Abridged Prospectus.

In order to match the risk profiles and USD funding requirements of the Don Sahong Hydropower Project, the subscription of the Rights Issue with Warrants is undertaken in either RM or USD. In this regard, the shareholders of MFCB are provided with the Subscription Option, whereby the shareholders of MFCB can opt to subscribe for the Rights Shares either solely in RM or solely in USD.

Assuming MFCB raises up to RM150.0 million of the Rights Issue Proceeds in USD, the said proceeds in USD will be channelled directly into the Don Sahong Hydropower Project without MFCB incurring further foreign exchange translation costs.

On 22 October 2015 and 14 December 2015, BNM had given its conditional approval for the Subscription Option and the investment abroad by MFCB in relation to the Don Sahong Hydropower Project vide its letters dated 22 October 2015 and 14 December 2015. Such approval has been granted subject to conditions to be complied with by MFCB over the tenure of the Don Sahong Hydropower Project. Should MFCB fail to comply with any of the conditions imposed by BNM, the approval granted will be revoked.

Pursuant to the Subscription Condition imposed by BNM in relation to the Subscription Option, **for Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable), only Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) with existing USD funds are allowed to subscribe for the Rights Shares in USD and any conversion of RM to USD for the purposes of subscribing for the Rights Shares is not allowed.**

Pursuant to the Subscription Option, the Rights Shares can be subscribed for at USD0.38 each, which was based on the exchange rate of USD1.00 to RM4.1525 based on the middle rate as quoted by BNM as at 5.00 p.m. on 16 February 2016, being the last Market Day before the Price-Fixing Date.

The Entitled Shareholders and/or their renounees/transferees (if applicable) can opt to:

- (a) accept their Provisional Rights Shares with Warrants either solely in RM or solely in USD, but combination of these currencies is not allowed; and/or
- (b) apply for the Excess Rights Shares with Warrants either solely in RM or solely in USD, but combination of these currencies is not allowed.

For the avoidance of doubt, the Exercise Price for the Warrants pursuant to the Rights Issue with Warrants is in RM only.

(ii) Benefits of the Subscription Option

The Board considered that the Subscription Option is beneficial to the Entitled Shareholders and/or their renounees/transferees (if applicable) as it provides flexibility for them to subscribe for the Rights Shares either solely in RM or solely in USD, subject to the Subscription Condition. Furthermore, the Subscription Option will be beneficial to MFCB, for the following reasons:

- (a) matching risk profiles with the USD funding requirements of the Don Sahong Hydropower Project and the Rights Issue Proceeds in USD;
- (b) lower transaction costs incurred arising from the conversion of the Rights Issue Proceeds in RM to USD; and
- (c) reduced exposure to the volatility of foreign currencies movements from the Price-Fixing Date to the completion of the Rights Issue with Warrants.

2.3 Basis of determining the Issue Price and Exercise Price

The Issue Price of RM1.59 per Rights Share represents a discount of approximately 20.9% to the TERP of the MFCB Shares as set out in item (v) below.

The Issue Price was fixed by the Board after taking into consideration, among others, the following:

- (i) the Rights Issue Proceeds;
- (ii) the prevailing market condition, which included, among others, market sentiment and volatility of the Malaysian stock market;
- (iii) the prevailing market price of the MFCB Shares based on the historical price movement up to the last trading day before the Price-Fixing Date;
- (iv) the issued and paid-up share capital of MFCB as at the Price-Fixing Date; and
- (v) the TERP of the MFCB Shares of RM2.01, based on the five (5)-day VWAMP of the MFCB Shares of RM2.31 per MFCB Share up to and including 16 February 2016, being the last trading day before the Price-Fixing Date.

After taking into consideration major rights issue exercises by other listed issuers on Bursa Securities and the prospects of the MFCB Group, the Board is of the opinion that the discount above is reasonably attractive to encourage the Entitled Shareholders to subscribe for their entitlements pursuant to the Rights Issue with Warrants.

The Exercise Price of RM2.22 per Warrant, representing a premium of approximately 10.4% to the TERP of the MFCB Shares of RM2.01, based on the same VWAMP which was adopted to determine the TERP of the MFCB Shares as set out in item (v) above, was fixed by the Board after taking into consideration, among others, the funding requirements of MFCB and the expected timing of such requirements over the next four (4) years.

2.4 Ranking of the Rights Shares and Exercised Shares

The Rights Shares and Exercised Shares shall, upon issuance and allotment, rank equally in all respects with the then existing MFCB Shares, except that the Rights Shares and Exercised Shares shall not be entitled to any dividend, right, allotment and/or other distribution which may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares and Exercised Shares.

2.5 Salient terms of the Warrants

| | | |
|---|---|--|
| Issue size | : | 67,306,410 Warrants |
| Form and denomination | : | The Warrants, which are issued together with the Rights Shares, will be immediately detached from the Rights Shares upon issuance and allotment, separately traded and will be issued in registered form and constituted by the Deed Poll. |
| Tenure | : | Four (4) years from and inclusive of the date of issuance of the Warrants up to and including the Market Day on the date falling four (4) years from the issuance of the Warrants or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. |
| Exercise rights | : | Each Warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new MFCB Share at the Exercise Price to be satisfied in cash, subject to the provisions of the Deed Poll. |
| Exercise period | : | The Warrants shall be exercisable into new MFCB Shares on any Market Day within the period commencing on, and inclusive of, the date of issuance of the Warrants up to and including the Market Day on the date falling four (4) years from the issuance of the Warrants, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. |
| Exercise price | : | RM2.22 for each Warrant, subject to adjustments in accordance with the Deed Poll. |
| Board lot | : | For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new MFCB Shares at any time during the exercise period, or such denomination as determined by Bursa Securities. |
| Rights of Warrant holders | : | Warrant holders are not entitled to vote in any general meeting of MFCB or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of MFCB by exercising his Warrants. |
| Adjustments in the Exercise Price and/or number of Warrants | : | The Exercise Price and/or any number of Warrants in issue may be adjusted by the Board, in consultation with its professional advisers and as certified by the auditors in accordance with the provisions of the Deed Poll. |

| | |
|---|---|
| Rights of Warrants holders in the event of winding-up, liquidation, compromise and/or arrangement | <p>: If a resolution is passed for a members' voluntary winding-up of the Company or if a court order approving a scheme of compromise or arrangement made pursuant to Section 176 of the Act is granted, then:</p> <p>(i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrant holders or some person designated by them for such purpose by special resolution shall be a party, the terms of such scheme of arrangement shall be binding on all the Warrant holders;</p> <p>(ii) in any other case, every Warrant holder shall, within six (6) weeks after the passing of such resolution for a members' voluntary winding-up or within six (6) weeks after the granting of the court order approving the compromise or arrangement (but in both cases, not later than the end of the exercise period for the Warrants), by delivery to the Company of a duly completed subscription form together with the relevant Exercise Price in the manner described in the Deed Poll, be entitled to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the rights represented by such Warrants to the extent specified in the subscription form and had on such date been the holder of the MFCB Shares to which he would have become entitled pursuant to such exercise, and the liquidator of the Company shall give effect to such election accordingly; and</p> <p>(iii) subject to conditions (i) and (ii) above, if the Company is wound up (other than by way of a members' voluntary winding up), all exercise rights which have not been exercised prior to the date of commencement of the winding up shall lapse and the Warrants will cease to be valid for any purpose.</p> |
| Modification to terms and conditions of the Warrants | <p>: Subject to the approval of any relevant authority, any modification or abrogation of the covenants or provisions contained in the Deed Poll proposed or agreed to by the Company must be sanctioned by special resolution of the Warrant holders, effected by a deed poll, executed by the Company and expressed to be supplemental and comply with the requirements of the Deed Poll.</p> <p>The Company may, from time to time, without the consent or sanction of the Warrant holders, modify the Deed Poll, if such modification made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia or in accordance with the Deed Poll.</p> |
| Listing | <p>: The Warrants shall be listed and quoted on Bursa Securities.</p> |
| Transferability | <p>: The Warrants shall be transferable in the manner in accordance with the provisions of the Deed Poll, subject to the SICDA and the Rules of Bursa Depository.</p> |
| Governing law | <p>: Laws and regulations of Malaysia.</p> |

3. DETAILS OF THE UNDERTAKINGS, ADDITIONAL UNDERTAKING AND UNDERWRITING ARRANGEMENT

3.1 Undertakings and Additional Undertaking

The Rights Issue with Warrants is intended to be undertaken on a full subscription basis.

On 19 January 2016, the Company had procured the Undertakings from the Undertaking Shareholders and the Additional Undertaking from Keen Capital, being the nominee of GNK and a company wholly-owned by GNK.

The table below sets out the respective entitlements and subscription amount to be paid by the Undertaking Shareholders based on the Issue Price of RM1.59 and the USD equivalent of the Issue Price of USD0.38, pursuant to the Undertakings and Additional Undertaking:

| Undertaking Shareholders | Direct shareholdings in MFCB | | Pursuant to the Rights Issue with Warrants | | Subscription Amount | Undertaking currency ⁽⁴⁾ | |
|---|------------------------------|------------------|--|------------------|---------------------|-------------------------------------|-------------|
| | No. of MFCB Shares | % ⁽²⁾ | No. of Rights Shares | % ⁽³⁾ | RM million | RM million | USD million |
| Undertakings | | | | | | | |
| GNK | ⁽¹⁾ 1,213,600 | 0.54 | 849,520 | 0.54 | 1.4 | - | 0.3 |
| Rubber Thread | 47,905,000 | 21.35 | 33,533,500 | 21.35 | 53.3 | - | 12.7 |
| Keen Capital | 16,260,800 | 7.25 | 11,382,560 | 7.25 | 18.1 | - | 4.3 |
| PRT Capital | 5,802,800 | 2.59 | 4,061,960 | 2.59 | 6.5 | - | 1.6 |
| Lanai Etika | 1,927,200 | 0.86 | 1,349,040 | 0.86 | 2.1 | - | 0.5 |
| GNY | ⁽¹⁾ 1,010,000 | 0.45 | 707,000 | 0.45 | 1.1 | 1.1 | - |
| CBH | 113,000 | 0.05 | 79,100 | 0.05 | 0.1 | 0.1 | - |
| Subtotal | 74,232,400 | 33.09 | 51,962,680 | 33.09 | 82.6 | 1.2 | 19.4 |
| Additional Undertaking⁽⁵⁾ | | | | | | | |
| Keen Capital | | | 26,561,465 | 16.91 | 42.2 | - | 10.1 |
| Subtotal | | | 26,561,465 | 16.91 | 42.2 | - | 10.1 |
| Grand Total | | | 78,524,145 | 50.00 | 124.8 | 1.2 | 29.5 |

Notes:

⁽¹⁾ As disclosed in **Section 2.1** of this Abridged Prospectus, the Company had on 15 February 2016 received the undertakings from GNK and GNY that they will exercise each of their 500,000 Options A in full prior to the Entitlement Date.

⁽²⁾ Based on the issued and paid-up share capital of the Company as at the LPD as well as the Options A to be exercised by GNK and GNY and the remaining unexercised 273,000 Options A prior to the Entitlement Date.

⁽³⁾ Based on the total of 157,048,290 Rights Shares to be issued pursuant to the Rights Issue with Warrants.

⁽⁴⁾ Undertaking Shareholders with existing RM/USD funds.

⁽⁵⁾ Assuming none of the Entitled Shareholders other than the Undertaking Shareholders subscribe for their respective entitlements under the Rights Issue with Warrants.

GNK, Rubber Thread, Keen Capital, PRT Capital and Lanai Etika have confirmed, via their respective Undertakings, that sufficient financial resources in existing USD funds are available to enable them to subscribe in full for their respective entitlements under the Rights Issue with Warrants in USD on the Entitlement Date. Keen Capital has also confirmed, via its Additional Undertaking, that sufficient financial resources in existing USD funds are available to enable it to subscribe in full for all the remaining Rights Shares not taken up by other Entitled Shareholders and/or their renounees/transferees (if applicable) by way of Excess Application, in aggregate with the Undertakings, for 50% of the total Rights Shares pursuant to the Rights Issue with Warrants in USD.

GNY and CBH have confirmed, via their respective Undertakings, that sufficient financial resources are available to enable them to subscribe in full for their respective entitlements under the Rights Issue with Warrants in RM.

The Undertaking Shareholders will make full payment for the Rights Shares with Warrants and in the case of Keen Capital, the Excess Rights Shares with Warrants, upon subscription in accordance with the terms and conditions of this Abridged Prospectus.

The Joint Principal Advisers have verified that the Undertaking Shareholders have the financial resources to fulfil their commitments pursuant to the Undertakings and Additional Undertaking based on the subscription amounts as set out above.

As at the LPD, GNK and his PACs collectively hold directly 73,232,400 MFCB Shares, representing 32.79% of the issued and paid-up share capital of MFCB.

The collective shareholdings of the Undertaking Shareholders in MFCB may increase to more than 33.00% of the enlarged issued and paid-up share capital of MFCB upon exercise by GNK and GNY of all their Options A.

Thereafter, the collective shareholdings of the Undertaking Shareholders in MFCB may increase by more than 2.00% of the enlarged issued and paid-up share capital of MFCB upon and after the completion of the Rights Issue with Warrants and full exercise of the Warrants by the Undertaking Shareholders over a six (6)-month period during the entire tenure of the Warrants, based on the following assumptions:

- (i) none of the Entitled Shareholders subscribe for their entitlements under the Rights Issue with Warrants other than the Undertaking Shareholders; and
- (ii) none of the Warrant holders exercise their Warrants other than the Undertaking Shareholders.

Consequently, the Undertaking Shareholders will be obliged to undertake a mandatory take-over offer pursuant to the Code to acquire the remaining MFCB Shares and Warrants not held by them.

As it is not the intention of the Undertaking Shareholders to undertake a mandatory take-over offer on the remaining MFCB Shares and Warrants not held by them, approvals for the Exemptions had been sought from the non-interested shareholders of MFCB and the SC, which were obtained on 4 February 2016 and 5 February 2016 respectively.

3.2 Underwriting Arrangement

On 19 February 2016, MFCB entered into the Underwriting Agreement for the Joint Underwriters to underwrite up to an aggregate of 78,524,180 Rights Shares, representing approximately 50% of the total Rights Shares, at the Issue Price for which no undertaking has been obtained from the Undertaking Shareholders, in the following proportions:

| <u>Joint Underwriters</u> | <u>No. of underwritten Rights Shares</u> | <u>Agreed proportion (%)</u> |
|---------------------------|--|------------------------------|
| Maybank IB | 39,262,090 | 50.0 |
| CIMB | 39,262,090 | 50.0 |
| Total | 78,524,180 | 100.0 |

The underwriting commission payable by the Company is 1.5% of the value of the underwritten Rights Shares based on the Issue Price ("**Underwriting Commission**"), subject to the terms and conditions of the Underwriting Agreement. The Underwriting Commission and all related costs in relation to the Underwriting Arrangement will be fully borne by MFCB.

4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants will enable the MFCB Group to raise funds to part finance its core business activities in the power generation, mineral resources, property development and investment divisions.

In particular, MFCB intends to utilise up to RM150.0 million, representing approximately 60% of the Rights Issue Proceeds, to partially fund the construction of the Don Sahong Hydropower Project, which will be financed in USD. As at the LPD, the total project cost for the Don Sahong Hydropower Project is estimated to be approximately USD500.0 million (equivalent to approximately RM2.1 billion), which is expected to be financed by up to RM150.0 million of the Rights Issue Proceeds, a combination of debt, internally generated funds of the Group and, if any, gross proceeds to be raised by the Company from the exercise of the Warrants, the proportion of which have yet to be finalised at this juncture.

The Don Sahong Hydropower Project is a run-of-river hydropower project located at the Hou Sahong channel of the Mekong River in Khong District, Champasak Province in Lao PDR to supply electricity to Lao PDR. Upon commencement of commercial operation, the Don Sahong Hydropower Project will have a capacity of approximately 260 MW and will be capable of generating 2,000 GWh of electricity per year.

The Company had on 13 February 2008 signed a Project Development Agreement with the GOL ("**PDA**") to develop the Don Sahong Hydropower Project on a build, operate and transfer basis and the PDA conferred an exclusive mandate period of 18 months from the date of the PDA during which the Company has the exclusive right to negotiate the terms and conditions of the relevant project documents to build and operate the Don Sahong hydropower plant for a period of 25 years from the commencement date of commercial operation of the Don Sahong Hydropower Project and thereafter to transfer the power plant to the GOL.

Following the exclusive mandate granted by the GOL, DSPC had entered into the following agreements with the respective parties:

- (i) the concession agreement dated 15 September 2015 entered into with the GOL ("**Concession Agreement**"), whereby the GOL has granted on a build, operate and transfer basis, the concession rights to DSPC to develop and operate the Don Sahong hydropower plant for a period of 25 years from the commencement date of commercial operation of the Don Sahong Hydropower Project;
- (ii) the power purchase agreement dated 1 October 2015 entered into with EDL ("**PPA**") for the sale by DSPC and the purchase by EDL of all electricity generated by the Don Sahong hydropower plant on a take-or-pay basis. The PPA, which is non-renewable, shall be for a period of 25 years from the commencement date of commercial operation of the Don Sahong Hydropower Project; and
- (iii) the letter of award dated 15 October 2015 entered into with Sinohydro Corporation Limited, a reputable infrastructure construction company established in the People's Republic of China, for the engineering, procurement, construction and commissioning of the Don Sahong Hydropower Project.

The construction of the Don Sahong Hydropower Project had commenced on 15 October 2015, with an estimated construction period of approximately four (4) to four and a half (4.5) years. As at the LPD, the construction of the cofferdam, being the first major critical component of the construction of the Don Sahong Hydropower Project, is in progress and is expected to complete in April 2016. The cofferdam serves to block and divert river water away from the channel to create a dry work environment for the powerhouse to be built. The commencement date of commercial operation of the Don Sahong Hydropower Project is scheduled to be in early 2020.

As for the remaining Rights Issue Proceeds, the Board intends to utilise up to RM65.0 million for the repayment of the short-term borrowings of the MFCB Group in order to further improve the gearing level and strengthen the financial position of the MFCB Group.

The Board considers equity financing to be the most appropriate avenue of fund raising as:

- (i) equity financing will match the long-term tenure of the Don Sahong Hydropower Project, which will be for a period of 25 years from the commencement date of commercial operation of the Don Sahong Hydropower Project;
- (ii) equity financing will enhance the capital base of MFCB and strengthen the financial position of the MFCB Group in order to take on the debt required to finance the Don Sahong Hydropower Project;
- (iii) equity financing will not incur interest expenses as compared to bank borrowings, thus allowing MFCB to preserve cash for reinvestment and/or operational purposes;
- (iv) the Rights Issue with Warrants will provide an opportunity for the existing shareholders of MFCB to further increase their equity participation in MFCB via the subscription of the Rights Shares at a discount to the prevailing market prices without diluting the existing shareholders' percentage shareholdings assuming that all the Entitled Shareholders fully subscribe for their respective entitlements; and
- (v) the Warrants which are attached to the Rights Shares will provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares while providing the Company with additional working capital for the core business activities of the Group as and when the Warrants are exercised.

5. UTILISATION OF PROCEEDS

The Rights Issue Proceeds are to be utilised as follows:

| <u>Details of utilisation</u> | <u>Estimated timeframe for utilisation upon listing of the Rights Shares</u> | <u>RM million</u> |
|--|--|---------------------|
| Don Sahong Hydropower Project ⁽¹⁾ | Within 36 months | 150.0 |
| Working capital and other general corporate purposes ⁽²⁾ | Within 36 months | 31.0 |
| Repayment of short-term bank borrowings ⁽³⁾ | Within 12 months | 65.0 |
| Estimated expenses in relation to the Corporate Exercises ⁽⁴⁾ | Within 3 months | 3.7 |
| Total gross proceeds | | <u>249.7</u> |

Notes:

- (1) The Board wishes to highlight in particular that up to RM150.0 million of the Rights Issue Proceeds are expected to be utilised for the Don Sahong Hydropower Project. The remaining project cost for the Don Sahong Hydropower Project is intended to be funded via a combination of debt, internally generated funds of the Group and, if any, gross proceeds to be raised by the Company from the exercise of the Warrants, the proportion of which have yet to be finalised at this juncture. Please see **Section 4** of this Abridged Prospectus for further details.
- (2) MFCB intends to utilise up to RM31.0 million to fund the working capital and other general corporate purposes of the core business activities of the Group in the power generation, mineral resources, property development and investment divisions. The intended amount of proceeds to be allocated for each of the working capital and other general corporate purposes are set out below:

| Intended utilisation | RM million |
|--|-------------------|
| Payment to trade creditors, distribution costs and administrative costs | 30.0 |
| Estimated expenses in relation to, among others, any internal rationalisations and feasibility studies for the core business activities of the Group | 1.0 |
| Total | 31.0 |

For the avoidance of doubt, distribution costs include any cost incurred to fill the orders for the products and services of the Group, such as inventory handling cost, packing cost, distribution managerial cost and freight cost, whereas administrative costs relate to the day-to-day operations of the core business activities of the Group.

The actual amount to be utilised for each of the working capital and other general corporate purposes mentioned above may differ as it is dependent on the operating requirements of the Group at the time of utilisation. Any variation to the amount of estimated expenses in relation to, among others, any internal rationalisations and feasibility studies for the core business activities of the Group will be adjusted against the amount allocated for payment to trade creditors, distribution costs and administrative costs.

- (3) As at the LPD, the total borrowings of the Group is approximately RM148.4 million, which is set out in **Section 9.2** of this Abridged Prospectus. MFCB intends to utilise up to RM65.0 million of the Rights Issue Proceeds for the partial repayment of the revolving credits facility of the Group, the details of which are set out below:

| | Main purpose of facility | Interest rate per annum | RM million |
|------------------------------|---------------------------------|--|-------------------|
| Short-term borrowings | | | |
| Revolving credits | Working capital | Cost of Fund + 0.80% – Cost of Fund + 1.00% | 95.0 |

Such partial repayment is expected to result in interest savings of approximately RM3.0 million per annum based on the average effective interest rate of 4.65% per annum.

- (4) The estimated expenses in relation to the Corporate Exercises are set out below:

| Intended utilisation | RM million |
|--|-------------------|
| Professional fees for the Joint Principal Advisers, Reporting Accountants and Solicitors | 1.2 |
| Underwriting Commission | 1.9 |
| Regulatory fees | 0.2 |
| Printing costs and other incidental expenses in relation to the Corporate Exercises | 0.4 |
| Total | 3.7 |

Any variation to the amount of estimated expenses incurred in relation to the Corporate Exercises will be adjusted against the amount allocated for working capital and other general corporate purposes of the Group.

The gross proceeds to be raised by the Company from the exercise of the Warrants are dependent on the total number of the Warrants exercised during the tenure of the Warrants. Proceeds arising from the exercise of the Warrants will be utilised for the Don Sahong Hydropower Project.

Pending utilisation of the Rights Issue Proceeds for the purposes as set out above, the proceeds will be placed in interest-bearing deposits with financial institutions or short-term money market instruments as the Board deems fit. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be utilised for working capital and other general corporate purposes of the core business activities of the Group.

As disclosed in **Section 2.2** of this Abridged Prospectus, the shareholders of MFCB are provided with the Subscription Option. Due to the Subscription Option and the volatility of foreign currency movements from the Price-Fixing Date up until the Closing Date, depending on the currency of subscription by the Entitled Shareholders and/or their renounees/transferees (if applicable) pursuant to the Subscription Option, the proceeds raised pursuant to the Rights Issue with Warrants may differ.

Based on the Issue Price of RM1.59 or the USD equivalent of the Issue Price of USD0.38 per Rights Share, the Rights Issue Proceeds will be up to RM249.7 million or approximately USD59.7 million, or a combination of both. For illustration purposes only, based on the exchange rate of USD1.00 to RM4.1525 based on the middle rate as quoted by BNM as at 5.00 p.m. on 16 February 2016, being the last Market Day before the Price-Fixing Date:

- (i) in the event the RM strengthens by 5.0% against the USD to USD1.00:RM3.9449 after the Price-Fixing Date, it is assumed that all Entitled Shareholders subscribe for the Rights Shares in USD. MFCB will, in such scenario, raise up to approximately USD59.7 million, which will be consistent with the Rights Issue Proceeds in USD; or
- (ii) in the event the RM weakens by 5.0% against the USD to USD1.00:RM4.3601 after the Price-Fixing Date, it is assumed that all Entitled Shareholders, other than the Undertaking Shareholders (excluding GNY and CBH), subscribe for the Rights Shares in RM. MFCB will, in such scenario raise less proceeds as compared to the Rights Issue Proceeds in USD.

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The potential proceeds raised based on the above illustration are summarised below:

| Potential proceeds raised in USD ⁽¹⁾ if: | RM strengthens to USD1.00:RM3.9449 | RM weakens to USD1.00:RM4.3601 |
|---|--|--|
| All Entitled Shareholders subscribe in USD | Approximately USD59.7 million or RM235.5 million ⁽³⁾ equivalent | Approximately USD59.7 million or RM260.3 million ⁽⁵⁾ equivalent |
| All Entitled Shareholders, other than the Undertaking Shareholders (excluding GNY and CBH), subscribe in RM | Approximately USD62.1 million ⁽²⁾⁽⁴⁾ or RM244.8 million ⁽³⁾ equivalent | Approximately USD58.0 million ⁽²⁾⁽⁶⁾ or RM252.9 million ⁽⁵⁾ equivalent |
| Rights Issue with Warrants is offered only in RM | Approximately USD63.3 million ⁽³⁾ or RM249.7 million equivalent | Approximately USD57.3 million ⁽⁵⁾ or RM249.7 million equivalent |

Notes:

- ⁽¹⁾ After conversion of the Rights Issue Proceeds received in RM or USD at the assumed prevailing exchange rate after the Price-Fixing Date.
- ⁽²⁾ As set out in **Section 3.1** of this Abridged Prospectus, all Undertaking Shareholders (excluding GNY and CBH) will subscribe for their respective entitlements with their existing USD funds amounting to approximately USD19.4 million, pursuant to the Undertakings and Additional Undertaking.
- ⁽³⁾ Based on the assumed exchange rate of USD1.00:RM3.9449.
- ⁽⁴⁾ Assuming all Entitled Shareholders, other than the Undertaking Shareholders (excluding GNY and CBH), subscribe for their respective entitlements in RM amounting to approximately RM168.3 million based on the exchange rate of USD1.00:RM3.9449.
- ⁽⁵⁾ Based on the assumed exchange rate of USD1.00:RM4.3601.
- ⁽⁶⁾ Assuming all Entitled Shareholders, other than the Undertaking Shareholders (excluding GNY and CBH), subscribe for their respective entitlements in RM amounting to approximately RM168.3 million based on the exchange rate of USD1.00:RM4.3601.

Any difference between the actual gross proceeds and the Rights Issue Proceeds arising from the fluctuating foreign exchange rates will be adjusted against the amount allocated for working capital and other general corporate purposes of the core business activities of the Group.

6. RISK FACTORS

In addition to the other information contained in this Abridged Prospectus, you should carefully consider the following risk factors, which may not be exhaustive, before subscribing for the Rights Issue with Warrants.

6.1 Risks relating to the industries of the Group

6.1.1 Any inability of the power plants of the Group to generate or deliver power could decrease, if not eliminate, revenues derived from the power plants of the Group

The factors that could prevent the power plants of the Group from generating or delivering power, which may include, among others, the breakdown, failure of power generation equipment or other equipment or processes, flaws in equipment design, the failure of civil structures or transmission systems will lead to unexpected maintenance needs, unplanned outages or other operational issues on the power plants of the Group.

Furthermore, issues with the quality of, or interruptions in the supply of, key inputs, including coal, MFO, water or other key inputs to the power plants of the Group as well as failure to meet licencing requirements or to obtain or maintain required regulatory permits and approvals will disrupt the operations of the power plants of the Group.

In addition, force majeure and catastrophic events, including fires, explosions, landslides, tropical storms, floods and terrorist acts could cause forced outages, suspension of operations, personal injury, loss of life and severe damage and destruction to the power plants of the Group.

Although the power plants of the Group have not encountered any inability to generate or deliver power, there can be no assurance that any of the risks or any similar risk mentioned above will not materialise in the future, and the occurrence of such events may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

6.1.2 Reliance on off-takers for the steam and/or electricity produced by the power plants of the Group

For the FYE 2012, 2013 and 2014, the power division of the Group contributed 76.3%, 73.6% and 71.6% respectively to the total revenue of the Group, and 76.2%, 69.5% and 79.0% respectively to the total PBT of the Group. Steam produced in the power plant of the Group in Shaoxing County of Zhejiang Province ("**Shaoxing Power Plant**") is piped and sold to neighbouring textile factories whereas the electricity produced is transmitted and sold to the Shaoxing Power Bureau ("**SPB**"). The electricity produced in the power plant of the Group in Tawau, Sabah ("**Tawau Power Plant**") is transmitted and sold to SESB. Further, upon commencement of commercial operation of the Don Sahong Hydropower Project, the electricity produced by DSPC will be transmitted and sold to EDL.

The Group currently derives a portion of its revenue from the off-take by SPB and SESB, and will be deriving revenue from EDL upon commencement of commercial operation of the Don Sahong Hydropower Project. Should SPB, SESB and EDL fail to perform their obligations under their respective agreements with the Group, there can be no assurance that the Group will be able to find alternative off-takers for the steam/electricity produced from the said power plants, which may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

The Group endeavours to mitigate this risk by maintaining good business relationships with the respective off-takers as well as ensuring compliance with the off-take agreements with the respective parties.

6.1.3 The Group may not be able to renew or extend its existing agreements in relation to its power plants

The power purchase agreement with SESB ("**SESB PPA**") and the sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co. Ltd of Shaoxing County of Zhejiang Province ("**Qixian Heat & Power**"), being the joint venture partner of the Group in relation to the Shaoxing Power Plant ("**Shaoxing JVA**") are expiring in 2017 and 2022 respectively.

As at the LPD, SESB has initiated discussions on the potential extension of the SESB PPA. As the expiry of the Shaoxing JVA is in 2022, the Group will commence negotiations closer to the expiry of the Shaoxing JVA. However, there can be no assurance that the respective agreements will be renewed or extended upon their expiry which, if occurred, may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group. In the event the Group is unable to extend or renew the said agreements, the Group will not be able to sell steam and electricity at that juncture. Under such circumstances, the Group may consider either disposing its stake of the power plant or the equipment of the power plant to third parties.

Nevertheless, the Group will continue to comply with the respective agreements and to the best of their abilities, ensure that no termination events within the control of the Group will be triggered prior to the expiry, renewal or extension of the respective agreements.

6.1.4 Economic, market and regulatory considerations that are beyond the control of the MFCB Group may adversely affect the power industry

Economic downturns generally affect the power industry via reductions in power off-take and as a consequence, may negatively affect the power division of the Group. Similarly, other market conditions and regulatory considerations that are beyond the control of the Group which could negatively impact the power industry and the power division of the Group include:

- (i) increased availability of competitively priced alternative energy sources that are preferred by some customers over coal or MFO-produced electricity; or
- (ii) changes in government and/or government policies.

Whilst the Company endeavours to take the necessary measures, including but not limited to, monitoring and keeping abreast with policies as well as seeking professional advice prior to committing to renew or extend its existing power purchase agreements, there can be no assurance that there will not exist any adverse developments in the economic, market and regulatory conditions in the countries in which the Group and its business partners operate in, of which failure to address these may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

6.1.5 Failure to comply with health, safety and environmental laws and regulations, or the cost of complying with these laws and regulations may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group

The industries in which the Group operates are subject to various laws and regulations, including health, safety and environmental laws and regulations, both locally and internationally. These laws and regulations address, among others, the following:

- (i) occupational safety and health of employees;
- (ii) the storage, treatment, discharge and disposal of waste;
- (iii) the location of facilities;
- (iv) site clean-ups; and
- (v) other aspects of the operations of the business of the Group.

Failure to comply with any of the relevant laws and regulations, as well as injuries or other harm caused by such failure, may result in fines from the regulatory bodies, claims for liquidated and ascertained damages, or administrative or legal proceedings against the Group, including the termination or suspension of the operation of the facilities of the Group.

The Group has incurred, and expects to continue to incur, operating and capital expenditures on an ongoing basis to comply with the relevant health, safety and environmental laws and regulations. However, there can be no assurance that the Group will be able to remain in compliance with the applicable health, safety and environmental laws and regulations or that the Group will not become involved in any future legal proceedings or other proceedings, relating to health, safety and environmental matters, the costs of which could be material.

In addition, changes to laws and regulations on health, safety and environment may result in the facilities of the Group being subject to forced shutdowns or the imposition of fines and penalties.

Failure of the Group to comply with any or all applicable government regulations, or a change in any or all such regulations, may disrupt the operations of the Group which may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

Notwithstanding the above, the Company will use its best endeavour to ensure compliance with the health, safety and environmental laws and regulations at all times.

6.1.6 Competition risk

Although there are some barriers to entry into the industries of the Group, the Group is exposed to competition risk from existing players and new market entrants in its resources and property development and investment businesses.

The resources division of the Group faces competition from other limestone product manufacturers and suppliers, especially in terms of pricing and quality of the limestone products. The Group is actively sourcing and acquiring limestone hills and lands with sizeable limestone reserves to preserve the competitiveness of, as well as to ensure continuous supply of good quality limestone for, the resources division of the Group in the long term.

In the event that the competitors of the Group increase their market share or there is a decrease in demand for the products and services of the Group for its resources and property development and investment businesses, the revenue and profitability of the Group may be materially and adversely affected.

6.1.7 Economic and political uncertainties which may adversely affect the property development industry

The Group is involved in the property development and investment projects in Malaysia. Any adverse developments affecting the property markets such as the deterioration in property demand and the property rental market may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

The performance of the property development industry in general is affected by the economic and political uncertainties and changes in demographic trends, employment and income level, among other factors. Political and economic uncertainties include but are not limited to the risk of war, terrorism, riots, a switch in political leadership and/or changes in government policies. In addition, the property industry is also affected by the regulatory environment such as regulations on interest rates, property tax assessments, licensing regulations and other statutory charges. Any changes in government policy, regulatory changes or any political instability in Malaysia may lead to price instability and an imbalance of between supply of and demand for properties in Malaysia.

Given the weak property and economic outlook, the Group has suspended new property development launches until the market condition improves to conserve cash and lower operating overheads. In spite of that, the property development and investment division of the Group remains sustainable, attributable to the earnings derived from namely, the investment properties of the Group, office space rental of the PJ8 office blocks of the Group, located at Petaling Jaya, Selangor Darul Ehsan and Greentown car park operations in Ipoh, Perak Darul Ridzuan.

6.2 Risks relating to the performance of the business of the Group

6.2.1 The Don Sahong Hydropower Project may subject the Group to different or greater risks than those associated with the existing operations of the Group

The Company has recently expanded to Lao PDR through its subsidiaries and has entered into the Concession Agreement, PPA as well as the engineering, procurement, construction and commissioning contract in relation to the Don Sahong Hydropower Project, as set out in **Section 4** of this Abridged Prospectus.

Entry into new foreign jurisdictions, i.e. Lao PDR, may carry risks that are different from those currently faced in the existing operations of the Group, which includes, among others, challenges of complying with laws and regulatory requirements of Lao PDR, including laws regulating the operations of the Group, tax and labour laws.

Furthermore, there may be a risk of non-compliance with the applicable laws and regulations in Lao PDR as well as Malaysia, including, among others, the Foreign Exchange Administration rules of BNM which may affect the investments in Lao PDR and subsequently the repatriation of dividends, earnings and cash flows from Lao PDR to Malaysia.

There may also be other political, economic, market and regulatory conditions, natural calamities, war and terrorism that are beyond the control of the Group that may adversely affect the operations of the Don Sahong Hydropower Project.

Whilst the Company endeavours to take the necessary measures, including but not limited to:

- (i) monitoring and keeping abreast with policies and laws of Lao PDR; and
- (ii) seeking professional legal advice in Lao PDR,

in relation to its operations in Lao PDR, any failure to recognise or respond to the above may:

- (i) adversely affect the operations of the Group in Lao PDR;
- (ii) dampen the ability to pay dividends or make other distributions from the operations in Lao PDR; and
- (iii) affect the equity contributions by MFCB to the operation in Lao PDR.

Any of these developments, if occurred, may have a material and adverse effect on the business, financial conditions, operations and cash flows of the Group.

6.2.2 Delays in the construction of the Don Sahong Hydropower Project may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group

The progress and completion of the construction of the Don Sahong Hydropower Project are dependent on various factors which include, among others, weather conditions, the manufacturing and delivery schedules for key equipment and the availability of funding sources for the timely payments by MFCB to the third party contractor. Further, delays or cancellations or adjustments to the scope of work of the third party contractors may occur from time to time due to incidents of force majeure or legal impediments and may result in the imposition of financial penalties, including payment of liquidated damages, if the Don Sahong Hydropower Project does not commence commercial operation by the target date.

In the event the Don Sahong Hydropower Project fails to commence commercial operation by the target date, it may delay the timing for the receipt of returns from the Don Sahong Hydropower Project, thereby possibly adversely affecting the profitability and cash flows of the Group.

The Group seeks to limit such risks by closely monitoring the execution and completion of the construction of the Don Sahong Hydropower Project.

6.2.3 Global capital and credit market issues could negatively affect the liquidity and increase the cost of borrowing of the Group

Recently, global capital and credit markets have experienced extreme volatility, disruption and decreased liquidity, making it more difficult for companies to access capital and credit markets. Volatility in global financial markets has added to the uncertainty of the global economic outlook.

The Group depends on stable, liquid and well-functioning capital and credit markets to fund its projects and business development. If market conditions continue to deteriorate due to economic, financial, political or other reasons, the ability of the Group to obtain financing and access the capital markets in the future may be adversely affected.

As at the LPD, the total project cost for the Don Sahong Hydropower Project is expected to be financed by up to RM150.0 million of the Rights Issue Proceeds, a combination of debt, internally generated funds of the Group and, if any, gross proceeds to be raised by the Company from the exercise of the Warrants, the proportion of which have yet to be finalised at this juncture. There can be no assurance that the said debt financing will be available on terms satisfactory to the Group, which may have a material and adverse effect on the Don Sahong Hydropower Project.

There can also be no assurance that in the event the Group requires any additional financing, either on a short-term or long-term basis, the additional financing will be made available on terms satisfactory to the Group. If adequate funding is not available when needed, or is available only on unfavourable terms, the Group may not be able to meet its capital needs, to take advantage of business opportunities or respond to competitive pressures. Any or all of these developments may have a material and adverse effect on the business, financial conditions, results of operations and cash flows of the Group.

The Group will seek to mitigate this risk by closely monitoring the developments of the global capital and credit markets.

6.2.4 The Group is exposed to risks arising from foreign exchange fluctuations

A substantial portion of the revenue and expenses of the Group, namely those relating to its overseas investments and operations are, and are likely in the foreseeable future, to be denominated in foreign currencies. Fluctuations in the exchange rate between RM and the foreign currencies may have an adverse impact on the foreign currency denominated cash flows from the said overseas investments and operations.

The Group may, in its ordinary course of business, use derivative instruments such as forwards, futures, swap and options contracts, or other similar transactions or combination of these transactions, to hedge the risks of adverse fluctuations in the foreign exchange.

However, these instruments may not fully hedge the corresponding changes in the underlying currency. Any severe or wide fluctuation in these currencies may materially and adversely affect the business, financial conditions, results of operations and cash flows of the Group if such fluctuations cannot be managed effectively through these derivative instruments.

6.3 Risks relating to the Rights Issue with Warrants

6.3.1 Delay in or cancellation of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be delayed or cancelled if there is a material adverse change of events or circumstances which is beyond the control of the Company, the Joint Principal Advisers or the Joint Underwriters arises prior to the completion of the Rights Issue with Warrants.

In addition, there are also certain circumstances where any of the Joint Underwriters may terminate the Underwriting Agreement on the occurrence of any of the termination events set out in the Underwriting Agreement. These include, among others, events which, in the opinion of the Joint Underwriters, would materially prejudice the success of the Rights Issue with Warrants or likely to have a material adverse effect on the financial condition, contractual commitments, prospects, properties or results of operations of the Company and/or the Group, as a whole or on the ability of the Company to perform its obligations with regards to the transactions to which the Company is a party as contemplated in the Documents as well as events which as a result of it be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue with Warrants on the terms and in the manner contemplated in the Documents and the Underwriting Agreement.

Notwithstanding the above, the Company will use its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or cancellation of the Rights Issue with Warrants. In the event the Rights Issue with Warrants is cancelled, the Company will repay without interest all monies received from the applicants in accordance with Section 243 of the CMSA.

6.3.2 Failure to comply with the Subscription Condition imposed by BNM

As set out in **Section 2.2** of this Abridged Prospectus, BNM had given its conditional approval for the Subscription Option and the investment abroad by MFCB in relation to the Don Sahong Hydropower Project vide its letters dated 22 October 2015 and 14 December 2015. Such approval has been granted subject to conditions to be complied with by MFCB over the tenure of the Don Sahong Hydropower Project.

Should MFCB fail to comply with any of the conditions imposed by BNM, the approval granted will be revoked and consequentially, the Subscription Option will also be revoked. In addition, failure to comply with the Subscription Condition by any Resident Entitled Shareholder and/or Resident renounee/transferee (if applicable) will also tantamount a non-compliance by MFCB on the conditions imposed by BNM.

Under such circumstances, the Entitled Shareholders and/or their renounees/transferees (if applicable) can only subscribe for the Rights Shares solely in RM. MFCB, on the other hand, may be subject to penalties and fines as well as sanctions imposed by BNM at their sole discretion.

Nevertheless, the Company will use its best endeavour to ensure compliance with the Subscription Condition imposed by BNM. With this, the Company has highlighted the Subscription Condition imposed by BNM in the Documents to Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) who wish to accept the Provisional Rights Shares with Warrants solely in USD and/or apply for the Excess Rights Shares with Warrants solely in USD. Such Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) are required to declare, among others, that they did not convert any RM into USD for purposes of acceptance of and payment for the Provisional Rights Shares with Warrants solely in USD and/or application for the Excess Rights Shares with Warrants solely in USD, after 26 November 2015, being the date of initial announcement in relation to the Rights Issues with Warrants. The said declaration is attached as an appendix to the RSF pursuant to the Rights Issue with Warrants, which must be submitted by such Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) to the Share Registrar by the Closing Date.

6.3.3 Due to the volatility of foreign currency movements from the Price-Fixing Date up to the Closing Date, the Rights Issue Proceeds may not be sufficient for the intended utilisations as set out in Section 5 of this Abridged Prospectus

As disclosed in **Section 4** of this Abridged Prospectus, MFCB intends to utilise up to RM150.0 million, representing approximately 60% of the Rights Issue Proceeds, to partially fund the construction of the Don Sahong Hydropower Project, which will be financed in USD.

In order to match the risk profiles and USD funding requirements of the Don Sahong Hydropower Project, the subscription of the Rights Issue with Warrants is undertaken in either RM or USD, whereby the Entitled Shareholders and/or their renounees/transferees (if applicable) are provided with the Subscription Option.

However, due to the volatility of foreign currency movements from the Price-Fixing Date up to the Closing Date, depending on the currency of subscription by the Entitled Shareholders and/or their renounees/transferees (if applicable) pursuant to the Subscription Option, the proceeds raised pursuant to the Rights Issue with Warrants may differ. Any difference arising from the fluctuating foreign exchange rates will be adjusted against the amount allocated for working capital and other general corporate purposes of the core business activities of the Group.

Although the Undertaking Shareholders (excluding GNY and CBH) have provided their irrevocable undertakings to subscribe for their respective entitlements in USD (approximately RM81.4 million or USD19.4 million, based on the Issue Price), there can be no assurance that the remaining amount of up to RM68.6 million of the Rights Issue Proceeds required for the Don Sahong Hydropower Project will be paid in USD, assuming all Entitled Shareholders subscribe for their respective entitlements under the Rights Issue with Warrants.

Further, in the event the remaining amount of up to RM68.6 million of the amount of Rights Issue Proceeds required for the Don Sahong Hydropower Project is received in RM, and in the event the RM severely weakens against the USD from the Price-Fixing Date up to the Closing Date, there can also be no assurance that the amount allocated for working capital and other general corporate purposes of the core business activities of the Group will be sufficient in making up for the amount of RM150.0 million, equivalent to approximately USD36.1 million as determined on the Price-Fixing Date, which is earmarked for the Don Sahong Hydropower Project.

6.3.4 Potential dilution

Entitled Shareholders who do not or are unable to accept their Provisional Rights Shares with Warrants will have their proportionate ownership and voting interests in the Company reduced, and the percentage of the enlarged issued and paid-up share capital represented by their shareholdings in the Company will also be reduced accordingly.

6.3.5 No prior market for the Warrants

The Warrants will be detached from the Rights Shares immediately upon issuance and will be traded separately on Bursa Securities.

As there is no prior market for the Warrants, there can be no assurance that there will be an active market for the Warrants upon or subsequent to its listing on Bursa Securities, or, if developed, that such a market is sustainable or adequately liquid during the tenure of the Warrants. The Warrants will be traded on Bursa Securities at prices which are dependent upon market forces and beyond the control of the Company. In addition, there is no assurance that the Warrants will be "in-the-money", i.e. when the market prices of the MFCB Shares is above the Exercise Price, during the tenure of the Warrants.

6.4 Risks relating to the MFCB Shares

6.4.1 Capital market risk

The market price of the MFCB Shares is influenced by, among others, the prevailing market sentiments, the demand and supply of the MFCB Shares for trading purposes, the volatility of the stock market, movements in interest rates, the outlook of the industries in which the Group operates, the financial performance of the Group, changes in regulatory requirements or market conditions and announcement of developments relating to the business of the Group. In view of this, there can be no assurance that the market price of the MFCB Shares (together with the Rights Shares) will trade at or above the TERP upon or subsequent to the completion of the Rights Issue with Warrants.

Accordingly, there can be no assurance that the market price of the Rights Shares and Warrants will be at a level that meets the specific investment objectives or targets of any subscriber of the Rights Shares with Warrants.

6.4.2 Ability to pay dividends

The Company is principally an investment holding company and operates its core businesses through its subsidiaries. Therefore, the availability of funds to pay dividends or make other distributions to shareholders of the Company depends upon the dividends or other distributions by the subsidiaries and associates of the Company. The payment of dividends or other distribution by the subsidiaries and associates of the Company in turn will depend upon their operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem appropriate.

In addition, there are covenants in the loan agreements of the subsidiaries of the Company that may limit their ability to declare or pay cash dividends. Hence, there can be no assurance that the Company will be able to distribute dividends to shareholders of the Company as a result of the abovementioned factors.

6.5 Other risk

6.5.1 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Abridged Prospectus, including, without limitation, those regarding the financial position, business strategies, prospects, plans and objectives for future operations of the Group, are forward-looking statements. Such forward-looking statements are made based on estimates and assumptions made by the Board, and although believed to be reasonable as at the LPD, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by the Company, the Joint Principal Advisers or the Joint Underwriters in relation to the Rights Issue with Warrants that the plans and objectives of the Group will be achieved.

In addition, save as required by law or relevant rules and regulations, none of the Directors, the Joint Principal Advisers and/or the Joint Underwriters are under any obligation to update any forward-looking statements included in this Abridged Prospectus, or to publicly announce any revisions to those forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF THE GROUP

7.1 Overview of the global economy

Growth in advanced economies in the first half of 2015 remained modest. For most emerging market economies, external conditions are becoming more difficult. Financial market volatility rose sharply during the summer, with declining commodity prices and downward pressure on many emerging market currencies. Capital inflows have slowed, and the liftoff of U.S. policy rates from the zero lower bound is likely to herald some further tightening of external financial conditions. And while the growth slowdown in China is so far broadly in line with forecasts, its cross-border repercussions appear larger than previously envisaged. This is reflected in weakening commodity prices (especially those for metals) and weak exports to China.

Global growth is projected to decline from 3.4 percent in 2014 to 3.1 percent in 2015, before picking up to 3.6 percent in 2016. The decline in growth in 2015 reflects a further slowdown in emerging markets, partially offset by a modest pickup in activity in advanced economies—particularly in the euro area. This pickup, supported by the decline in oil prices and accommodative monetary policy, will modestly narrow output gaps.

The decline in growth in emerging markets - for the fifth year in a row - reflects a combination of factors: weaker growth in oil exporters; a slowdown in China, as the pattern of growth becomes less reliant on investment; and a weaker outlook for exporters of other commodities, including in Latin America, following price declines. In emerging market oil importers, a more limited pass-through to consumers of the windfall gains from lower oil prices, together with in some cases substantial exchange rate depreciation, has muted the attendant boost to growth, with lower prices accruing in part to governments (for example, in the form of savings from lower energy subsidies—as discussed in the April 2015 Fiscal Monitor).

The sizable pickup in projected 2016 growth reflects stronger performance in both emerging market and advanced economies. Among emerging market and developing economies, growth in countries in economic distress in 2015 (including Brazil, Russia, and some countries in Latin America and in the Middle East), while remaining weak or negative, is projected to be higher than in 2015, and domestic demand in India is projected to remain strong. These developments more than offset the projected continuation of the slowdown in China. Among advanced economies, higher growth reflects a strengthening recovery in Japan, the United States, and the euro area, as output gaps gradually close.

(Source: World Economic Outlook, October 2015, International Monetary Fund)

7.2 Overview of the Malaysian economy

The Malaysian economy expanded by 4.7% during the third quarter of 2015 (Q2 2015: 4.9%). Growth was supported by both domestic and export-oriented activities, despite a challenging external environment. On the supply side, all sectors posted positive growth. The services sector remained the key driver of growth, expanding by 4.4% (Q2 2015: 5%) supported mainly by wholesale and retail trade, information and communication as well as business services activities. Meanwhile, growth in the manufacturing sector further strengthened by 4.8% (Q2 2015: 4.2%), supported by higher output particularly in the electrical and electronics (“E&E”) subsector. The construction sector recorded a stronger growth of 9.9% (Q2 2015: 5.6%) on account of higher activity in the civil engineering and specialised construction segments. The mining and quarrying sector grew by 5.3% (Q2 2015: 6%) following a rebound in natural gas output. The agriculture sector, however, moderated to 2.4% (Q2 2015: 4.6%), following lower production of palm oil despite higher output of natural rubber.

(Source: Quarterly Update on the Malaysian Economy (3rd Quarter 2015), Ministry of Finance Malaysia)

As a small and highly open economy, Malaysia is vulnerable to developments in the external environment. However, the structural reforms undertaken over the years to diversify the economy and strengthen the financial system, have placed the economy on a stronger footing as well as enhanced its resilience to weather the external challenges.

Real GDP is expected to register a growth of 4.5% - 5.5% in 2015 (2014: 6%) supported by resilient domestic economic activity. The national income, as measured by the Gross National Income, is estimated to increase by 5.5% to RM1.13 trillion with income per capita growing by 4.2% to RM36,397 in 2015 (2014: 8.6%; RM1.07 trillion; 7.2%; RM34,945).

The Malaysian economy is expected to remain steady in 2016, with real GDP growth between 4% - 5% led by domestic demand. Private sector expenditure will remain the main driver of growth with private consumption and investment expected to grow by 6.4% and 6.7%, respectively. Meanwhile, the Malaysian Government's expenditure is forecast to expand, albeit at a moderate pace, in line with efforts to strengthen the fiscal position. On the supply side, growth is expected to be broad-based, with all the sectors registering positive growth. Malaysia's external position is forecast to remain positive supported by better prospects for global growth and trade.

The challenges confronting the economy in 2015 are expected to persist in 2016. In particular, heightened volatility in financial markets, declining commodity prices; strengthening of the US dollar; and the slowdown in China, are anticipated to have direct and indirect impact on the Malaysian economy, primarily through trade and financial channels. Given these developments, the challenge for Malaysia is to further enhance the resilience of the domestic economy while ensuring the sustainability of public finances.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

7.3 Overview of the Malaysian, Sabah and China's utilities sector, and the Malaysian manufacturing and property sectors

Malaysian utilities sector

The utilities subsector grew at a slower pace of 3.1% during the quarter (Q2 2015: 3.9%) due to lower electricity consumption by the residential and industrial segments. The electricity and gas segment rose by 2.5% (Q2 2015: 3.6%) while the water and sewerage segment grew by 5.3% (Q2 2015: 5.2%). The Electricity Production Index expanded by 1.2% to 122.2 points (Q2 2015: 0.6%; 122.4 points) while electricity sales increased by 2.1% to 26,889 gigawatt hours (Q2 2015: 3%; 27,113 gigawatt hours), with maximum demand for electricity peaking at 16,614 megawatts in September 2015 (Q2 2015: 16,822 megawatts in April 2015). The other services subsector increased further by 4.8% (Q2 2015: 4.7%) mainly driven by private education which rose by 7.1% (Q2 2015: 6.9%) and private health, by 5.2% (Q2 2015: 5.3%). Meanwhile, the government services subsector moderated by 3.2% (Q2 2015: 4.1%).

(Source: Quarterly Update on the Malaysian Economy (3rd Quarter 2015), Ministry of Finance Malaysia)

As at the LPD, the power generation businesses of the MFCB Group are based in Tawau, Sabah and Shaoxing County of Zhejiang Province, China. The overview of the utilities sector of Sabah and China are as follows:

Sabah utilities sector

Following the state's moderate GDP growth rate, electricity generation and sale growth rates for the year 2014 stood at only 4.0% and 2.5% respectively, lowest growth recorded since west and east interconnected in 2005. Peak demand growth of 4.7% was significantly less than projected growth of 5.8%. In terms of generation capacity, the amount of Dependable Capacity is being used as indicator to gauge the capacity adequacy in the system in place of Installed Capacity. With the full commissioning of three power plants, Dependable Capacity connected to the grid stands at 1,497 MW by the end of 2014.

Maximum demand in Sabah as of 31st December 2014 was at 908 MW as recorded in May 2014, an increase of 41 MW compared to the previous year record of 867 MW in September 2013.

As of July 2015, Dependable Capacity in Sabah stood at 1,324 MW, primarily fuelled by gas 74%, followed by diesel/MFO 17%, hydro 6% and biomass/biogas 3%. Similar trend was also observed in terms of generation mix. From the total generation of 5,420 GWh recorded in 2014, gas-based generation had the highest share at 76%, followed by diesel/MFO at 15%, hydro at 6% and biomass at 3%.

Comparing the forecast presented in 2014 Outlook, the 2015 forecast is revised downwards in view of lower than expected electricity demand recorded in year 2014 which was at only 2.5%. For year 2015, the demand is forecasted to growth at a rate of 5.6%, compared to 7.8% as previously forecasted.

In the future, an average electricity demand growth of 6.1% per annum is forecasted for the short term period (2015 – 2018) and 5% per annum for the medium term (2019 – 2024). During the same term, electricity generation is projected to grow at an average of 5.8% per annum and 4.7% per annum respectively. Peak demand is also projected to grow strongly at the average of 5.6% per annum and 4.5% per annum for the period 2015 – 2018 and 2019 – 2024 respectively.

(Source: Sabah Electricity Supply Industry Outlook 2015, Energy Commission)

China's utilities sector

China is the world's largest power generator, surpassing the United States in 2011. Net power generation was an estimated 5,126 Terawatthours ("TWh") in 2013, up 7.5% from 2012, according to EIA estimates. Electricity generation has more than doubled since 2005, although power generation, which is mostly driven by economic and industrial demand, decelerated after the global financial recession in 2008 and 2009 and, again, starting in 2012. The industrial sector currently accounts for almost three-quarters of China's electricity consumption. Annual growth in electricity generation was a decade-low 4% in 2014, according to preliminary data from NBS. This deceleration was mainly a result of significant slowdown of activity in heavy industries, especially the steel industry, as well as weather.

China plans to rely on more electric generation from nuclear, renewable sources, and natural gas to replace some coal, with the goal of reducing carbon emissions and the heavy air pollution in urban areas. China's installed electricity generating capacity was an estimated 1,260 gigawatts ("GW") at the beginning of 2014. China's capacity rose by almost 90 GW from a year earlier and doubled from 630 GW in 2006. As China's generating capacity expanded over the past several years in response to its economic development, the country's capacity grew to be the highest in the world. Installed capacity is expected to grow over the next decade to meet rising demand, particularly in large urban areas in the eastern and southern regions of the country. EIA projects installed capacity will double to 2,265 GW by 2040, propelled by a combination of capacity from coal, nuclear, and renewable sources. Fossil fuel-fired power capacity has historically made up about three-fourths of installed capacity, and coal continued to dominate the electricity mix with 63% of total capacity in 2013. However, non-fossil fuels have been increasing their portion of installed capacity over the past few years.

Rapid growth in electricity demand this past decade spurred significant investment in new power stations, particularly in fossil fuel-fired capacity. Although much of the new investment over the past several years was earmarked to alleviate power supply shortages, the economic crisis of 2008 and the deceleration of Chinese economic growth after 2012 resulted in a slower demand growth for electricity. Power demand typically follows economic cycles and rebounded in 2010 as the Chinese economy recovered from the recession. However, annual power demand growth slowed considerably to just 5% in 2012 and 7.5% in 2013 as a result of weaker industrial output and slower economic growth.

(Source: EIA as at 14 May 2015)

China's power use grew 11.9 percent in 2011, 5.6 percent in 2012, 7.5 percent in 2013 and 3.8 percent in 2014. China's electricity consumption, a key indicator of economic activity, is expected to climb 2 percent in 2015 from 2014.

(Source: "China to use less power in 2015", Xinhuanet, 22 September 2015)

Malaysian manufacturing sector

Value-added of the manufacturing sector expanded by 4.8% during the third quarter of 2015 (Q2 2015: 4.2%). Output increased by 4.7% (Q2 2015: 4.1%) with positive growth registered in major subsectors while sales of manufacturing products rebounded by 1.7% to RM168.8 billion (Q2 2015: -1%; RM158 billion). However, the capacity utilisation rate of the sector moderated to 75.5% (Q2 2015: 78%).

Production of domestic-oriented industries moderated to 2.2% (Q2 2015: 3.5%) primarily led by construction-related and transport equipment subsectors. However, within the subsector, the construction-related cluster increased by 3.9% (Q2 2015: 2.8%) in line with robust construction activity. This saw output of non-metallic mineral, fabricated and basic metals grow by 5.3%, 4.2% and 1.7%, respectively (Q2 2015: 2.8%; 2.8%; 0.4%). Output of other manufactured products rebounded by 8.2% (Q2 2015: -0.8%) on account of higher manufacture of irradiation, electromedical and electrotherapeutic equipment (14.1%). However, the transport equipment subsector moderated to 2.2% (Q2 2015: 6%) amid cautious consumer sentiment, despite stronger production of parts and accessories for motor vehicles (50.9%). The subsector was weighed down by a contraction in the manufacture of motor vehicles and motorcycles as well as building of ships and boats at 9.3%, 15.1% and 12.2%, respectively (Q2 2015: -11.1%; 14.6%; 1.2%). Meanwhile, output of food products also declined by 3.6% (Q2 2015: 0.8%) on account of lower production of refined palm oil which contracted by 9.9% (Q2 2015: 4.5%).

(Source: Quarterly Update on the Malaysian Economy (3rd Quarter 2015), Ministry of Finance Malaysia)

Value-added of the manufacturing sector is expected to grow by 4.3% in 2016 (2015: 4.5%). Export-oriented industries are expected to benefit from higher demand as a result of improving growth in advanced economies, while domestic-oriented industries will be boosted by resilient domestic economic activities. The E&E industry is anticipated to expand driven by higher demand for consumer electronics as well as M&E. The resource-based industries is envisaged to grow steadily attributed to improved demand for chemical, petroleum, rubber, wood and plastic products. In addition, strong construction activities following the implementation of infrastructure projects under the 11MP will augur well for growth in iron and steel as well as cement segments.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

Malaysian property sector

In spite of the challenging economic and financial environment facing the country in the past months, the property market managed to stay poised and posted a marginal softening in market activity in the first half of 2015. Both volume and value was down by 3.5% and 6.6% respectively against corresponding period.

(Source: Property Market Report for the first half of 2015, Valuation and Property Services Department, Ministry of Finance, Malaysia)

The residential subsector expanded moderately by 9.8% (January – June 2014: 22.1%) partly due to the decline in new housing approvals which decreased by 32.9% to 66,770 units (January – June 2014: 37.3%, 99,461 units), reflecting cautious sentiment among housing developers amid a challenging environment. However, the moderation was cushioned by the steady growth in incoming supply at 13.8% (January – June 2014: 10.3%).

In the non-residential subsector, construction activity grew by 14.5% (January – June 2014: 14.2%) as reflected in the expansion of incoming supply, particularly in the shop, shopping complex and industrial segments at 27.8%, 11.3% and 9.6%, respectively, (January – June 2014: 8.7%, 20%, 0.2%). The Purpose-Built Office (“PBO”) segment registered a significant increase in construction starts to 251,916 square meters (“sm”) despite the contraction in incoming supply by 7.5% in the first half of 2015 (January – June 2014: 7,764 sm; -16.4%). The shop overhang increased by 2.2% to 4,915 units with a total value of RM1.9 billion during the period (January – June 2014: 9%; 4,810 units; RM1.5 billion). However the demand for commercial buildings remained stable with the average occupancy rate of office and retail space at 84.2% and 81.6% respectively, reflecting sustained demand, particularly for commercial space located in prime areas. As at end-June 2015, the existing stock of PBO and shopping complexes stood at 19.8 million sm and 13.2 million sm, respectively (end-June 2015: 19.1 million sm; 12.4 million sm).

The non-residential subsector is expected to expand led by ongoing construction of commercial buildings. Growth in the residential subsector is expected to be supported by ongoing Government initiatives to provide affordable housing.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

7.4 Overview of the Lao PDR power sector

Since the introduction of the New Economic Mechanism by the GOL in 1986, Lao PDR has been transitioning from a centrally planned economy to a more market-oriented one. As a result, except during the Asian financial crisis of the 1990s, Lao PDR has been achieving high economic growth. Such rapid growth has enhanced the industrialisation process.

Growth was maintained above 7% for a ninth consecutive year in 2014, though fiscal tightening and weaker global demand for minerals moderated the pace by 0.5 percentage points to 7.4%. Growth is expected to moderate further in 2015 as lackluster demand for minerals weighs on mining, and as fiscal constraints curb public investment. Nevertheless, GDP growth is forecast at 7.0% in 2015, picking up to 7.2% in 2016.

Investment in power projects will generate much of the growth over the forecasted period of 2015 and 2016. More than 20 power projects are under construction, including the USD3.5 billion Xayaburi hydropower plant, scheduled for commissioning in 2019 with capacity to generate 1.3 gigawatts. Power generation will get a boost when the large Hongsa lignite power plant, able to generate 1.9 gigawatts, comes on stream in 2015 and is fully operational in 2016. Total electricity production is projected to rise by 6% in 2015, accelerating significantly in 2016 when six new plants come online.

According to the Department of Energy Business of the Ministry of Energy and Mines of Lao PDR, the Lao PDR power sector is being developed to realise the country’s electrification programme and at the same time, export of electricity to the neighbouring countries. The power sector has the potential to play a pivotal role in achieving the social and economic development objectives of the GOL by expanding the availability of low cost, reliable electricity within the country and earning revenue from export sales to the region. The GOL’s policy facilitates these objectives by encouraging optimal use of the country’s natural resources, promoting efficiency in power sector institutions and creating an environment conducive for responsible infrastructure investment, both public and private.

Lao PDR is a land-locked mountainous country and its national borders incorporate a significant part of the Mekong River basin. As the country intercepts monsoons from two (2) directions, namely the Gulf of Thailand and the Gulf of Tonkin, precipitation is considerably favourable for hydropower development. This trend presents an opportunity for Lao PDR to develop hydropower plants to meet its domestic electrification needs and also to export electricity to neighbouring countries where demand for electricity has been steadily increasing.

Hydropower is seen as a cost-effective energy source in Lao PDR which has a theoretical hydroelectric potential of about 26,500MW. Of this capacity, about 18,000MW is technically exploitable, with 12,500MW found in the major Mekong sub-basins and the remainder in minor Mekong or non-Mekong basins. Around one-fifth of the country's hydropower potential has been developed over the past 30 years, but under the present government policy the rate of development will accelerate to supply electricity to the rapidly growing economies of the region.

According to the Ministry of Energy and Mines of Lao PDR, the GOL's plans and policies for the power sector involve rapid and simultaneous development on several fronts with a view to:

- (i) expand the generation, transmission, distribution and off-grid development to increase the domestic electrification ratio for the country from about 60% in 2008 to a target of above 90% by 2020;
- (ii) increase government revenues from Independent Power Plant (IPP) export investments;
- (iii) promote 500kV grid development within the Greater Mekong Sub-region (GMS) to integrate the power systems of Lao PDR and its neighbours; and
- (iv) increase export of energy to neighbouring countries where several projects are being developed for supply of electricity to Thailand and Vietnam. While there are no specific hydropower projects being developed for the supply of electricity to Cambodia, there is an agreement in place between the two governments for the supply of 200MW from Laos to Cambodia by 2020.

(Source: Asian Development Outlook 2015, Asian Development Bank; Department of Energy Business, Ministry of Energy and Mines, GOL; ERIA Research Project Report, Laos Country Reports June 2013 and November 2014, Economic Research Institute for ASEAN and East Asia; World Bank; Management of the Company)

7.5 Prospects of the Group

The power division of the Group, which operates two (2) power plants, namely Shaoxing Power Plant and Tawau Power Plant, as stated in **Section 6.1.2** of this Abridged Prospectus, will continue to be the main contributor to the Group's revenue and earnings. In light of the current global economic headwinds and the slowing Chinese economy, sales of steam and power of Shaoxing Power Plant will be affected in the short term. Nonetheless, the demand is anticipated to recover in the medium term in line with the economy.

The resources division of the Group, which comprises mainly the quicklime business, is the second largest contributor to the Group. A new kiln, which was commissioned in August 2015, boosted the Group's quicklime capacity by approximately 50% with potentially another kiln to be added in the next few years. These capacity expansions and the relatively untapped export market are anticipated to sustain the growth of the resources division in the medium to longer term.

The property division is small in comparison to the power and resources divisions of the Group. Given the weak property market, the Group has temporarily suspended new property development launches. However, the Group's recurring income from its investment properties is expected to remain steady.

The investment in the Don Sahong Hydropower Project is part of the Group's strategy to grow its power division to generate recurring income. This project will be the key source of long-term growth for the Group and details of which are set out in **Section 4** of this Abridged Prospectus.

In the last six (6) months, DSPC has entered into the Concession Agreement with the GOL and the PPA with EDL for the sale of all electricity generated by DSPC on a take-or-pay basis and had awarded the engineering, procurement, construction and commissioning contract to Sinohydro Corporation Limited.

As set out in **Section 4** of this Abridged Prospectus, the construction of the Don Sahong Hydropower Project had commenced on 15 October 2015, with an estimated construction period of approximately four (4) to four and a half (4.5) years, and the targeted commencement date of commercial operation scheduled to be in early 2020.

Under the IC Interpretation 12 Service Concession Arrangements and Financial Reporting Standards 111 Construction Contract, the Group is expected to recognise construction profits from the Don Sahong Hydropower Project during the construction period, which is expected to be material to the earnings of the Group.

Upon commencement of commercial operation, the Don Sahong Hydropower Project is expected to significantly enhance the Group's cash flows and would be the main source of revenue and earnings for the power division as well as the Group in the longer term.

8. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

8.1 Share capital

The Exemptions will not have any effect on the issued and paid-up share capital as well as the consolidated NA per share, gearing, earnings and EPS of the Company.

The pro forma effects of the Rights Issue with Warrants on the issued and paid-up share capital and the Treasury Shares of MFCB as at the LPD are as follows:

| | No. of MFCB Shares | RM |
|---|---------------------------|--------------------|
| Issued and paid-up share capital | 243,852,000 | 243,852,000 |
| Less: Treasury Shares | (20,497,300) | (20,497,300) |
| | 223,354,700 | 223,354,700 |
| To be issued pursuant to the exercise of Options A ⁽¹⁾ | 1,000,000 | 1,000,000 |
| | 224,354,700 | 224,354,700 |
| To be issued pursuant to the Rights Issue with Warrants | 157,048,290 | 157,048,290 |
| | 381,402,990 | 381,402,990 |
| To be issued pursuant to the full exercise of the Warrants | 67,306,410 | 67,306,410 |
| Enlarged issued and paid-up share capital | 448,709,400 | 448,709,400 |

Note:

⁽¹⁾ On 15 February 2016, the Company received the undertakings from GNK and GNY that they will exercise each of their 500,000 Options A in full and the undertaking from the remaining Options A holder that he will not exercise his remaining 273,000 Options A, prior to the Entitlement Date.

8.2 NA per share and gearing

The pro forma effects of the Rights Issue with Warrants on the consolidated NA per share and gearing of MFCB, based on the latest audited consolidated statement of financial position of MFCB as at 31 December 2014 is set out below:

| | Audited as at 31 December 2014 | Pro Forma I After adjustments for subsequent events up to the LPD ⁽¹⁾ | Pro Forma II After Pro Forma I and the full exercise of Options A by GNK and GNY only ⁽²⁾ | Pro Forma III After Pro Forma II and the utilisation of the Rights Issue Proceeds | Pro Forma IV After Pro Forma III and the full exercise of Warrants |
|--|---|--|---|--|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Share capital | 243,002 | 243,852 | 244,852 | 401,900 | 469,206 |
| Treasury shares | (30,025) | (30,045) | (30,045) | (30,045) | (30,045) |
| Reserves | 525,971 | 526,407 | 526,907 | ⁽³⁾⁽⁴⁾ 615,866 | ⁽⁵⁾ 697,980 |
| Equity attributable to equity holders / NA | 738,948 | 740,214 | 741,714 | 987,721 | 1,137,141 |
| Non-controlling interests | 146,669 | 146,669 | 146,669 | 146,669 | 146,669 |
| Total equity | 885,617 | 886,883 | 888,383 | 1,134,390 | 1,283,810 |
| No. of MFCB Shares in issue excluding the Treasury Shares (‘000) | 222,514 | 223,355 | 224,355 | 381,403 | 448,709 |
| Total borrowings ⁽⁶⁾ | 93,529 | 93,529 | 93,529 | ⁽⁷⁾ 28,529 | 28,529 |
| NA per MFCB Share attributable to equity holders (RM) | 3.32 | 3.31 | 3.31 | 2.59 | 2.53 |
| Gearing ratio (times) ⁽⁸⁾ | 0.13 | 0.13 | 0.13 | 0.03 | 0.03 |

Notes:

⁽¹⁾ Adjustments for the exercise of 850,000 Options A between January 2015 and the LPD at exercise prices of RM1.50 and RM1.52 and share buy-back of 8,800 Treasury Shares amounting to approximately RM20,000.

⁽²⁾ Assuming all outstanding Options A of GNK and GNY are exercised into 1,000,000 MFCB Shares at RM1.50. On 15 February 2016, the Company received the undertakings from GNK and GNY that they will exercise each of their 500,000 Options A in full and the undertaking from the remaining Options A holder that he will not exercise his remaining 273,000 Options A, prior to the Entitlement Date.

⁽³⁾ After the recognition of 67,306,410 Warrants to be issued at the theoretical fair value of RM0.28 per Warrant.

⁽⁴⁾ After deducting the estimated expenses pursuant to the Rights Issue with Warrants of approximately RM3.7 million.

⁽⁵⁾ After adjusting for the full exercise of the Warrants at the Exercise Price of RM2.22 per Warrant and the reversal of the warrants reserve upon the full exercise of the Warrants.

⁽⁶⁾ Total borrowings include hire purchase payables of RM755,000.

⁽⁷⁾ Repayment of RM65.0 million of the bank borrowings as part of the utilisation of the Rights Issue Proceeds.

⁽⁸⁾ Calculated based on total borrowings divided by equity attributable to equity holders.

8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on the earnings of the Group for the FYE 31 December 2016.

Moving forward, the Rights Issue with Warrants is expected to contribute positively to the consolidated earnings of MFCB in the ensuing financial years when the benefits of the utilisation of proceeds as set out in **Section 5** of this Abridged Prospectus are realised.

The Rights Issue with Warrants is expected to result in the dilution of the consolidated EPS of MFCB as a result of the increase in the number of MFCB Shares in issue upon completion of the Rights Issue with Warrants and as and when the Warrants are exercised into new MFCB Shares. Nevertheless, the share price adjustment resulting from the Rights Issue with Warrants to the theoretical ex-all price will partially mitigate the impact on the intrinsic market valuation based on the price-earnings multiple ascribed to the MFCB Shares resulting from the EPS dilution.

The actual impact on the future earnings and consolidated EPS of MFCB will also depend on, among others, the actual number of Rights Shares to be issued, the number of Exercised Shares as well as the level of earnings generated from the utilisation of proceeds raised from the Rights Issue with Warrants.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

The Board is of the opinion that after taking into consideration the Rights Issue Proceeds, banking facilities available to the Group and the funds generated from its operations, the Group will have sufficient working capital available for a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, the total outstanding borrowings of the Group, all of which are interest-bearing, are as follows:

| | <u>RM million</u> |
|------------------------------|-------------------|
| Short-term borrowings | |
| Bank overdraft | 9.3 |
| Revolving credits | 95.0 |
| Term loans | 11.4 |
| Hire purchase | 0.6 |
| Other trade lines | 3.5 |
| Subtotal | <u>119.8</u> |
| Long-term borrowings | |
| Term loans | 27.5 |
| Hire purchase | 1.1 |
| Subtotal | <u>28.6</u> |
| Total borrowings | <u>148.4</u> |

There has been no default on payments of either interest and/or principal sums on any of the above borrowings throughout the FYE 31 December 2014, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save as disclosed below, the Board confirms that as at the LPD, there is no other contingent liabilities incurred or to be incurred by the Group, which upon becoming enforceable may have a material impact on the net profits and/or NA of the Group:

- (i) the sum of RM601,000 in relation to the interest charges on the disputed assessment on the machinery of the power plant of SPSB levied by Majlis Perbandaran Tawau, being the local municipal council of Tawau, in Sabah, which is payable by the Company upon receiving the final decision from the said council; and
- (ii) a claim has been made against Paya Emas Sdn Bhd ("**PESB**"), a 60%-indirect subsidiary of MFCB by a third party in the Malacca High Court for breach of contract, related to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the Malacca High Court ordered PESB to pay damages to the third party. The decision for assessment of damages has initially been fixed on 19 February 2016 but has been vacated by the Malacca High Court to a date to be informed. The damages that may be awarded is expected to be immaterial and therefore no provision has been made.

9.4 Material commitments

Save as disclosed below, the Board confirms that as at the LPD, there is no other material commitments incurred or to be incurred by the Group, which upon becoming enforceable may have a material impact on the net profits and/or NA of the Group:

| | <u>RM million</u> |
|--|-------------------|
| Property, plant and equipment | |
| Authorised but not provided for: | |
| Contracted | 12 |
| Not contracted | 14 |
| Project development expenditure | |
| Authorised but not provided for: | |
| Contracted | 1,014 |
| Total | <u>1,040</u> |

The above commitments will be funded by the Rights Issue Proceeds, debt, internally generated funds of the Group and, if any, gross proceeds to be raised by the Company from the exercise of the Warrants.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

10.1 General

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee/transferee (if applicable) are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights Shares with Warrants.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants provisionally allotted to you, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

10.2 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants and Excess Rights Shares with Warrants is **30 March 2016 at 5.00 p.m.**, or such later date and time as the Board and the Joint Underwriters may, at their absolute discretion, decide and announce, but not less than two (2) Market Days before such stipulated date and time.

10.3 Procedures for acceptance and payment

ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS MUST BE MADE IN ACCORDANCE WITH THE RSF ENCLOSED WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. ACCEPTANCES AND/OR PAYMENTS WHICH DO NOT CONFORM TO THE TERMS OF THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.

THE SHARE REGISTRAR WILL NOT CONTACT YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) FOR ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS OF THIS ABRIDGED PROSPECTUS OR THE RSF OR THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS, OR WHICH ARE ILLEGIBLE.

If you wish to accept the Provisional Rights Shares with Warrants, either in full or in part, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided therein, and despatch by **ORDINARY POST, COURIER or DELIVERED BY HAND** (at your own risk) each completed RSF together with the relevant payment using the envelope provided to the Share Registrar at the following address and arrived **by the Closing Date**:

FOR COURIER AND/OR DELIVERY BY HAND:-

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel. No.: +603 7849 0777
Fax. No.: +603 7841 8151/52

FOR ORDINARY POST:-

Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan
Malaysia

One (1) RSF can only be used for acceptance of Provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for separate CDS Accounts. The Rights Shares with Warrants accepted by you in accordance with the notes and instructions contained in the RSF will be credited into the respective CDS Accounts where the Provisional Rights Shares with Warrants are standing to the credit, in accordance with the procedures as set out in the RSF.

A reply envelope is enclosed in this Abridged Prospectus. In order to facilitate the processing of the RSF by the Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You should take note that a trading board lot for the Rights Shares and the Warrants will comprise of 100 Rights Shares and 100 Warrants respectively. Successful applicants of the Rights Shares will be given Warrants on the basis of three (3) Warrants for every seven (7) Rights Shares successfully subscribed for. The minimum number of Rights Shares that can be accepted is one (1) Rights Share. However, three (3) Warrants will be issued for every seven (7) Rights Shares subscribed for.

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Each completed RSF must be accompanied by remittance solely in RM or solely in USD, whichever is applicable, but combination of these currencies is not allowed, for the **FULL** and **EXACT** amount payable for the Provisional Rights Shares with Warrants accepted, in the following form:

- (i) for acceptance of the Provisional Rights Shares with Warrants **solely in RM**, payment must be made in the form of **banker's drafts, cashier's orders, money orders** or **postal orders** drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**MFCB RIGHTS SHARES – RM**" and endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters to be received by the Share Registrar together with the RSF by the Closing Date; or
- (ii) for acceptance of the Provisional Rights Shares with Warrants **solely in USD**, payment must be made via **telegraphic transfer** to the Company's bank account, the details of which are as follows:

Bank : **Malayan Banking Berhad**
 Account Name : **MFCB RIGHTS SHARES – USD**
 Account No. : **714011024189**
 Address : **MBB KL Main Branch**
 Swift Code : **MBBEMYKL**

A duplicated copy of the payment made via telegraphic transfer endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters must be submitted to the Share Registrar together with the RSF by the Closing Date.

The payment must be made for the **FULL** and **EXACT** amount payable for the Provisional Rights Shares with Warrants accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques, cash or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD from their existing USD funds may open a foreign currency account with a bank in Malaysia (if they don't already have one) to facilitate the telegraphic transfer.

Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD will be responsible for the payment of any issue or transfer fees or costs, or any other taxes or requisite payments due including the costs of opening a foreign currency account (if applicable), surcharges or agent commission imposed on their payment via telegraphic transfer, and the Company shall be entitled to be fully indemnified and held harmless for any such costs as the Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD may be required to pay.

All Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to make payment in USD via telegraphic transfer to the Company.

FOR RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE), IT IS A CONDITION IMPOSED BY BNM IN RESPECT OF THE SUBSCRIPTION OPTION THAT ONLY RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE) WITH EXISTING USD FUNDS ARE ALLOWED TO SUBSCRIBE FOR THE RIGHTS SHARES IN USD AND ANY CONVERSION OF RM TO USD FOR THE PURPOSES OF SUBSCRIBING FOR THE RIGHTS SHARES IS NOT ALLOWED. PLEASE SEE SECTION 10.6 OF THIS ABRIDGED PROSPECTUS FOR FURTHER DETAILS.

If you lose, misplace or for any other reasons require another copy of this Abridged Prospectus and/or the RSF, you may obtain additional copies from the Share Registrar or Bursa Securities' website at www.bursamalaysia.com.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY THE COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE PROVISIONAL RIGHTS SHARES WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE ISSUED AND FORWARDED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF THE COMPANY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH THE SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR. THE BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASON THEREFOR.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN FOURTEEN (14) MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS OF THE COMPANY AT YOUR OWN RISK.

ALL RIGHTS SHARES WITH WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

10.4 Procedures for sale/transfer of Provisional Rights Shares with Warrants

Subject to the provisions of as set out in **Appendix VIII** of this Abridged Prospectus, as the Provisional Rights Shares with Warrants are prescribed securities, should you wish to sell/transfer, all or part of your entitlements to the Provisional Rights Shares with Warrants to one (1) or more persons, you may do so through your stockbroker for the period up to the last date and time for the sale/transfer of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities for the period up to the last date and time for the sale of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) or transfer such entitlements to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the transfer of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE STRICTLY TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING/TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES WITH WARRANTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT, INCLUDING THE RSF, TO ANY STOCKBROKER. HOWEVER, YOU ARE ADVISED TO ENSURE THAT THERE ARE SUFFICIENT NUMBER OF PROVISIONAL RIGHTS SHARES WITH WARRANTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING/TRANSFERRING.

If you have sold or transferred only part of your Provisional Rights Shares with Warrants, you may still accept the balance of your Provisional Rights Shares with Warrants by completing Parts I(A) and II of the RSF and forwarding the RSF together with the appropriate remittance solely in RM or solely in USD, whichever is applicable, but combination of these currencies is not allowed, for the **FULL** and **EXACT** amount payable for the balance of the Provisional Rights Shares with Warrants accepted to the Share Registrar in accordance with the instructions in **Section 10.3** of this Abridged Prospectus.

FOR RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE), IT IS A CONDITION IMPOSED BY BNM IN RESPECT OF THE SUBSCRIPTION OPTION THAT ONLY RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE) WITH EXISTING USD FUNDS ARE ALLOWED TO SUBSCRIBE FOR THE RIGHTS SHARES IN USD AND ANY CONVERSION OF RM TO USD FOR THE PURPOSES OF SUBSCRIBING FOR THE RIGHTS SHARES IS NOT ALLOWED. PLEASE SEE SECTION 10.6 OF THIS ABRIDGED PROSPECTUS FOR FURTHER DETAILS.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

10.5 Procedures for Excess Application

If you are an Entitled Shareholder, you and/or your renounee/transferee (if applicable) may apply for the Excess Rights Shares with Warrants in addition to your Provisional Rights Shares with Warrants. If you wish to do so, please complete Parts I(B) and II of the RSF and forward it (together with a **separate remittance** made solely in RM or solely in USD, whichever is applicable, but combination of these currencies is not allowed, for the **FULL** and **EXACT** amount payable in respect of the Excess Rights Shares with Warrants applied for) using the envelope provided. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** (at your own risk) to the Share Registrar at the address set out in **Section 10.3** above, so as to arrive **by the Closing Date**.

FOR RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE), IT IS A CONDITION IMPOSED BY BNM IN RESPECT OF THE SUBSCRIPTION OPTION THAT ONLY RESIDENT ENTITLED SHAREHOLDERS AND/OR RESIDENT RENOUNCEES/TRANSFEREES (IF APPLICABLE) WITH EXISTING USD FUNDS ARE ALLOWED TO SUBSCRIBE FOR THE RIGHTS SHARES IN USD AND ANY CONVERSION OF RM TO USD FOR THE PURPOSES OF SUBSCRIBING FOR THE RIGHTS SHARES IS NOT ALLOWED. PLEASE SEE SECTION 10.6 OF THIS ABRIDGED PROSPECTUS FOR FURTHER DETAILS.

Payment for the Excess Rights Shares with Warrants applied should be made in the same manner as described in **Section 10.3** above, except that:

- (i) for Excess Applications **solely in RM**, payment must be made in the form of **banker's drafts, cashier's orders, money orders or postal orders** drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**MFCB EXCESS RIGHTS SHARES – RM**" and endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters to be received by the Share Registrar together with the RSF by the Closing Date; or
- (ii) for Excess Applications **solely in USD**, payment must be made via **telegraphic transfer** to the Company's bank account, the details of which are as follows:

Bank : **Malayan Banking Berhad**
 Account Name : **MFCB EXCESS RIGHTS SHARES – USD**
 Account No. : **714011024172**
 Address : **MBB KL Main Branch**
 Swift Code : **MBBEMYKL**

A duplicated copy of the payment made via telegraphic transfer endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters must be submitted to the Share Registrar together with the RSF by the Closing Date.

The payment must be made for the **FULL** and **EXACT** amount payable for the Excess Rights Shares with Warrants applied for. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques, cash or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) who opt to apply for the Excess Rights Shares with Warrants solely in USD from their existing USD funds may open a foreign currency account with a bank in Malaysia (if they don't already have one) to facilitate the telegraphic transfer.

Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to apply for the Excess Rights Shares with Warrants solely in USD will be responsible for the payment of any issue or transfer fees or costs, or any other taxes or requisite payments due including the costs of opening a foreign currency account (if applicable), surcharges or agent commission imposed on their payment via telegraphic transfer, and the Company shall be entitled to be fully indemnified and held harmless for any such costs as the Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to apply for the Excess Rights Shares with Warrants solely in USD may be required to pay.

All Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to apply for the Excess Rights Shares with Warrants solely in USD should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to make payment in USD via telegraphic transfer to the Company.

It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;

- (iii) thirdly, to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares with Warrants applied for;
- (iv) lastly, to the renounees/transferees who have applied for the Excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares with Warrants applied for; and
- (v) in the event that there are still unsubscribed Rights Shares with Warrants after allocating all the Excess Rights Shares with Warrants applied for, the remaining unsubscribed Rights Shares with Warrants will be subscribed by the Joint Underwriters in accordance with the terms and conditions set out in the Underwriting Agreement, in order to meet the full subscription level.

Nevertheless, the Board reserves the right to allot the Excess Rights Shares with Warrants applied for in such manner as the Board deems fit and expedient, and in the best interest of the Company, subject always to such allocation being made in a fair and equitable manner, and that the intention of the Board as set out in **Section 10.5 (i) to (iv)** above is achieved.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE MADE BY THE COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE ISSUED AND FORWARDED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF THE COMPANY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS FOR THE EXCESS RIGHTS SHARES WITH WARRANTS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR. THE BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASON THEREFOR.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL EXCESS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN FOURTEEN (14) MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS OF THE COMPANY AT YOUR OWN RISK.

10.6 Subscription Condition

Entitled Shareholders and/or their renounees/transferees (if applicable) are provided with the Subscription Option, whereby they can opt to:

- (i) accept their Provisional Rights Shares with Warrants either solely in RM or solely in USD, but combination of these currencies is not allowed; and/or
- (ii) apply for the Excess Rights Shares with Warrants either solely in RM or solely in USD, but combination of these currencies is not allowed.

Entitled Shareholders and/or their renounees/transferees (if applicable), who wish to accept the Provisional Rights Shares with Warrants solely in USD, either in full or in part, and/or apply for the Excess Rights Shares with Warrants solely in USD, are required to take note of the Subscription Condition.

IT IS A CONDITION IMPOSED BY BNM IN RESPECT OF THE SUBSCRIPTION OPTION THAT ONLY RESIDENT ENTITLED SHAREHOLDERS WITH EXISTING USD FUNDS ARE ALLOWED TO SUBSCRIBE FOR THE RIGHTS SHARES IN USD AND ANY CONVERSION OF RM TO USD FOR THE PURPOSES OF SUBSCRIBING FOR THE RIGHTS SHARES IS NOT ALLOWED. FOR THE AVOIDANCE OF DOUBT, RESIDENT RENOUNCEES/TRANSFEREES OF THE ENTITLED SHAREHOLDERS ARE ALSO SUBJECT TO THE SUBSCRIPTION CONDITION.

Pursuant to the Subscription Condition, the Board has elected that the following condition and procedure are required to be satisfied by the Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) who wish to accept the Provisional Rights Shares with Warrants solely in USD, either in full or in part, and/or apply for the Excess Rights Shares with Warrants solely in USD:

- (i) the Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) did not convert any RM into USD for purposes of acceptance of and payment for the Provisional Rights Shares with Warrants solely in USD and/or Excess Application solely in USD, after 26 November 2015, being the date of the initial announcements in relation to the Rights Issue with Warrants; and
- (ii) a declaration in the form as set out in the Appendix to the RSF is duly completed and submitted together with the completed RSF as well as the relevant payment using the envelope provided to the Share Registrar at the address set out in **Section 10.3** above, so as to arrive by the Closing Date.

If you have accepted the Provisional Rights Shares with Warrants solely in USD, either in full or in part, and/or applied for the Excess Rights Shares with Warrants solely in USD, please ensure that you submit your duly executed declaration in the form as set out in the Appendix to the RSF together with the completed RSF as well as the duplicated copy of the payment made via telegraphic transfer using the envelope provided to the Share Registrar at the address set out in **Section 10.3** above, so as to arrive by the Closing Date, failing which your RSF will be deemed incomplete and will not be accepted by the Company. The Company reserves the right to request from you at any time, before or after the Closing Date up to the completion of the Rights Issue with Warrants any documents deemed necessary by the Board, at their absolute discretion, for the verification of any information in respect of your declaration made pursuant to Part II(ix) of the RSF.

The Company reserves the right to treat any acceptances and/or applications in USD as invalid, if the Company believes or has reason to believe that such acceptances and/or applications may breach the Subscription Condition. The Provisional Rights Shares with Warrants relating to any acceptance and/or applications which is treated as invalid will be included in the pool of the Excess Rights Shares with Warrants available for Excess Application by other Entitled Shareholders and/or their renounees/transferees (if applicable).

Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) may only accept the Provisional Rights Shares with Warrants in USD and/or apply for the Excess Rights Shares with Warrants in USD to the extent that it would be lawful to do so and MFCB, the Joint Principal Advisers or Joint Underwriters would not be in breach of the Subscription Condition.

Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD and/or apply for the Excess Rights Shares with Warrants solely in USD from their existing USD funds may open a foreign currency account with a bank in Malaysia (if they don't already have one) to facilitate the telegraphic transfer.

Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD and/or apply for the Excess Rights Shares with Warrants solely in USD will be responsible for the payment of any issue or transfer fees or costs, or any other taxes or requisite payments due including the costs of opening a foreign currency account (if applicable), surcharges or agent commission imposed on their payment via telegraphic transfer, and the Company shall be entitled to be fully indemnified and held harmless for any such costs as the Entitled Shareholders and/or their renounees/transferees (if applicable) who opt to accept the Provisional Rights Shares with Warrants solely in USD and/or apply for the Excess Rights Shares with Warrants solely in USD may be required to pay.

All Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to accept the Provisional Rights Shares with Warrants solely in USD and/or apply for the Excess Rights Shares with Warrants solely in USD via telegraphic transfer to the Company. The Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) shall be solely responsible to seek advice as to the relevant laws to which they may be subject, and the acceptance of and payment for the Provisional Rights Shares with Warrants in USD and/or Excess Application in USD shall be on the basis of a warranty by the Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) that they are allowed to do so lawfully without MFCB, the Joint Principal Advisers or Joint Underwriters being in breach of any laws.

Neither MFCB, the Joint Principal Advisers or Joint Underwriters accept any responsibility or liability in the event that any acceptance of and payment for the Provisional Rights Shares with Warrants in USD and/or Excess Application in USD is or shall be come illegal, unenforceable, voidable or void.

The Share Registrar shall be entitled to request from the Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) for such evidence or documentary proof as it may deem necessary to satisfy itself if the Resident Entitled Shareholders and/or Resident renounees/transferees (if applicable) comply with the Subscription Condition.

10.7 Procedures for acceptance by renounees/transferees

The procedures applicable to renounees/transferees for the acceptance of and payment for or selling/transferring of the Provisional Rights Shares with Warrants and the application and payment for the Excess Rights Shares with Warrants are the same as those which are applicable to the Entitled Shareholders as described in **Sections 10.2, 10.3, 10.4, 10.5 and 10.8** of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed. The Subscription Condition as set out in **Section 10.6** of this Abridged Prospectus also applies to Resident renounees/transferees.

You may obtain additional copies of this Abridged Prospectus and/or the RSF from the Share Registrar or Bursa Securities' website at www.bursamalaysia.com.

10.8 Form of issuance

Bursa Securities has already prescribed the shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Bursa Securities has also approved the admission and listing of and quotation for the Warrants on the Main Market of Bursa Securities. Accordingly, the Rights Shares and Warrants are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the said securities.

You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificate shall be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares and Warrants will be credited directly into your CDS Accounts.

Any person who intends to subscribe for the Rights Shares with Warrants as a renounee/transferee by purchasing the Provisional Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares and Warrants credited directly as prescribed securities into his CDS Account.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

If you have multiple CDS Accounts into which the Provisional Rights Shares with Warrants have been credited, you cannot use a single RSF to apply for all these Provisional Rights Shares with Warrants. Separate RSFs must be used if you have more than one (1) CDS Account having been credited with the Provisional Rights Shares with Warrants. If successful, the Rights Shares with Warrants that you applied for will be credited into the respective CDS Accounts into which the Provisional Rights Shares with Warrants have been credited.

10.9 Procedures for acceptance and application by the Foreign Addressed Shareholders and Entitled Shareholders and/or their renounees/transferees (if applicable) who are subject to the laws of foreign countries or jurisdictions

The Documents have not been, and will not be, made to comply with the laws of any foreign jurisdiction and have not been, and will not be, lodged, registered or approved pursuant to or under any legislation, or with or by any regulatory authorities or other relevant bodies, of any jurisdiction other than Malaysia.

The distribution of the Documents, as well as the acceptance of the Provisional Rights Shares with Warrants, the Excess Application and the subscription for or the acquisition of the Rights Shares with Warrants may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdictions under the relevant laws of those countries or jurisdictions.

Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may accept or renounce, as the case may be, all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

The Joint Principal Advisers, the Joint Underwriters, the Company and their Directors and officers (collectively, the "**Parties**") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are or may be subject. Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) shall solely be responsible to seek advice as to the laws of the countries or jurisdictions to which they are or may be subject. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renounees/transferees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

Accordingly, the Company will not send the Documents to the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) who do not have a registered address in Malaysia or who have not provided the Share Registrar with a registered address in Malaysia for despatch of the Documents in writing by 5.00 p.m. on 11 March 2016. The Company will not make or be bound to make any enquiry as to whether the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have a registered address other than as stated in the Record of Depositors of the Company on the Entitlement Date, and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. However, such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) (without an address in Malaysia) may collect the Documents from the Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence (i.e. identification or authorisation documents) as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) will be responsible for payment of any issue or transfer fees or costs, or any other taxes or requisite payments due in such jurisdiction and the Parties shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights, entitlements or any net proceeds arising from the Rights Issue with Warrants. Such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to exercise their rights in relation to the Rights Issue with Warrants.

The Company reserves the right, in its absolute discretion, to treat any acceptance as invalid, if it believes or has reason to believe that such acceptance may violate any applicable legal or regulatory requirements. The Provisional Rights Shares with Warrants relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares with Warrants available for Excess Application by the other Entitled Shareholders and/or their renounees/transferees (if applicable). Entitled shareholders and/or their renounees/transferees (if applicable) outside Malaysia are also advised to take note of the "**Offering, Selling and Transfer Restrictions**" as set out in **Appendix VIII** of this Abridged Prospectus for further information.

Any envelope containing an RSF from an Entitled Shareholder and/or his/her renounee/transferee (if applicable) post-marked from the United States will not be accepted unless the Company has received a signed U.S. Investor Representation Letter on or before the Closing Date (with a copy to the Joint Principal Advisers and Joint Underwriters) from such persons, subject to the terms and conditions for acceptance as set out in this section. Any payment made in respect of any RSF that does not meet the foregoing criteria will be returned without interest by ordinary post to the address as shown in the Record of Depositors of the Company (at his/her own risk) within fourteen (14) Market Days from the Closing Date.

No shareholder or person acting for the account or benefit of any such person, or any other person, shall have any claims whatsoever against any of the Parties.

By accepting the delivery of the Documents, signing any of the forms in the Documents or subscribing for or acquiring the Rights Shares with Warrants, the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are deemed to have represented, acknowledged and declared in favour of, and which representations, acknowledgements and declarations will be relied upon by, the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which those foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are or may be subject to;

- (ii) foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation, be in breach of the laws of any country or jurisdiction to which that person is or may be subject to;
- (iv) foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are aware that the Provisional Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have obtained a copy of this Abridged Prospectus and have relied on their own evaluation to assess the merits and risks of the investment; and
- (vi) foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving the Documents, including without limitation custodians, nominees and trustees, must not, in connection with the Rights Issue with Warrants, distribute or send it into any country or jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations.

No person in any territory outside of Malaysia receiving this Abridged Prospectus and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for or acquire any Rights Shares with Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

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11. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in the Documents.

12. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
MEGA FIRST CORPORATION BERHAD



Khoo Teng Keat
Executive Director

APPENDIX I

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 4 FEBRUARY 2016

MEGA FIRST CORPORATION BERHAD
(Incorporated in Malaysia)
(Company No. 6682-V)

**EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING
HELD ON 4 FEBRUARY 2016**

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN THE COMPANY ("MFCB SHARES") ("RIGHTS SHARES") TOGETHER WITH FREE DETACHABLE WARRANTS ("WARRANTS") TO RAISE GROSS PROCEEDS OF UP TO RM250.0 MILLION ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

IT WAS RESOLVED THAT the following resolution be hereby passed as an Ordinary Resolution:-

"**THAT** subject to the passing of Ordinary Resolution 2 and the requisite consents/approvals of the relevant authorities/parties being obtained, authority be and is hereby given to the Board of Directors of the Company ("**Board**") to offer, allot (provisionally or otherwise) and issue by way of a renounceable rights issue such number of Rights Shares with Warrants pursuant to the Proposed Rights Issue with Warrants, to raise gross proceeds of up to RM250.0 million (or its equivalent in United States Dollar ("**USD**"), based on the middle rate quoted by Bank Negara Malaysia ("**BNM**") as at 5.00 p.m. on the market day immediately preceding the price-fixing date), to the registered shareholders of the Company, whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board and announced later, upon the indicative terms and conditions set out in the circular to shareholders of MFCB dated 20 January 2016 ("**Circular**"), or their renounee(s), to be credited as fully paid-up upon payment, on an entitlement basis and at an issue price (to be denominated in both Ringgit Malaysia ("**RM**") and USD) to be determined and announced by the Board;

THAT subject to the requisite consents/approvals of the relevant authorities/parties being obtained, authority be and is hereby given to the Board to undertake the subscription of the Proposed Rights Issue with Warrants in either RM or USD, whereby the entitled shareholders and/or their renounee(s) can opt to subscribe for the Rights Shares either solely in RM or solely in USD, and combination of these currencies will not be allowed, subject to the condition as imposed by BNM that only resident entitled shareholders with existing USD funds are allowed to subscribe for the Rights Shares in USD and any conversion of RM to USD for the purposes of subscribing for the Rights Shares is not allowed;

THAT the Board be and is hereby authorised to execute, sign and enter into the deed poll constituting the Warrants ("**Deed Poll**"), with full powers to assent to any conditions, variations, modifications and/or amendments from time to time, in accordance with and subject to the terms of the Deed Poll (including but not limited to the exercise price and the number of Warrants) and in any manner as may be required by the relevant authorities or deemed necessary by the Board, and with full powers to implement and give effect to the terms and conditions of the Deed Poll and in the best interest of the Company;

.... 2/-

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 4 FEBRUARY 2016 (Cont'd)

MEGA FIRST CORPORATION BERHAD

Extract of Minutes of the Extraordinary General Meeting held on 4 February 2016

Page 2

THAT the Board be and is hereby authorised to issue and allot such additional Warrants and adjust from time to time the exercise price of the Warrants as may be required or permitted to be issued/adjusted as a consequence of the adjustments under the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new MFCB Shares to be credited as fully paid-up pursuant to the exercise of the Warrants and/or additional Warrants from time to time by the Warrant holders ("**Exercised Shares**") in accordance with the provisions of the Deed Poll;

THAT any Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications to the entitled shareholders and/or their renounee(s) who have applied for the excess Rights Shares on a fair and equitable manner on such basis as may be determined by the Board;

THAT the Board be and is hereby empowered and authorised to disregard and deal with any fractional entitlements and fractions of the Rights Shares and Warrants that may arise from the Proposed Rights Issue with Warrants in such manner as the Directors shall at their absolute discretion deem fit or expedient, and in the best interest of the Company;

THAT the Rights Shares and the Exercised Shares shall, upon issuance and allotment, rank equally in all respects with the then existing MFCB Shares, save and except that the Rights Shares and the Exercised Shares shall not be entitled to any dividend, right, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of the Rights Shares and the Exercised Shares;

THAT approval be and is hereby given for the Company to utilise the proceeds of the Proposed Rights Issue with Warrants in the manner as set out in **Section 2.1.7** of the Circular, and the Board be and is hereby authorised with full powers to vary the manner, timing and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary, expedient, appropriate or in the best interest of the Company, subject where required, to the approval of the relevant authorities;

AND THAT the Board be and is hereby authorised to execute or enter into agreements, deeds or arrangements as the Board may deem necessary or expedient, including but not limited to an underwriting agreement for the remaining portion of the Rights Shares for which no undertaking has been obtained in relation to the Proposed Rights Issue with Warrants, and to take all such necessary steps to give effect to the Proposed Rights Issue with Warrants with full power to assent and adopt such condition, variation, modification and/or amendment in any manner as may be required, imposed or permitted by the relevant authorities in respect of the Proposed Rights Issue with Warrants and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants in the best interest of the Company."

.... 3/-



CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 4 FEBRUARY 2016 (Cont'd)

MEGA FIRST CORPORATION BERHAD

Extract of Minutes of the Extraordinary General Meeting held on 4 February 2016

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ORDINARY RESOLUTION 2

PROPOSED EXEMPTIONS TO GOH NAN KIOH ("GNK") AND PERSONS ACTING IN CONCERT WITH HIM ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR ALL MFCB SHARES AND WARRANTS NOT HELD BY GNK AND HIS PACS UNDER PARAGRAPHS 16.1(B) AND 16.1(C) OF THE PRACTICE NOTE 9 OF THE MALAYSIAN CODE OF TAKE-OVERS AND MERGERS, 2010 ("CODE") ("PROPOSED EXEMPTIONS")

IT WAS RESOLVED THAT the following resolution be hereby passed as an Ordinary Resolution:-

"**THAT** subject to the passing of Ordinary Resolution 1 and the requisite consent/approvals of the Securities Commission Malaysia ("**SC**") and all relevant authorities/parties (where required) being obtained, exemptions are hereby given to GNK and his PACs, namely Rubber Thread Industries (M) Sdn Berhad, Keen Capital Investments Limited ("**Keen Capital**"), PRT Capital Pte Ltd, Lanai Etika Sdn Bhd, Goh Nan Yang ("**GNY**") and Chu Beng Han from the obligation to undertake a mandatory take-over offer under the Code for the remaining MFCB Shares and Warrants, not already held by them in conjunction with the application to the SC by GNK and his PACs under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Code which cover the following:


- (i) exercise of the existing options held by GNK and GNY, granted pursuant to the employees share option scheme of the Company which are exercisable at any time from 21 May 2014 to 31 July 2020;
- (ii) additional undertaking by Keen Capital, being the nominee of GNK and a company wholly-owned by GNK, to apply for excess Rights Shares with Warrants to subscribe, in aggregate with the full entitlements of GNK and his PACs, for 50% of the total Rights Shares pursuant to the Proposed Rights Issue with Warrants; and
- (iii) full exercise of the Warrants by GNK and his PACs over a six (6)-month period during the entire tenure of the Warrants;

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Exemptions with full power to assent and adopt such condition, variation, modification and/or amendment in any manner as may be required or imposed or permitted by the relevant authorities in respect of the Proposed Exemptions and to deal with all matters relating thereto and to take all such steps and do all act and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Exemptions in the best interest of the Company."

CERTIFIED TRUE COPY,



KHOO TENG KEAT
Director



YONG LAI SIM
Secretary
(MAICSA: 0862552)

Date: 25 February 2016

INFORMATION ON MFCB

1. HISTORY AND BUSINESS

The Company was incorporated in Malaysia under the Act under the name of Mega (Chemicals) Sendirian Berhad on 25 April 1966 as a private company. It was converted into a public company on 31 December 1969 and had adopted the name of Mega Chemicals Berhad on 3 April 1970. It was subsequently listed on the then Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 11 August 1970. On 28 April 1981, it changed its name to Supreme Plantation Industries Berhad. The Company then changed its name to Everpeace Corporation Bhd on 7 November 1984 and adopted its current name on 15 March 1990.

The principal activity of MFCB is investment holding and provision of management services. Its subsidiaries are mainly involved in the businesses of power generation, manufacture of limestone-based products, property development and investments.

2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL

As at the LPD, the authorised, issued and fully paid-up share capital of MFCB are as follows:

| Type | No. of MFCB Shares | Par value | Amount |
|---|--------------------|-----------|-------------|
| | | RM | RM |
| Authorised | 500,000,000 | 1.00 | 500,000,000 |
| Issued and fully paid-up ⁽¹⁾ | 243,852,000 | 1.00 | 243,852,000 |

Note:

⁽¹⁾ Includes 20,497,300 Treasury Shares.

There has been no changes in the authorised share capital of MFCB for the past three (3) years up to the LPD. The changes in the issued and paid-up share capital of MFCB for the past three (3) years up to the LPD are as follows:

| Date allotted | No. of MFCB Shares allotted ⁽¹⁾ | Par value per MFCB Share | Consideration per MFCB Share | Cumulative issued and fully paid-up share capital |
|------------------|--|--------------------------|------------------------------|---|
| | | RM | RM | RM |
| 7 March 2013 | 60,000 | 1.00 | 1.50 | 242,455,000 |
| 23 January 2014 | 150,000 | 1.00 | 1.50 | 242,605,000 |
| 12 May 2014 | 40,000 | 1.00 | 1.50 | 242,645,000 |
| 19 June 2014 | 57,000 | 1.00 | 1.52 | 242,702,000 |
| 23 July 2014 | 300,000 | 1.00 | 1.50 | 243,002,000 |
| 21 January 2015 | 43,000 | 1.00 | 1.52 | 243,045,000 |
| 21 May 2015 | 300,000 | 1.00 | 1.52 | 243,345,000 |
| 20 January 2016 | 200,000 | 1.00 | 1.52 | 243,545,000 |
| 22 February 2016 | 307,000 | 1.00 | 1.50 | 243,852,000 |

Note:

⁽¹⁾ Pursuant to the exercise of Options.

APPENDIX II

INFORMATION ON MFCB (Cont'd)

3. Shareholdings of substantial shareholders

Assuming all the entitlements to the Rights Issue with Warrants are fully subscribed by all Entitled Shareholders, the pro forma effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of MFCB as at the LPD are as follows:

| | As at the LPD | | | | Pro Forma I | | | | Pro Forma II | | | |
|--------------------------------------|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | | Direct | | Indirect | |
| | No. of MFCB Shares | % | No. of MFCB Shares | % | No. of MFCB Shares | % | No. of MFCB Shares | % | No. of MFCB Shares | % | No. of MFCB Shares | % |
| GNK | 713,600 | 0.32 | (2)71,895,800 | 32.19 | (1)1,213,600 | 0.54 | (2)71,895,800 | 32.05 | 2,063,120 | 0.54 | (2)122,222,860 | 32.05 |
| Rubber Thread | 47,905,000 | 21.45 | (3)1,927,200 | 0.86 | 47,905,000 | 21.35 | (3)1,927,200 | 0.86 | 81,438,500 | 21.35 | (3)3,276,240 | 0.86 |
| Perbadanan Pembangunan Ekonomi Sabah | 14,787,480 | 6.62 | - | - | 14,787,480 | 6.59 | - | - | 25,138,716 | 6.59 | - | - |
| Keen Capital | 16,260,800 | 7.28 | - | - | 16,260,800 | 7.25 | - | - | 27,643,360 | 7.25 | - | - |
| Laju Riang Sdn Bhd | - | - | (4)49,832,200 | 22.31 | - | - | (4)49,832,200 | 22.21 | - | - | (4)84,714,740 | 22.21 |
| Kema Development Sdn Bhd | - | - | (4)49,832,200 | 22.31 | - | - | (4)49,832,200 | 22.21 | - | - | (4)84,714,740 | 22.21 |
| Cambrew (Malaysia) Sdn Bhd | - | - | (4)49,832,200 | 22.31 | - | - | (4)49,832,200 | 22.21 | - | - | (4)84,714,740 | 22.21 |
| Dr. Lim Thian Soo | 10,000 | * | (4)49,832,200 | 22.31 | 10,000 | * | (4)49,832,200 | 22.21 | 17,000 | * | (4)84,714,740 | 22.21 |
| Lim Thiam Cheok | 10,000 | * | (4)49,832,200 | 22.31 | 10,000 | * | (4)49,832,200 | 22.21 | 17,000 | * | (4)84,714,740 | 22.21 |
| Lim Yam Poh | - | - | (4)49,832,200 | 22.31 | - | - | (4)49,832,200 | 22.21 | - | - | (4)84,714,740 | 22.21 |
| FMR LLC | - | - | (5)24,187,200 | 10.83 | - | - | (5)24,187,200 | 10.78 | - | - | (5)41,118,240 | 10.78 |

APPENDIX II

INFORMATION ON MFCB (Cont'd)

| | Pro Forma III | | | |
|--------------------------------------|--|-------|----------------------------|-------|
| | After Pro Forma II and the full exercise of the Warrants | | | |
| | Direct | | Indirect | |
| | No. of MFCB Shares | % | No. of MFCB Shares | % |
| GNK | 2,427,200 | 0.54 | ⁽²⁾ 143,791,600 | 32.05 |
| Rubber Thread | 95,810,000 | 21.35 | ⁽³⁾ 3,854,400 | 0.86 |
| Perbadanan Pembangunan Ekonomi Sabah | 29,574,960 | 6.59 | - | - |
| Keen Capital | 32,521,600 | 7.25 | - | - |
| Laju Riang Sdn Bhd | - | - | ⁽⁴⁾ 99,664,400 | 22.21 |
| Kema Development Sdn Bhd | - | - | ⁽⁴⁾ 99,664,400 | 22.21 |
| Cambrew (Malaysia) Sdn Bhd | - | - | ⁽⁴⁾ 99,664,400 | 22.21 |
| Dr. Lim Thian Soo | 20,000 | * | ⁽⁴⁾ 99,664,400 | 22.21 |
| Lim Thiam Cheok | 20,000 | * | ⁽⁴⁾ 99,664,400 | 22.21 |
| Lim Yam Poh | - | - | ⁽⁴⁾ 99,664,400 | 22.21 |
| FMR LLC | - | - | ⁽⁵⁾ 48,374,400 | 10.78 |

Notes:

* Less than 0.01%

⁽¹⁾ On 15 February 2016, the Company received the undertakings from GNK and GNY that they will exercise each of their 500,000 Options A in full and the undertaking from the remaining Options A holder that he will not exercise the remaining 273,000 Options A prior to the Entitlement Date.

⁽²⁾ Deemed interest by virtue of his interest in Rubber Thread, PRT Capital, Lanai Etika and Keen Capital pursuant to Section 6A of the Act.

⁽³⁾ Deemed interest by virtue of its interest in Lanai Etika pursuant to Section 6A of the Act.

⁽⁴⁾ Deemed interest by virtue of his/hers/its interest in Rubber Thread and Lanai Etika pursuant to Section 6A of the Act.

⁽⁵⁾ In respect of Fidelity Northstar Fund Sub B and Fidelity Low-Priced Stock Fund.

INFORMATION ON MFCB (Cont'd)
4. DIRECTORS
4.1 Particulars of Directors

The details of the members of the Board as at the LPD are as follows:

| Name/Designation | Address | Age | Nationality | Profession |
|--|---|------------|--------------------|---------------------|
| GNK <i>Executive Chairman</i> | 21 Jalan Setiakasih Damansara Heights 50490 Kuala Lumpur Malaysia | 62 | Malaysian | Company Director |
| Dato' Haji Abu Hanifah bin Noordin <i>Independent and Non- Executive Deputy Chairman</i> | 2 Lorong Chan Chin Mooi 1 Taman Tasek Titiwangsa 53200 Kuala Lumpur Malaysia | 64 | Malaysian | Company Director |
| GNY <i>Executive Director (Also the alternate director to GNK)</i> | 62 Jalan 1/149K Taman Sri Petaling 57000 Kuala Lumpur Malaysia | 52 | Malaysian | Company Director |
| Khoo Teng Keat <i>Executive Director</i> | 9 Elitis Dahina Valencia 47000 Sungai Buloh Selangor Darul Ehsan Malaysia | 45 | Malaysian | Company Director |
| Yeow See Yuen <i>Independent and Non- Executive Director</i> | 40 Dakota Cres #03-13 Dakota Residences Singapore 399939 Singapore | 48 | Malaysian | Company Director |
| Tay Kheng Chiong <i>Non-Independent and Non-Executive Director</i> | Lot 149 Taman Bukit Beruang Heights Bukit Beruang 75450 Melaka Malaysia | 52 | Malaysian | Company Director |
| Dato' Tan Ang Meng <i>Independent and Non- Executive Director</i> | B-06-06, Block B Surian Condo Jalan PJU 7/12B Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Malaysia | 60 | Malaysian | Company Director |
| Dato' Koh Hong Sun <i>Independent and Non- Executive Director</i> | 51 Persiaran Abang Haji Openg Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia | 63 | Malaysian | Company Director |
| Pengiran Saifuddin bin Pengiran Tahir <i>Independent and Non- Executive Director</i> | Kampung Buang Sayang 1 Peti Surat 34 89606 Papar Sabah Malaysia | 58 | Malaysian | Company Director |

APPENDIX II

INFORMATION ON MFCB (Cont'd)

4.2 Directors' shareholdings

Assuming all the entitlements to the Rights Issue with Warrants are fully subscribed by all Entitled Shareholders, the pro forma effects of the Rights Issue with Warrants on the shareholdings of the Directors of MFCB as at the LPD are as follows:

| | As at the LPD | | Pro Forma I | | Pro Forma II | |
|---------------------------------------|--------------------|----------|---|----------|--|----------|
| | | | After exercise of all Options A held by GNK and GNY only ⁽ⁱ⁾ | | After Pro Forma I and the Rights Issue with Warrants | |
| | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| | No. of MFCB Shares | % | No. of MFCB Shares | % | No. of MFCB Shares | % |
| GNK | 713,600 | 0.32 | (2)71,895,800 | 32.19 | (2)71,895,800 | 32.05 |
| Dato' Haji Abu Hanifah bin Noordin | 300,000 | 0.13 | - | - | - | - |
| GNY | 510,000 | 0.23 | - | - | - | - |
| Khoo Teng Keat | 200,000 | 0.09 | - | - | - | - |
| Yeow See Yuen | 736,500 | 0.33 | (3)26,000 | 0.01 | (3)26,000 | 0.01 |
| Tay Kheng Chiong | 27,000 | 0.01 | - | - | - | - |
| Dato' Tan Ang Meng | 300,000 | 0.13 | - | - | - | - |
| Dato Koh Hong Sun | 300,000 | 0.13 | - | - | - | - |
| Pengiran Saifuddin bin Pengiran Tahir | - | - | - | - | - | - |
| | | | No. of MFCB Shares | % | No. of MFCB Shares | % |
| | | | 2,063,120 | 0.54 | (2)122,222,860 | 32.05 |
| | | | 510,000 | 0.13 | - | - |
| | | | 1,213,600 | 0.54 | (2)71,895,800 | 32.05 |
| | | | 300,000 | 0.13 | - | - |
| | | | 1,010,000 | 0.45 | - | - |
| | | | 200,000 | 0.09 | - | - |
| | | | 736,500 | 0.33 | (3)26,000 | 0.01 |
| | | | 27,000 | 0.01 | - | - |
| | | | 300,000 | 0.13 | - | - |
| | | | 300,000 | 0.13 | - | - |
| | | | - | - | - | - |
| | | | 1,717,000 | 0.45 | - | - |
| | | | 340,000 | 0.09 | - | - |
| | | | 1,252,050 | 0.33 | (3)44,200 | 0.01 |
| | | | 45,900 | 0.01 | - | - |
| | | | 510,000 | 0.13 | - | - |
| | | | 510,000 | 0.13 | - | - |
| | | | - | - | - | - |
| | | | - | - | - | - |

INFORMATION ON MFCB (Cont'd)

| | Pro Forma III | | | |
|---------------------------------------|--|------|--------------------|-------|
| | After Pro Forma II and the full exercise of the Warrants | | Indirect | |
| | Direct | | No. of MFCB Shares | % |
| GNK | 2,427,200 | 0.54 | (2)143,791,600 | 32.05 |
| Dato' Haji Abu Hanifah bin Noordin | 600,000 | 0.13 | - | - |
| GNV | 2,020,000 | 0.45 | - | - |
| Khoo Teng Keat | 400,000 | 0.09 | - | - |
| Yeow See Yuen | 1,473,000 | 0.33 | (3)52,000 | 0.01 |
| Tay Kheng Chiong | 54,000 | 0.01 | - | - |
| Dato' Tan Ang Meng | 600,000 | 0.13 | - | - |
| Dato Koh Hong Sun | 600,000 | 0.13 | - | - |
| Pengiran Saifuddin bin Pengiran Tahir | - | - | - | - |

Notes:

- (1) On 15 February 2016, the Company received the undertakings from GNK and GNV that they will exercise each of their 500,000 Options A in full and the undertaking from the remaining Options A holder that he will not exercise his remaining 273,000 Options A prior to the Entitlement Date.
- (2) Deemed interest by virtue of his interest in Rubber Thread, PRT Capital, Lanai Etika and Keen Capital pursuant to Section 6A of the Act.
- (3) Deemed interest by virtue of his mother's shareholdings in the Company.

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APPENDIX II

INFORMATION ON MFCB (Cont'd)

5. LIST OF SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, MFCB does not have any associated company. The subsidiaries of MFCB as at the LPD are as follows:

| Name of company | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest | Principal activities |
|--------------------------------|---|-----------------------------------|---------------------------|---|
| | | RM (unless denominated otherwise) | % | |
| Subsidiaries | | | | |
| Anting Sendirian Berhad | 6 February 1975 Malaysia | 300,000 | 100.0 | Quarry operator |
| Authentic Excellence Sdn Bhd | 5 November 1998 Malaysia | 2 | 100.0 | Investment holding |
| Batamas Sdn Berhad | 16 December 1980 Malaysia | 4,600,000 | 100.0 | Manufacturing and selling of bricks |
| Bayangan Sutera Sdn Bhd | 5 November 1998 Malaysia | 2 | 100.0 | Dormant |
| Bloxwich (Malaysia) Sdn Bhd | 19 September 1990 Malaysia | 5,157,895 | 95.0 | Engineering, designing and manufacturing of automotive components |
| Bloxwich International Sdn Bhd | 6 December 1994 Malaysia | 17,600,000 | 100.0 | Investment holding and provision of management services |
| Cheng Sun Industries Sdn Bhd | 29 April 1982 Malaysia | 800,000 | 99.6 | Investment holding |
| Community Consortium Sdn Bhd | 25 January 1992 Malaysia | 2,100,000 | 100.0 | Property development |
| Don Sahong Holdings Limited | 4 July 2008 British Virgin Islands | USD2,710,000 | 100.0 | Investment holding |
| DSPC | 7 July 2015 Lao PDR | USD3,000,000 | 80.0 | Develop and operate hydroelectric power plant |
| Geo-Mobile Asia (HK) Limited | 30 October 1990 Hong Kong | HKD100 | 100.0 | Dormant |
| Geo-Mobile Asia Sdn Bhd | 9 November 1989 Malaysia | 2 | 100.0 | Investment holding |
| Goleman Limited | 20 June 2011 British Virgin Islands | USD1 | 100.0 | Dormant |
| Gombak Land Sdn Bhd | 1 November 1985 Malaysia | 12,870,000 | 100.0 | Property development |
| Greentown Parking Sdn Bhd | 9 January 1991 Malaysia | 300,000 | 100.0 | Car park operator |
| Ground Roses Limited | 23 April 2013 British Virgin Islands | USD2,666,251 | 100.0 | Investment holding |
| Hexachase Corporation Sdn Bhd | 28 November 1990 Malaysia | 131,250 | 52.4 | Investment holding |

APPENDIX II

INFORMATION ON MFCB (Cont'd)

| Name of company | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest | Principal activities |
|--|--|-----------------------------------|---------------------------|---|
| | | RM (unless denominated otherwise) | % | |
| Hexachase Flexipack Sdn Bhd | 5 December 2013 Malaysia | 1,000,000 | 34.1 | Manufacturing of flexible packaging products |
| Hexachase Labels Sdn Bhd | 13 August 1996 Malaysia | 450,018 | 47.2 | Manufacturing of labels and printed products |
| Hexachase Marketing & Trading Sdn Bhd | 15 May 2006 Malaysia | 2 | 47.2 | Marketing and trading of labels and printed products |
| Hexachase Packaging Sdn Bhd | 3 June 2002 Malaysia | 900,000 | 41.9 | Manufacturing of packaging products |
| Idaman Harmoni Sdn Bhd | 5 November 1998 Malaysia | 100,000 | 65.0 | Property investment |
| Identiti Jitu Sdn Bhd | 9 December 2004 Malaysia | 2,402 | 55.0 | Sand mining |
| Kinta Ceria Sdn Bhd | 9 June 2003 Malaysia | 2 | 100.0 | Property investment |
| Mamut Copper Mining Sdn Bhd | 21 May 1969 Malaysia | 120,000,000 | 100.0 | Dormant |
| Mega First Housing Development Sdn Bhd | 7 December 1992 Malaysia | 1,250,000 | 100.0 | Property development |
| Mega First Industries Sdn Bhd | 7 December 1992 Malaysia | 11,783,870 | 100.0 | Investment holding |
| Mega First Investments (L) Ltd | 6 July 2015 Malaysia (Labuan) | USD30,079,937 | 100.0 | General investment |
| Mega First Mining Sdn Bhd | 7 May 1992 Malaysia | 17,219,285 | 100.0 | Investment holding |
| Mega First Plantation (Cambodia) Ltd | 21 October 2013 Royal Kingdom of Cambodia | USD5,000 | 100.0 | Plantation |
| Mega First Power (HK) Limited | 27 June 2008 Hong Kong | HKD10 | 100.0 | Investment holding |
| Mega First Power Industries Sdn Bhd | 5 July 1996 Malaysia | 100,000 | 100.0 | Investment holding and provision of management services to its subsidiaries |
| Mega First Power Services Sdn Bhd | 13 February 1995 Malaysia | 100,000 | 100.0 | Contractor for operation and maintenance of a power plant |
| Mega First Resources Sdn Bhd | 18 January 1973 Malaysia | 8,581,134 | 100.0 | Investment holding |
| Megah Harmonik Property Management Sdn Bhd | 29 March 1986 Malaysia | 50,000 | 100.0 | Property management |

APPENDIX II

INFORMATION ON MFCB (Cont'd)

| Name of company | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest | Principal activities |
|---|---|-----------------------------------|---------------------------|--|
| | | RM (unless denominated otherwise) | % | |
| Melewar Jutamas Sdn Bhd | 8 February 2013 Malaysia | 410,000 | 51.2 | Pre-operating |
| Mesrasasi Sdn Bhd | 22 November 2002 Malaysia | 200,000 | 100.0 | Quarry operator |
| Paya Emas Sdn Bhd | 6 November 1989 Malaysia | 869,900 | 60.0 | Property development |
| Propera Sdn Bhd | 15 May 1993 Malaysia | 2 | 100.0 | Dormant |
| Public Ventures Management Sdn Bhd | 5 September 1988 Malaysia | 300,000 | 100.0 | Dormant |
| RCI Lime Sdn Bhd | 19 September 1994 Malaysia | 10,000,000 | 100.0 | Manufacture and sale of lime products and limestone quarry operator |
| RCI Marketing Sdn Bhd | 29 April 1989 Malaysia | 5,000,000 | 100.0 | Trading in building materials and chemical products |
| RCI Minerals Sdn Bhd | 8 June 1999 Malaysia | 2 | 100.0 | Investment holding |
| RCI Ventures Sdn Bhd | 12 April 1995 Malaysia | 100 | 100.0 | Investment in quoted securities |
| Rock Chemical Industries (Malaysia) Sdn. Berhad | 30 January 1973 Malaysia | 42,360,000 | 100.0 | Investment holding and provision of management consultancy services |
| Runding ANR Sdn Bhd | 10 April 2014 Malaysia | 2 | 60.0 | Pre-operating |
| Runding Kualiti Sdn Bhd | 21 January 2013 Malaysia | 1,000 | 60.0 | Pre-operating |
| SPSB | 6 March 1993 Malaysia | 16,040,000 | 51.0 | Build, own and operate a power generation plant |
| Shaoxing Mega Heat And Power Co. Ltd | 23 October 1995 The People's Republic of China | RMB187,000,000 | 60.0 | Own and operate a power plant |
| Silver Acreage Limited | 2 April 2013 British Virgin Islands | USD33,751 | 100.0 | Investment holding |
| Sri Anting Sdn Bhd | 1 April 1983 Malaysia | 100,000 | 100.0 | Operating quarries |
| Syarikat Cheng Sun Quarry Sdn Bhd | 23 July 1975 Malaysia | 3,200,000 | 99.6 | Quarrying of limestone and production of fine calcium carbonate powder |
| Teratai ANR Sdn Bhd | 1 March 2013 Malaysia | 500,000 | 70.0 | Pre-operating |

APPENDIX II

INFORMATION ON MFCB (Cont'd)

| Name of company | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest | Principal activities |
|--|----------------------------------|-----------------------------------|---------------------------|----------------------|
| | | RM (unless denominated otherwise) | % | |
| Teratai Kembara Sdn Bhd | 30 October 2009 Malaysia | 1,000.00 | 77.8 | Investment holding |
| Usaha Takzim Sdn Bhd | 13 May 1994 Malaysia | 100,000.00 | 100.0 | Property investment |
| Subsidiaries in liquidation | | | | |
| Bloxwich Industries (Pty) Limited [^] | 18 November 1971 South Africa | Rand2,000,000 | 100.0 | In Liquidation |

Note:

[^] Court winding-up with effect from 19 January 2009.

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APPENDIX II

INFORMATION ON MFCB (Cont'd)

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record based on the audited consolidated financial statements of MFCB for the past three (3) FYE 31 December 2012 to 2014 and unaudited consolidated financial statements for the FYE 31 December 2015 are as follows:

| | Audited FYE 31 December | | | Unaudited FYE |
|--|-------------------------|----------------|----------------|----------------|
| | 2012 | 2013 | 2014 | 31 December |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 635,304 | 628,758 | 672,465 | 588,686 |
| Cost of sales | (469,506) | (456,445) | (483,954) | (433,486) |
| Gross profit | 165,798 | 172,313 | 188,511 | 155,200 |
| Other income, net | 3,920 | 19,844 | 4,645 | 38,285 |
| Operating expenses | (36,297) | (34,891) | (35,349) | (40,536) |
| Profit from operations | 133,421 | 157,266 | 157,807 | 152,949 |
| Finance costs | (4,435) | (3,053) | (3,981) | (5,425) |
| Share of profit/(loss) in an associate, net of tax | 116 | 681 | (806) | - |
| PBT | 129,102 | 154,894 | 153,020 | 147,524 |
| Income tax expense | (35,440) | (47,709) | (45,724) | (39,870) |
| PAT | 93,662 | 107,185 | 107,296 | 107,654 |
| Other comprehensive income | 1,582 | 19,121 | 9,639 | 29,610 |
| Total comprehensive income for the year | 95,244 | 126,306 | 116,935 | 137,264 |
| PAT attributable to: | | | | |
| Owners of the Company | 57,927 | 74,050 | 69,899 | 74,264 |
| Non-controlling interests | 35,735 | 33,135 | 37,397 | 33,390 |
| | 93,662 | 107,185 | 107,296 | 107,654 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 61,049 | 86,294 | 76,626 | 91,034 |
| Non-controlling interests | 34,195 | 40,012 | 40,309 | 46,230 |
| | 95,244 | 126,306 | 116,935 | 137,264 |
| EPS – Basic (sen) | 25.81 | 33.24 | 31.40 | 33.34 |
| EPS – Diluted (sen) | 25.77 | 33.19 | 31.29 | 33.13 |
| Earnings before interest, taxation, depreciation and amortisation | 162,798 | 188,798 | 188,960 | 189,773 |
| Gross profit margin (%) | 26.10 | 27.41 | 28.03 | 26.36 |
| PAT margin (%) | 14.74 | 17.05 | 15.96 | 18.29 |

INFORMATION ON MFCB (Cont'd)**Commentaries on financial performance****FYE 31 December 2012 ("FYE 2012")**

In FYE 2012, the Group posted a 4.1% increase in revenue from FYE 31 December 2011 ("FYE 2011") to RM635.3 million, driven by the revenue growth of the power division. However, PBT in FYE 2012 decreased 8.7% from FYE 2011 to RM129.1 million mainly due to lower contribution from the property development and investment division and non-core activities.

The PBT of the core activities of the Group in FYE 2012 increased 1.8% from FYE 2011 to RM144.6 million, which include a RM13.0 million fair value gain on investment properties, whereas the PBT of the core activities of the Group in FYE 2011 was boosted by a RM18.2 million fair value gain on investment properties as well as a RM6.1 million bad debt recovery. Excluding the non-recurring items, the PBT of the core activities of the Group in FYE 2012 grew 11.8% from FYE2011 to RM131.6 million.

(i) Power Division

In FYE 2012, revenue from the power division increased by 6.8% from FYE 2011 to RM484.6 million. The increase in revenue was attributable to higher steam sales volume in response to higher customer demand. Revenue was further boosted by higher energy tariffs as a result of an increase in tariff rate in China and an increase in MFO prices, but partially offset by a decline in steam prices due to lower coal prices.

PBT in FYE 2012 increased 8.6% from FYE 2011 to RM98.4 million, against a backdrop of higher sales as well as significant efficiency and performance improvements in power generation achieved through the plant modification exercise.

(ii) Resources Division

In FYE 2012, revenue from the resources division increased by 0.2% from FYE 2011 to RM85.4 million, primarily due to higher sales of limestone products as well as the maiden contribution from Anting Sendirian Berhad, partially offset by lower brick sales and trading of petroleum coke. Revenue from limestone products improved from FYE 2011, mainly driven by the increased demand for quicklime from local customers. There was softness in demand from overseas markets, principally sales of hydrated lime to Philippines due to intensifying local competition. Sales volume of bricks dropped more than one-third from FYE 2011 on slower construction activities.

PBT in FYE 2012 rose by 31.2% from FYE 2011 to RM19.5 million mainly due to higher sales of limestone products and limestone. Profit growth of limestone products was much higher than revenue growth, primarily due to the upward adjustment of selling prices in both local and export markets. Contribution from brick sales was down as revenue fell.

(iii) Property Development and Investment Division

In FYE 2012, the revenue of RM34.1 million was 22.8% lower compared to FYE 2011 mainly due to lower development revenue, partially offset by a growth in rental income. Development revenue dropped from FYE 2011 on lower unit sales and delay in new launches, whereas higher occupancy rates in the PJ8 office blocks of the Group, located at Petaling Jaya, Selangor Darul Ehsan ("PJ8") and the Greentown car park operations, located at Ipoh, Perak Darul Ridzuan had boosted rental income for the Group.

PBT in FYE 2012 declined 27.0% from FYE 2011 to RM26.7 million, which included a RM13.0 million fair value gain on investment properties, while earnings in FYE 2011 were boosted by a RM18.2 million fair value gain on investment properties and a RM6.1 million bad debt recovery. Excluding the non-recurring items, PBT for the property development and investment division in FYE 2012 increased 12.1% from FYE 2011 to RM13.7 million due to the growth in rental income.

INFORMATION ON MFCB (Cont'd)**FYE 31 December 2013 (“FYE 2013”)**

In FYE 2013, the revenue of the Group decreased 1.0% from FYE 2012 to RM628.8 million. However, PBT in FYE 2013 rose 20.0% from FYE 2012 to RM154.9 million mainly due to higher contributions from the power and resources divisions, favourable foreign exchange translation arising from the revenue of the Shaoxing Power Plant and a gain of RM21.6 million from quoted investments, partially offset by an impairment charge of RM7.5 million on the associate of the Company, compared to a loss of RM7.4 million in FYE 2012.

(i) Power Division

In FYE 2013, revenue from the power division declined 4.5% from FYE 2012 to RM462.7 million mainly on lower contribution from the Tawau Power Plant, partially offset by the favourable foreign exchange translation arising from the revenue of the Shaoxing Power Plant. The drop in revenue in the Tawau Power Plant was largely due to lower energy sales, as a result of plant maintenance, and a decrease in MFO prices. Excluding the impact of the foreign exchange translation, revenue from the Shaoxing Power Plant fell on the reduction in steam prices, as a result of lower coal prices, and energy tariff, despite higher energy and steam volumes.

PBT in FYE 2013 however grew 9.3% from FYE 2012 to RM107.6 million, mainly due to higher profit margin from the Shaoxing Power Plant, partially offset by lower margin from the Tawau Power Plant. The margin improvement in the Shaoxing Power Plant was primarily due to improved energy yield from steam, whereas the lower profit margin from the Tawau Power Plant was adversely affected by lower capacity charges and higher plant maintenance costs.

(ii) Resources Division

In FYE 2013, revenue from the resources division was 6.7% higher from FYE 2012 at RM91.1 million, primarily attributable to higher sales volume of lime products, offset by a decrease in sales of calcium carbonate powder, attributable to a shift in demand due to changing customer needs.

PBT in FYE 2013 grew 12.4% from FYE 2012 to RM21.9 million, underpinned mainly by higher contribution margin from sales of lime products. The margin improvement was mainly attributable to the decrease in packaging, transportation and fuel costs.

(iii) Property Development and Investment Division

In FYE 2013, revenue from the property division at RM41.6 million was 21.9% higher compared to FYE 2012, mainly due to the sale of residential units and successful disposal of a number of old inventories in Melaka and higher rental income arising from higher occupancy rates for PJ8.

Excluding fair value gain on investment properties, PBT in FYE 2013 was 2.7% higher from FYE 2012 at RM13.0 million.

FYE 31 December 2014 (“FYE 2014”)

In FYE 2014, the Group posted a 7.0% increase in revenue from FYE 2013 to RM672.3 million. PBT of the core activities of the Group rose 20.4% from FYE 2013 to RM171.5 million on higher revenue, underpinned mainly by higher contributions from the power and property development and investment divisions and a RM7.1 million fair value gain on investment properties.

However, the PBT of the Group fell 1.2% from FYE 2013 to RM153.0 million. This was largely due to a RM10.9 million impairment charge on the associate of the Company and a RM2.5 million loss from quoted investments.

INFORMATION ON MFCB (Cont'd)**(i) Power Division**

In FYE 2014, revenue rose 4.1% from FYE 2013 to RM481.5 million on higher contributions from both the Shaoxing Power Plant and Tawau Power Plant. The higher revenue in the Shaoxing Power Plant was largely due to favourable foreign exchange translation and higher sales volume of steam and energy, partially offset by lower steam prices, as a result of lower coal prices, and energy tariffs. The higher revenue in the Tawau Power Plant was attributable to higher energy sales volume.

PBT in FYE 2014 grew 12.3% from FYE 2013 to RM120.8 million mainly due to a strong operational performance and the effect of foreign exchange translation. The PBT of the Shaoxing Power Plant rose on improved margin from lower coal prices, whereas the PBT of the Tawau Power Plant rose on lower plant maintenance costs, which fell by half as compared to FYE 2013.

(ii) Resources Division

In FYE 2014, revenue from the resources division rose 18.4% from FYE 2013 to RM107.9 million on higher sales of lime products, but partially offset by lower sales of limestone and bricks.

PBT in FYE 2014 increased marginally by 1.6% from FYE 2013 to RM22.3 million due to lower margins, particularly from the hydrated lime, and lower earnings from the limestone and bricks operations.

(iii) Property Development and Investment Division

In FYE 2014, the revenue for the property development and investment division rose 21.8% from FYE 2013 to RM50.7 million. PBT in FYE 2014, excluding fair value gain on investment properties, was 64.4% higher from FYE 2013 at RM21.3 million.

Both the development and investment segment contributed to the increase in the revenue and PBT, attributable to higher completion percentage of units under construction and higher sales of completed units in Melaka, and higher occupancy rates for PJ8 and lower interest expense.

FYE 31 December 2015 ("FYE 2015")

In FYE 2015, the revenue of the Group decreased 12.5% from FYE 2014 to RM588.7 million and the PBT decreased 3.6% from FYE 2014 to RM147.5 million on weaker performance from the resources division and property development and investment division and a RM2.3 million loss from the de-recognition of an associate company, partially mitigated by lower loss from quoted investments.

(i) Power Division

In FYE 2015, revenue of the power division declined 9.6% from FYE 2014 to RM435.2 million, mainly due to slower demand and lower unit prices. The Shaoxing Power Plant experienced lower steam sales volume due to a slowdown in industrial activities, while the steam price and energy tariff registered reductions as a result of lower coal prices and downward tariff adjustments. The Tawau Power Plant registered a lower revenue due to shorter operating hours, as SESB purchased less electricity from the said power plant, and lower MFO prices as a result of lower oil prices.

Despite lower revenue, PBT in FYE 2015 increased 13.3% from FYE 2014 to RM136.9 million, due to foreign exchange gains from fixed deposits denominated in RMB and favourable foreign exchange translation of the results of the Shaoxing Power Plant. However, excluding the impact from the foreign exchange gains, PBT in FYE 2015 declined by 6.1% from FYE 2014 to RM113.5 million.

INFORMATION ON MFCB (Cont'd)

(ii) Resources Division

In FYE 2015, the revenue of the resources division declined 12.2% from FYE 2014 to RM94.7 million. Lime products recorded a decline in revenue mainly attributable to lower demand from export markets, even though domestic sales volume had increased.

PBT in FYE 2015 had declined by 28.8% from FYE 2014 to RM15.8 million on higher costs, due to shutdowns for scheduled major maintenance, higher operating expenses and higher borrowing costs arising from the capacity expansion of the lime products segment, partially offset by foreign exchange gains from USD sale proceeds.

(iii) Property Development and Investment Division

In FYE 2015, revenue declined 48.0% from FYE 2014 to RM26.4 million, mainly due to a 57% decrease in development revenue resulting from lower sale of completed properties and completion of a residential project in Salak Tinggi. Furthermore, there was no new property launch by the Group in FYE 2015.

PBT in FYE 2015 fell 73.8% from FYE 2014 to RM7.4 million as a result of the Group suspending new property development launches.

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INFORMATION ON MFCB (Cont'd)

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the MFCB Shares traded on Bursa Securities for the past twelve (12) months from March 2015 up to February 2016 are as follows:

| | <u>High</u> | <u>Low</u> |
|--|-------------|------------|
| | RM | RM |
| 2015 | | |
| March | 2.70 | 2.47 |
| April | 2.56 | 2.43 |
| May | 2.48 | 2.34 |
| June | 2.45 | 2.26 |
| July | 2.45 | 2.23 |
| August | 2.33 | 1.91 |
| September | 2.55 | 2.00 |
| October | 2.63 | 2.44 |
| November | 2.63 | 2.44 |
| December | 2.56 | 2.37 |
| 2016 | | |
| January | 2.47 | 2.25 |
| February | 2.37 | 2.16 |
| Last transacted price of the MFCB Shares on Bursa Securities on 25 November 2015, being the last trading day prior to the date of announcement of the Corporate Exercises | | 2.48 |
| Last transacted price of the MFCB Shares on Bursa Securities as at the LPD | | 2.30 |
| Last transacted price of the MFCB Shares on Bursa Securities on 8 March 2016, being the last trading day prior to the ex-date for the Rights Issue with Warrants on 9 March 2016 | | 2.27 |

(Source: Bloomberg)

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APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON



25 February 2016

The Board of Directors
Mega First Corporation Berhad
 A-12-01 Level 12 Block A
 PJ8 No. 23 Jalan Barat
 Seksyen 8 46050 Petaling Jaya
 Selangor Darul Ehsan

Crowe Horwath AF 1018
 Chartered Accountants
 Member Crowe Horwath International

Kuala Lumpur Office
 Level 16 Tower C, Megan Avenue II
 12 Jalan Yap Kwan Seng
 50450 Kuala Lumpur, Malaysia
 Main +6 03 2788 9999
 Fax +6 03 2788 9998
 www.crowehorwath.com.my
 info@crowehorwath.com.my

Strictly Private and Confidential

Dear Sirs/Madam

**MEGA FIRST CORPORATION BERHAD ("MFCB" OR "THE COMPANY")
 REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION INCLUDED IN THE ABRIDGED
 PROSPECTUS**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of MFCB as at 31 December 2014, together with the accompanying notes thereto. The pro forma consolidated statements of financial position, as set out in Appendix A of this letter (which we have stamped for the purpose of identification), has been compiled by the Board of Directors for the inclusion in the Abridged Prospectus in relation to:

Renounceable Rights Issue of 157,048,290 new ordinary shares of RM1.00 each in MFCB ("MFCB Shares") ("Rights Shares") at an issue price of RM1.59 per Rights Share, which can be subscribed for at USD0.38 pursuant to the Subscription Option, together with 67,306,410 free detachable warrants ("Warrant(s)") on the basis of seven (7) rights shares for every ten (10) MFCB shares held by the Entitled Shareholders and three (3) warrants for every seven (7) rights shares subscribed for.

The pro forma consolidated statements of financial position has been compiled by the Board of Directors to illustrate the impact of the Corporate Exercises, as set out in Note 1 of the pro forma consolidated statements of financial position, on MFCB's financial position as at 31 December 2014.

As part of this process, information about MFCB's financial position has been extracted by the Board of Directors from MFCB's audited consolidated financial statements for the financial year ended 31 December 2014, on which the audit report was dated 31 March 2015.

Page 1 of 3

Crowe Horwath Offices in Malaysia:

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Directors' responsibilities for the pro forma consolidated statements of financial position

The Board of Directors of MFCB is solely responsible for compiling the pro forma consolidated statements of financial position on the basis set out in Note 1 of the pro forma consolidated statements of financial position.

Our responsibilities

Our responsibility is to express an opinion, as required by the Bursa Securities, about whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Board of Directors on the basis set out in Note 1 of the pro forma consolidated statements of financial position.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the Abridged Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma consolidated statements of financial position on the basis set out in Note 1 of the pro forma consolidated statements of financial position.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis set out in Note 1 of the pro forma consolidated statements of financial position involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statements of financial position provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

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APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



The procedures selected depend on our judgement, having regard to our understanding of the nature of MFCB, the event or transaction in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

Opinion

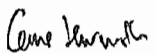
In our opinion,

- (a) the pro forma consolidated statements of financial position of MFCB, which have been prepared by the Board of Directors of the Company, have been prepared on the basis of assumptions as set out in the accompanying notes using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by MFCB; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

Other Matters

We understand that this letter is issued solely for the purpose of inclusion in the Abridged Prospectus in connection with the Corporate Exercises. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully


Crowe Horwath
 Firm No: AF 1018
 Chartered Accountants

25 FEB 2016


Chin Kit Seong
 Approval No: 3030/01/17 (J)
 Chartered Accountant

Kuala Lumpur

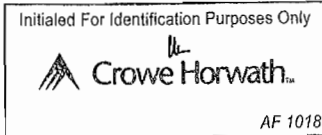
Page 3 of 3

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APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

| | NOTE | Audited as at 31 December 2014 RM'000 | Pro Forma I After exercise of Options A ⁽¹⁾ and purchase of Treasury Shares RM'000 | Pro Forma II After Pro Forma I and exercise of outstanding Options A RM'000 | Pro Forma III After Pro Forma I, II and the Rights Issue with Warrants and Utilisation of Proceeds RM'000 | Pro Forma IV After Pro Forma I, II III and the full exercise of Warrants RM'000 |
|--|------|--|---|--|---|--|
| ASSETS | | | | | | |
| Non-current Assets | | | | | | |
| Property, plant and equipment | | 311,540 | 311,540 | 311,540 | 311,540 | 311,540 |
| Associate | | 27,628 | 27,628 | 27,628 | 27,628 | 27,628 |
| Investment in quoted shares | | 37,329 | 37,329 | 37,329 | 37,329 | 37,329 |
| Investment in unquoted shares | | 335 | 335 | 335 | 335 | 335 |
| Land use rights | | 6,198 | 6,198 | 6,198 | 6,198 | 6,198 |
| Investment properties | | 128,433 | 128,433 | 128,433 | 128,433 | 128,433 |
| Land held for property development | | 50,287 | 50,287 | 50,287 | 50,287 | 50,287 |
| Project development expenditure | 2 | 72,459 | 72,459 | 72,459 | 222,459 | 222,459 |
| Goodwill on consolidation | | 10,812 | 10,812 | 10,812 | 10,812 | 10,812 |
| Deferred tax assets | | 448 | 448 | 448 | 448 | 448 |
| Long-term prepayment | | 711 | 711 | 711 | 711 | 711 |
| | | <u>646,180</u> | <u>646,180</u> | <u>646,180</u> | <u>796,180</u> | <u>796,180</u> |
| Current Assets | | | | | | |
| Inventories | | 69,678 | 69,678 | 69,678 | 69,678 | 69,678 |
| Property development | | 15,060 | 15,060 | 15,060 | 15,060 | 15,060 |
| Receivables | | 113,637 | 113,637 | 113,637 | 113,637 | 113,637 |
| Bank balances and deposits | 3 | 235,473 | 236,739 | 238,239 | 269,246 | 418,666 |
| | | <u>433,848</u> | <u>435,114</u> | <u>436,614</u> | <u>467,621</u> | <u>617,041</u> |
| TOTAL ASSETS | | <u>1,080,028</u> | <u>1,081,294</u> | <u>1,082,794</u> | <u>1,263,801</u> | <u>1,413,221</u> |
| EQUITY AND LIABILITIES | | | | | | |
| Share capital | 4 | 243,002 | 243,852 | 244,852 | 401,900 | 469,206 |
| Treasury shares | 5 | (30,025) | (30,045) | (30,045) | (30,045) | (30,045) |
| Reserves | 6 | 525,971 | 526,407 | 526,907 | 615,866 | 697,980 |
| Equity Attributable To Owners Of The Company | | <u>738,948</u> | <u>740,214</u> | <u>741,714</u> | <u>987,721</u> | <u>1,137,141</u> |
| Non-controlling Interests | | <u>146,669</u> | <u>146,669</u> | <u>146,669</u> | <u>146,669</u> | <u>146,669</u> |
| Total Equity | | <u>885,617</u> | <u>886,883</u> | <u>888,383</u> | <u>1,134,390</u> | <u>1,283,810</u> |
| Non-current Liabilities | | | | | | |
| Payables | | 812 | 812 | 812 | 812 | 812 |
| Long-term borrowings | | 21,395 | 21,395 | 21,395 | 21,395 | 21,395 |
| Deferred taxation | | 21,035 | 21,035 | 21,035 | 21,035 | 21,035 |
| | | <u>43,242</u> | <u>43,242</u> | <u>43,242</u> | <u>43,242</u> | <u>43,242</u> |
| Current Liabilities | | | | | | |
| Payables | | 66,495 | 66,495 | 66,495 | 66,495 | 66,495 |
| Short-term borrowings | 7 | 71,379 | 71,379 | 71,379 | 6,379 | 6,379 |
| Taxation | | 13,295 | 13,295 | 13,295 | 13,295 | 13,295 |
| | | <u>151,169</u> | <u>151,169</u> | <u>151,169</u> | <u>86,169</u> | <u>86,169</u> |
| TOTAL LIABILITIES | | <u>194,411</u> | <u>194,411</u> | <u>194,411</u> | <u>129,411</u> | <u>129,411</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,080,028</u> | <u>1,081,294</u> | <u>1,082,794</u> | <u>1,263,801</u> | <u>1,413,221</u> |
| <i>Number of Mega First shares (excluding treasury shares)('000)</i> | | 222,514 | 223,355 | 224,355 | 381,403 | 448,709 |
| <i>Net assets per share (RM)</i> | | 3.32 | 3.31 | 3.31 | 2.59 | 2.53 |
| <i>Total borrowings (RM'000)⁽²⁾</i> | | 93,529 | 93,529 | 93,529 | 28,529 | 28,529 |
| <i>Gearing ratio (times)</i> | | 0.13 | 0.13 | 0.13 | 0.03 | 0.03 |

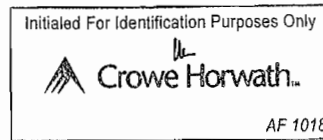
Notes:-

⁽¹⁾ - Adjustments for the exercise of 543,000 and 307,000 Options A between 1 January 2015 and the LPD at an exercise price of RM1.52 and RM1.50, respectively and share buy-back of 8,800 Treasury Shares amounting to approximately RM20,000.

⁽²⁾ - Comprised of short-term and long-term borrowings and hire purchase payables

APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

1. Basis of Preparation

MFCB announced to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in MFCB ("**MFCB Shares**") ("**Rights Shares**") together with free Warrants to the Entitled Shareholders to raise gross proceeds of up to RM250 million ("**Rights Issue Proceeds**").

On 17 February 2016, MFCB also announced that:-

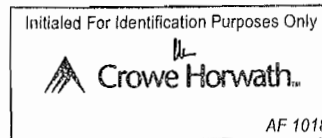
- (i) the Issue Price had been fixed at RM1.59 per Rights Share, which can be subscribed for at USD0.38 pursuant to the Subscription Option at an entitlement basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date;
- (ii) the entitlement basis for the Warrants had been fixed at three (3) Warrants for every seven (7) Rights Shares subscribed for; and
- (iii) the Exercise Price had been fixed at RM2.22 for each Warrant.

For illustrative purposes only, the pro forma consolidated statements of financial position of MFCB have been prepared based on the audited consolidated statements of financial position of MFCB as at 31 December 2014 and to show the effects of the renounceable rights issue of 157,048,290 Rights Shares on the abovementioned basis of seven (7) Rights Shares for every ten (10) existing MFCB Shares held on the Entitlement Date together with 67,306,410 free detachable warrants on the basis of three (3) warrants for every seven (7) Rights Shares subscribed for ("**Rights Issue with Warrants**").

The financial statements used in the preparation of the pro forma consolidated statements of financial position have been prepared in accordance with the applicable approved Financial Reporting Standards in Malaysia and the auditors' report on the said financial statements was not qualified.

The pro forma consolidated statements of financial position have been prepared based on the accounting policies and bases consistent with those adopted by MFCB in the preparation of its audited consolidated financial statements as at 31 December 2014.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

1. Basis Of Preparation (Cont'd)

The detailed assumptions of the scenario are set out below:-

- (i) 1,000,000 Options A holders will exercise at an exercise price of RM1.50 and the remaining Options A holder will not exercise the remaining 273,000 Options A, prior to the Entitlement Date;
- (ii) full subscription and issuance of 157,048,290 Rights Shares together with 67,306,410 Warrants at an issue price of RM1.59 per Rights Share, which can be subscribed for at USD0.38 pursuant to the Subscription Option at an entitlement basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date to raise gross proceeds of approximately RM249.7 million, together with three (3) Warrants for every seven (7) Rights Shares subscribed for at an exercise price of RM2.22 per Warrant to raise gross proceeds of approximately RM149.4 million. The warrants reserve assumes the relative fair value method of the Warrants of RM0.28 each, being the values determined and used to allocate the proceeds of the Rights Issue with Warrants and after deducting issue expenses. It also incorporates the effects of estimated expenses of RM3,700,000 in relation to the Rights Issue with Warrants; and
- (iii) the utilisation of proceeds from the Rights Issue with Warrants based on the exercise price of RM2.22 per Warrant as though they were affected as of that date.

In above scenario, none of the treasury shares will be resold on Bursa Securities prior to the Entitlement Date.

1.1 Scenario - Pro Forma I, II, III and IV

1.1.1 Pro Forma I incorporates the following adjustments of Options A and treasury shares for the period from 1 January 2015 up to 25 February 2016:-

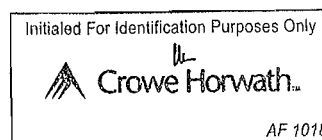
| | No. of Shares '000 | RM'000 |
|-----------------------|-----------------------------------|---------------|
| Purchase of shares | 9 | 20 |
| Exercise of Options A | 850 | 1,286 |

1.1.2 Pro Forma II incorporates Pro Forma I and exercise of 1,000,000 Options A.

Exercise of 1,000,000 Options A would give rise to an increase in the issued and paid-up share capital of MFCB of RM1,000,000. Share premium will increase by RM861,000 to RM35,427,000. The total gross cash proceeds will generate approximately RM1,500,000.

And the Employees' Share Option Reserve of RM361,000 will transfer to share premium upon exercise of Options A.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

1.1 Scenario - Pro Forma I, II, III and IV (Cont'd)

- 1.1.3 Pro Forma III incorporates Pro Forma II and full subscription of 157,048,290 Rights Shares and full issuance of 67,306,410 Warrants.

The full subscription of 157,048,290 Rights Shares would give rise to an increase in the issued and paid-up share capital of MFCB of approximately RM157,048,000. Share premium will increase by approximately RM70,392,000 to RM105,819,000 after netting off estimated expenses of approximately RM3,421,000.

The full issuance of 67,306,410 Warrants will generate a total of approximately RM18,567,000 warrants reserve with the relative fair value method of the Warrants of RM0.28 per Warrant, after netting off estimated expenses of RM279,000.

The full subscription of 157,048,290 Rights Shares and full issuance of 67,306,410 Warrants will generate total gross cash proceeds of approximately RM246,007,000 after netting off estimated expenses of RM3,700,000.

The fair value of the warrants and the utilisation of gross proceeds are explained in Note 1.3 and Note 1.4.

- 1.1.4 Pro Forma IV incorporates Pro Forma III and full issuance of 67,306,410 Warrants.

The full exercise of 67,306,410 Warrants will generate total cash proceeds of approximately RM149,420,000 based on the exercise price of RM2.22 per Warrant. The exercise price of RM2.22 per Warrant represents a premium of approximately 10.4% to the theoretical ex-rights price of MFCB Shares of RM2.01, based on five (5)-day volume weighted average market price up and including 16 February 2016, being the last trading day before the date on which the Board of Directors fixed the rights issue price in both RM and USD, of RM2.31. Pursuant to the full exercise of the 67,306,410 Warrants, 67,306,410 new MFCB Shares will be issued and this will increase the issued and paid-up share capital and share premium of MFCB by approximately RM67,306,000 and RM82,114,000, respectively. The amount of RM18,567,000 of the warrants reserve will be transferred to share premium upon full exercise of the Warrants.

1.3 Fair Value of the Warrants

The Rights Shares and Warrants are recognised at their relative fair values. In arriving at the relative fair values, the fair values of the Rights Shares were proportionately adjusted to issue price of RM1.59 per Rights Share.

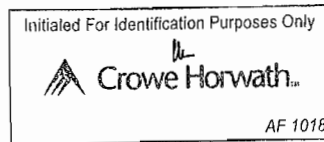
The fair value of the warrants of RM0.28 per Warrant is determined using "Black-Scholes Option" pricing model based on the following key assumptions:

| | |
|--|------------------|
| Expiry date* | 25 February 2020 |
| Expected volatility of MFCB's Share price [^] | 22.870% |

* Four years from the date of issuance of the Warrants

[^] Source : Bloomberg Finance L.P

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

1.4 Utilisation of Gross Proceeds

The total gross proceeds raised from the Rights Issue with Warrants (excluding the exercise of Warrants) under the Scenario amounts to approximately RM246,007,000 after netting off estimated expenses of RM3,700,000. The utilisation of those proceeds are as follows:-

| Utilisation of proceeds | RM'000 |
|-------------------------------------|----------------|
| Don Sahong Hydropower Project | 150,000 |
| Repayment of short-term borrowings | 65,000 |
| Working capital | 31,007 |
| Estimated expenses | 3,700 |
| Total gross proceeds ⁽¹⁾ | <u>249,707</u> |

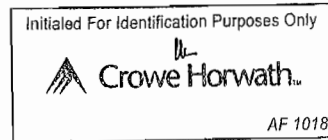
(1) - Any difference between the actual gross proceeds to be raised and the Rights Issue Proceeds of any deviation of the actual expenses in relation to the Rights Issue with Warrants will be correspondingly adjusted to the amount allocated for working capital and other general corporate purposes of the core business activities of Group.

2. Project Development Expenditure

The movements in project development expenditure are as follows:-

| | RM'000 |
|---|----------------|
| Audited as at 31 December 2014 and Pro Forma I and II | 72,459 |
| Utilisation of proceeds for Don Sahong Hydropower Project | 150,000 |
| As per Pro Forma III and IV | <u>222,459</u> |

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

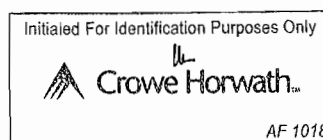
**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

3. Bank Balances and Deposits

The movements in bank balances and deposits are as follows:-

| | RM'000 |
|---|----------------|
| Audited as at 31 December 2014 | 235,473 |
| Adjustments during the period from 1 January 2015 to 25 February 2016 | |
| - Purchase of treasury shares | (20) |
| - Proceeds from exercise of Options A | 1,286 |
| As per Pro Forma I | 236,739 |
| Arising upon exercise of outstanding Options A | 1,500 |
| As per Pro Forma II | 238,239 |
| Arising upon full exercise of Rights Shares | 249,707 |
| Utilisation of proceeds: | |
| - Don Sahong Hydropower Project | (150,000) |
| - repayment of short-term borrowings | (65,000) |
| - estimated expenses | (3,700) |
| As per Pro Forma III | 269,246 |
| Arising upon full exercise of warrants | 149,420 |
| As per Pro Forma IV | <u>418,666</u> |

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

4. Share Capital

The movements in the issued and paid-up share capital are as follows:-

| | Number of Shares '000 | RM'000 |
|--|-----------------------------|---------|
| Ordinary share capital of RM1.00 each | | |
| Audited as at 31 December 2014 | 243,002 | 243,002 |
| Adjustment for exercise of Options A during the period from 1 January 2015 to 25 February 2016 | 850 | 850 |
| As per Pro Forma I | 243,852 | 243,852 |
| Arising upon exercise of outstanding Options A | 1,000 | 1,000 |
| As per Pro Forma II | 244,852 | 244,852 |
| Arising upon full exercise of Rights Shares | 157,048 | 157,048 |
| As per Pro Forma III | 401,900 | 401,900 |
| Arising upon full exercise of warrants | 67,306 | 67,306 |
| As per Pro Forma IV | 469,206 | 469,206 |

5. Treasury Shares

The movements in the treasury shares are as follows:-

| | Number of Shares '000 | RM'000 |
|---|-----------------------------|--------|
| Audited as at 31 December 2014 | 20,488* | 30,025 |
| Adjustment for purchase of shares during the period from 1 January 2015 to 25 February 2016 | 9 | 20 |
| As per Pro Forma I, II, III and IV | 20,497 | 30,045 |

* - represented 20,488,500 treasury shares as at 31 December 2014.

APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

6. Reserves



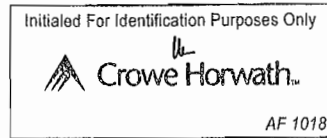
Appendix A

| | Employees' Share | | | | | | | Total Reserves RM'000 |
|--|-------------------------|--------------------------|----------------------------|----------------------------|--------------------------|---|---------|--------------------------|
| | Share Premium RM'000 | Option Reserve RM'000 | Warrants Reserve RM'000 | Retained Profits RM'000 | Other Reserves RM'000 | | | |
| Audited as at 31 December 2014 | 33,940 | 599 | - | 431,142 | 60,290 | | 525,971 | |
| Adjustment for exercise of Options A during the period from 1 January 2015 to 25 February 2016 | 626 | (190) | - | - | - | - | 436 | |
| As per Pro Forma I | 34,566 | 409 | - | 431,142 | 60,290 | | 526,407 | |
| Arising upon exercise of outstanding Options A | 500 | - | - | - | - | - | 500 | |
| Transfer from Employees' Share Option Reserve upon full exercise of Options A | 361 | (361) | - | - | - | - | - | |
| As per Pro Forma II | 35,427 | 48 | - | 431,142 | 60,290 | | 526,907 | |
| Arising upon full exercise of Rights Shares | 73,813 | - | 18,846 | - | - | - | 92,659 | |
| Utilisation of proceeds for estimated expenses * | (3,421) | - | (279) | - | - | - | (3,700) | |
| As per Pro Forma III | 105,819 | 48 | 18,567 | 431,142 | 60,290 | | 615,866 | |
| Arising upon full exercise of warrants | 82,114 | - | - | - | - | - | 82,114 | |
| Transfer from warrants reserve upon full exercise of Warrants | 18,567 | - | (18,567) | - | - | - | - | |
| As per Pro Forma IV | 206,500 | 48 | - | 431,142 | 60,290 | | 697,980 | |

* - Represents 92.45% and 7.55% of the total estimated expenses of RM3,700,000 under Scenario in relation to the Rights issue with warrants. The basis of 92.45% is derived based on the fair value of RM10.29 for seven Rights Shares subscribed over a total of seven rights issue prices of RM11.13 (RM1.59 each). The basis of 7.55% is derived based on the proportionate fair value of three Warrants of RM0.84 for every seven Rights Shares subscribed over a total of seven rights issue prices of RM11.13 (RM1.59 each). These are based on the recommended practice stated in Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 9.

APPENDIX III

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MFCB AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Appendix A

**MEGA FIRST CORPORATION BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

7. Short-term borrowings

The movements in short-term borrowings are as follows:-

| | RM'000 |
|--|----------|
| Audited as at 31 December 2014, Pro Forma I and II | 71,379 |
| Utilisation of proceeds for repayment of short-term borrowings | (65,000) |
| | <hr/> |
| As per Pro Forma III and IV | 6,379 |
| | <hr/> |

APPROVAL BY THE BOARD OF DIRECTORS

Approved by the Board of Directors in accordance with Directors' Responsibility Statements dated

10 DEC 2015

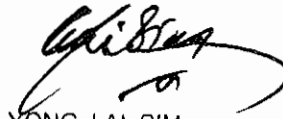
On behalf of the Board

Khoo Teng Keat
Director

Goh Nan Kioh
Director

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER
2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON**

CERTIFIED TRUE COPY



YONG LAI SIM
(Company Secretary)
(MAICSA: 0862552)

MEGA FIRST CORPORATION BERHAD
(Company No. 6682-V)
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2014**

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 2014.

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 42 and 14 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.

RESULTS OF OPERATIONS

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

| | GROUP RM'000 | COMPANY RM'000 |
|---|-------------------------|---------------------------|
| Profit before tax | 153,020 | 19,925 |
| Income tax expense | (45,724) | 286 |
| Profit after tax for the financial year | <u>107,296</u> | <u>20,211</u> |
| Attributable to:- | | |
| Owners of the Company | 69,899 | 20,211 |
| Non-controlling interests | 37,397 | - |
| | <u>107,296</u> | <u>20,211</u> |

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**DIVIDENDS**

Since the end of the previous financial year, the Company paid:-

- (a) a final tax-exempt dividend of 4.5 sen per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2013 on 16 July 2014; and
- (b) an interim tax-exempt dividend of 3.0 sen per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2014 on 10 October 2014.

The Board proposes a final tax-exempt dividend of 5.0 sen per share for the financial year ended 31 December 2014 (2013 : 4.5 sen per share). 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.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") was approved by shareholders of the Company at an EGM held on 20 May 2010. The Scheme was implemented on 1 August 2010 and shall be in force for a period of 10 years unless otherwise terminated in accordance with its By-Laws.

The terms of the ESOS and movements during the year are set out in Note 28.2 to the financial statements.

The names of option holders and number of options granted are disclosed in the section on Directors' Interests in this report.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM242,455,000 to RM243,002,000 by the issuance of 547,000 new ordinary shares of RM1 each for cash pursuant to the ESOS, of which 490,000 shares were issued at an issue price of RM1.50 each and 57,000 shares were issued at an issue price of RM1.52 each. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and
- (c) there was no debenture issued by the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**TREASURY SHARES**

The information on the treasury shares is disclosed in Note 27 to the financial statements.

OTHER FINANCIAL INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made up, 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; 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 require the further writing off of bad debts or the additional amount of allowance for impairment losses on receivables 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.

The contingent liabilities are disclosed in Note 38 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.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

OTHER FINANCIAL INFORMATION (CONT'D)

In the opinion of the Directors:-

- (a) no contingent or other liability of the Group and of the Company 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
- Goh Nan Yang (also alternate to Goh Nan Kioh)
- Khoo Teng Keat
- Yeow See Yuen
- Tay Kheng Chiong
- Dato' Koh Hong Sun
- Dato' Tan Ang Meng
- Pengiran Saifuddin Bin Pengiran Tahir (appointed on 15 August 2014)
- Maisuri Bin Besri (resigned on 21 May 2014)

DIRECTORS' INTERESTS

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

| | Number of ordinary shares of RM1 each | | | Balance as at 31.12.2014 |
|------------------------------------|---------------------------------------|-----------|-----------|--------------------------|
| | Balance as at 1.1.2014 | Additions | Disposal | |
| SHARES IN THE COMPANY | | | | |
| Goh Nan Kioh | | | | |
| - Direct | 713,600 | - | - | 713,600 |
| - Deemed | 72,009,500 | 756,300 | (870,000) | 71,895,800 |
| Dato' Haji Abu Hanifah Bin Noordin | | | | |
| - Direct | - | 300,000 | - | 300,000 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)
DIRECTORS' INTERESTS (CONT'D)

| | Number of ordinary shares of RM1 each | | | Balance as at 31.12.2014 |
|------------------------------|---------------------------------------|-----------|-----------|--------------------------|
| | Balance as at 1.1.2014 | Additions | Disposal | |
| SHARES IN THE COMPANY | | | | |
| Goh Nan Yang | | | | |
| - Direct | 510,000 | - | - | 510,000 |
| Khoo Teng Keat | | | | |
| - Direct | 200,000 | - | - | 200,000 |
| Yeow See Yuen | | | | |
| - Direct | 436,500 | - | - | 436,500 |
| - Deemed | 26,000 | - | - | 26,000 |
| Tay Kheng Chiong | | | | |
| - Direct | 20,000 | - | - | 20,000 |
| Dato' Tan Ang Meng | | | | |
| - Direct | 229,000 | - | (229,000) | - |
| Dato' Koh Hong Sun | | | | |
| - Direct | - | 57,000 | - | 57,000 |

In addition to the above, the following Directors who were in office at the end of the financial year 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:-

| | Exercise price | Options over ordinary shares of RM1 each | | | Balance as at 31.12.2014 |
|------------------------------------|----------------|--|--------|-----------|--------------------------|
| | | Balance as at 1.1.2014 | Lapsed | Exercised | |
| Goh Nan Kioh | RM1.50 | 500,000 | - | - | 500,000 |
| Dato' Haji Abu Hanifah Bin Noordin | RM1.50 | 300,000 | - | (300,000) | - |
| Goh Nan Yang | RM1.50 | 500,000 | - | - | 500,000 |
| Yeow See Yuen | RM1.50 | 300,000 | - | - | 300,000 |
| Tay Kheng Chiong | RM1.50 | 280,000 | - | - | 280,000 |
| Dato' Koh Hong Sun | RM1.52 | 300,000 | - | (57,000) | 243,000 |
| Dato' Tan Ang Meng | RM1.52 | 300,000 | - | - | 300,000 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

DIRECTORS' INTERESTS (CONT'D)

Goh Nan Kioh, by virtue of his interest in 32.63% (2013 : 32.67%) of the shares of the Company, is deemed to have interests in shares of its related corporations to the extent of the Company's interests, 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 46 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year.

SUBSEQUENT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The significant events occurring after the end of the reporting period are disclosed in Note 48 to the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

AUDITORS

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

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


GOH NAN YANG


KHOO TENG KEAT

Petaling Jaya
31 March 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MEGA FIRST CORPORATION BERHAD**

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

Report on the Financial Statements

We have audited the financial statements of Mega First Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 135.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MEGA FIRST CORPORATION BERHAD (CONT'D)**

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 42 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 Reporting Responsibilities

The supplementary information set out in Note 50 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MEGA FIRST CORPORATION BERHAD (CONT'D)**

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

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.

A handwritten signature in black ink, appearing to read "Crowe Horwath".

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to read "Onn Kien Hoe".

Onn Kien Hoe
Approval No: 1772/11/16 (J/PH)
Chartered Accountant

31 March 2015

Kuala Lumpur

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | Note | GROUP | | COMPANY | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 5 | 672,465 | 628,758 | 34,647 | 38,238 |
| Cost Of Sales | | (483,954) | (456,445) | - | - |
| Gross Profit | | 188,511 | 172,313 | 34,647 | 38,238 |
| Distribution Costs | | (5,661) | (5,356) | - | - |
| Administrative Expenses | | (29,688) | (29,535) | (4,925) | (4,495) |
| Other Expenses | | (4,726) | (5,760) | (5,768) | (534) |
| Other Income | | 9,371 | 25,604 | 56 | 1,359 |
| Profit From Operations | 6 | 157,807 | 157,266 | 24,010 | 34,568 |
| Finance Costs | 7 | (3,981) | (3,053) | (4,085) | (2,915) |
| Share Of (Loss)/Profit In Associate, net of tax | 14 | (806) | 681 | - | - |
| Profit Before Tax | | 153,020 | 154,894 | 19,925 | 31,653 |
| Income Tax Expense | 8 | (45,724) | (47,709) | 286 | (162) |
| Profit After Tax For The Financial Year | | 107,296 | 107,185 | 20,211 | 31,491 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

| | Note | GROUP | | COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit After Tax For The Financial Year | | 107,296 | 107,185 | 20,211 | 31,491 |
| Other Comprehensive Income/(Expenses) | 9 | | | | |
| <u>Items that may be reclassified subsequently to profit or loss</u> | | | | | |
| Fair value changes of available-for-sale financial assets | | (1,212) | (2,880) | - | (1,211) |
| Foreign currency translation | | 10,606 | 20,953 | - | - |
| Share of associate's foreign currency translation | | 245 | 1,048 | - | - |
| Total Other Comprehensive Income/(Expenses) | | 9,639 | 19,121 | - | (1,211) |
| Total Comprehensive Income For The Financial Year | | 116,935 | 126,306 | 20,211 | 30,280 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

| | Note | GROUP | | COMPANY | |
|-----------------------------|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit After Tax | | | | | |
| Attributable To: | | | | | |
| - Owners Of The Company | | 69,899 | 74,050 | 20,211 | 31,491 |
| - Non-controlling Interests | | 37,397 | 33,135 | - | - |
| | | <u>107,296</u> | <u>107,185</u> | <u>20,211</u> | <u>31,491</u> |
| Total Comprehensive | | | | | |
| Income Attributable To: | | | | | |
| - Owners Of The Company | | 76,626 | 86,294 | 20,211 | 30,280 |
| - Non-controlling Interests | | 40,309 | 40,012 | - | - |
| | | <u>116,935</u> | <u>126,306</u> | <u>20,211</u> | <u>30,280</u> |
| Earnings Per Share (sen) | 10 | | | | |
| - Basic | | 31.40 | 33.24 | | |
| - Diluted | | 31.29 | 33.19 | | |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER 2014**

| | Note | GROUP | | COMPANY | |
|------------------------------------|------|------------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, Plant And Equipment | 12 | 311,540 | 279,906 | 358 | 689 |
| Subsidiaries | 13 | - | - | 109,351 | 109,351 |
| Associate | 14 | 27,628 | 38,631 | 10,779 | 16,064 |
| Investment In Quoted Shares | 15 | 37,329 | 70,889 | - | - |
| Investment In Unquoted Shares | 16 | 335 | 335 | - | - |
| Land Use Rights | 17 | 6,198 | 6,368 | - | - |
| Investment Properties | 18 | 128,433 | 121,363 | - | - |
| Land Held For Property Development | 19 | 50,287 | 50,042 | - | - |
| Project Development Expenditure | 20 | 72,459 | 52,747 | 72,459 | 52,747 |
| Goodwill On Consolidation | 21 | 10,812 | 10,812 | - | - |
| Deferred Tax Asset | 31 | 448 | 484 | - | - |
| Long-Term Prepayment | | 711 | 924 | - | - |
| | | 646,180 | 632,501 | 192,947 | 178,851 |
| Current Assets | | | | | |
| Inventories | 22 | 69,678 | 69,848 | - | - |
| Property Development | 23 | 15,060 | 24,216 | - | - |
| Receivables | 24 | 113,637 | 115,055 | 158,561 | 189,958 |
| Bank Balances And Deposits | 25 | 235,473 | 156,635 | 2,560 | 1,743 |
| | | 433,848 | 365,754 | 161,121 | 191,701 |
| TOTAL ASSETS | | 1,080,028 | 998,255 | 354,068 | 370,552 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (CONT'D)**

| | Note | GROUP | | COMPANY | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| EQUITY AND LIABILITIES | | | | | |
| Share Capital | 26 | 243,002 | 242,455 | 243,002 | 242,455 |
| Treasury Shares | 27 | (30,025) | (28,669) | (30,025) | (28,669) |
| Reserves | 28 | 525,971 | 465,785 | 83,664 | 79,835 |
| Equity Attributable To Owners Of The Company | | 738,948 | 679,571 | 296,641 | 293,621 |
| Non-controlling Interests | | 146,669 | 143,272 | - | - |
| Total Equity | | 885,617 | 822,843 | 296,641 | 293,621 |
| Non-Current Liabilities | | | | | |
| Payables | 29 | 812 | 1,044 | - | - |
| Long-Term Borrowings | 30 | 21,395 | 6,776 | - | - |
| Deferred Taxation | 31 | 21,035 | 22,396 | - | - |
| | | 43,242 | 30,216 | - | - |
| Current Liabilities | | | | | |
| Payables | 32 | 66,495 | 69,838 | 42,427 | 60,889 |
| Short-Term Borrowings | 33 | 71,379 | 65,003 | 15,000 | 16,042 |
| Taxation | | 13,295 | 10,355 | - | - |
| | | 151,169 | 145,196 | 57,427 | 76,931 |
| Total Liabilities | | 194,411 | 175,412 | 57,427 | 76,931 |
| TOTAL EQUITY AND LIABILITIES | | 1,080,028 | 998,255 | 354,068 | 370,552 |
| Net Assets Per Ordinary Share (sen) | 34 | 332 | 305 | | |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| GROUP | ← Non-Distributable Employees' Share | | | | | → Distributable | | | | Non-controlling Interests RM'000 | Total Equity RM'000 |
|--|--------------------------------------|------------------------|----------------------|-----------------------|----------------------------|---------------------------|------------------------|-------------------------|---|----------------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | Attributable To Owners Of The Parent RM'000 | | |
| Balance at 1 January 2013 | 242,395 | (27,145) | 33,475 | 774 | 13,572 | 12,539 | 15,090 | 320,038 | 610,738 | 134,763 | 745,501 |
| Profit after taxation for the financial year | - | - | - | - | - | - | - | 74,050 | 74,050 | 33,135 | 107,185 |
| Other comprehensive income for the financial year:- | | | | | | | | | | | |
| Fair value changes of available-for-sale financial assets | - | - | - | - | - | (2,880) | - | - | (2,880) | - | (2,880) |
| Foreign currency translation difference | - | - | - | - | 14,076 | - | - | - | 14,076 | 6,877 | 20,953 |
| Share of associate's foreign currency translation difference | - | - | - | - | 1,048 | - | - | - | 1,048 | - | 1,048 |
| Total comprehensive income for the financial year | - | - | - | - | 15,124 | (2,880) | - | 74,050 | 86,294 | 40,012 | 126,306 |
| Balance carried forward | 242,395 | (27,145) | 33,475 | 774 | 28,696 | 9,659 | 15,090 | 394,088 | 697,032 | 174,775 | 871,807 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

| GROUP | ← Non-Distributable Employees' Share | | | | → Distributable | | | | Attributable To Owners Of The Parent RM'000 | Non-controlling Interests RM'000 | Total Equity RM'000 |
|--|--------------------------------------|------------------------|----------------------|-----------------------------|----------------------------|---------------------------|------------------------|-------------------------|---|----------------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | | | |
| Balance brought forward | 242,395 | (27,145) | 33,475 | 774 | 28,696 | 9,659 | 15,090 | 394,088 | 697,032 | 174,775 | 871,807 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid: | | | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | - | - | (15,808) | (15,808) | - | (15,808) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (31,551) | (31,551) |
| Share options to directors | - | - | - | 106 | - | - | - | - | 106 | - | 106 |
| Transfer of share options reserve for share options lapsed/exercised | - | - | - | (148) | - | - | - | - | (148) | - | (148) |
| Purchase of treasury shares | - | (1,524) | - | - | - | - | - | - | (1,524) | - | (1,524) |
| Issuance of ordinary shares pursuant to ESOS | 60 | - | 30 | - | - | - | - | - | 90 | - | 90 |
| Total transactions with owners of the Company | 60 | (1,524) | 30 | (42) | - | - | - | (15,808) | (17,284) | (31,551) | (48,835) |
| Arising from: | | | | | | | | | | | |
| - acquisition of subsidiaries (Note 43) | - | - | - | - | - | - | - | - | - | 10 | 10 |
| - incorporation of a subsidiary | - | - | - | - | - | - | - | - | - | 50 | 50 |
| Realisation of capital reserves | - | - | - | - | - | - | (13) | (184) | (177) | (12) | (189) |
| Balance at 31 December 2013 | 242,455 | (28,669) | 33,505 | 732 | 28,696 | 9,659 | 15,077 | 378,116 | 679,571 | 143,272 | 822,843 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)
AND ITS SUBSIDIARIESSTATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| GROUP | ← Non-Distributable | | | | → Distributable | | | | Attributable To Owners Of The Parent RM'000 | Non-controlling Interests RM'000 | Total Equity RM'000 |
|--|----------------------|------------------------|----------------------|-----------------------------|----------------------------|---------------------------|------------------------|-------------------------|---|----------------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | | | |
| Balance at 1 January 2014 | 242,455 | (28,669) | 33,505 | 732 | 28,696 | 9,659 | 15,077 | 378,116 | 679,571 | 143,272 | 822,843 |
| Profit after taxation for the financial year | - | - | - | - | - | - | - | 69,899 | 69,899 | 37,397 | 107,296 |
| Other comprehensive income for the financial year:- | | | | | | | | | | | |
| Fair value changes of available-for-sale financial assets | - | - | - | - | - | (1,212) | - | - | (1,212) | - | (1,212) |
| Foreign currency translation difference | - | - | - | - | 7,694 | - | - | - | 7,694 | 2,912 | 10,606 |
| Share of associate's foreign currency translation difference | - | - | - | - | 245 | - | - | - | 245 | - | 245 |
| Total comprehensive income for the financial year | - | - | - | - | 7,939 | (1,212) | - | 69,899 | 76,626 | 40,309 | 116,935 |
| Balance carried forward | 242,455 | (28,669) | 33,505 | 732 | 36,635 | 8,447 | 15,077 | 448,015 | 756,197 | 183,581 | 939,778 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)
AND ITS SUBSIDIARIESSTATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| | ← Non-Distributable Employees' Share | | | | → Distributable | | | | Attributable To Owners Of The Parent RM'000 | Non-controlling Interests RM'000 | Total Equity RM'000 |
|---|--------------------------------------|------------------------|----------------------|-----------------------------|----------------------------|---------------------------|------------------------|-------------------------|---|----------------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | | | |
| GROUP | | | | | | | | | | | |
| Balance brought forward | 242,455 | (28,669) | 33,505 | 732 | 36,635 | 8,447 | 15,077 | 448,015 | 756,197 | 183,581 | 939,778 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid: | | | | | | | | | | | |
| - shareholders of the Company (Note 11) | - | - | - | - | - | - | - | (16,702) | (16,702) | - | (16,702) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (37,225) | (37,225) |
| Share options to directors | - | - | - | 46 | - | - | - | - | 46 | - | 46 |
| Transfer of share options reserve for share options lapsed | - | - | - | (18) | - | - | - | 18 | - | - | - |
| Purchase of treasury shares | - | (1,356) | - | - | - | - | - | - | (1,356) | - | (1,356) |
| Issuance of ordinary shares pursuant to ESOS | 547 | - | 435 | (161) | - | - | - | - | 821 | - | 821 |
| Total transactions with owners of the Company | 547 | (1,356) | 435 | (133) | - | - | - | (16,684) | (17,191) | (37,225) | (54,416) |
| Arising from: | | | | | | | | | | | |
| - acquisition of a subsidiary (Note 43) | - | - | - | - | - | - | - | - | - | 350 | 350 |
| Realisation of capital reserves | - | - | - | - | - | - | 131 | (189) | (58) | (37) | (95) |
| Balance at 31 December 2014 | 243,002 | (30,025) | 33,940 | 599 | 36,635 | 8,447 | 15,208 | 431,142 | 738,948 | 146,669 | 885,617 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

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STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| | Non Distributable | | | Distributable | | | Total Equity RM'000 |
|--|----------------------|------------------------|----------------------|--|---------------------------|-------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Employees' Share Option Reserve RM'000 | Fair Value Reserve RM'000 | Retained Profits RM'000 | |
| COMPANY | | | | | | | |
| Balance at 1 January 2013 | 242,395 | (27,145) | 33,475 | 774 | 7,972 | 23,154 | 280,625 |
| Profit after taxation for the financial year | - | - | - | - | - | 31,491 | 31,491 |
| Other comprehensive income for the financial year:- | | | | | | | |
| Fair value changes of available-for-sale financial assets | - | - | - | - | (1,211) | - | (1,211) |
| Total comprehensive income for the financial year | - | - | - | - | (1,211) | 31,491 | 30,280 |
| Contributions by and distribution to owners of the Company:- | | | | | | | |
| Dividends | - | - | - | - | - | (15,808) | (15,808) |
| Share options to directors | - | - | - | 106 | - | - | 106 |
| Transfer of share options reserve for share options lapsed/exercised | - | - | - | (148) | - | - | (148) |
| Issuance of ordinary shares pursuant to ESOS | 60 | - | 30 | - | - | - | 90 |
| Purchase of treasury shares | - | (1,524) | - | - | - | - | (1,524) |
| Balance at 31 December 2013 | 242,455 | (28,669) | 33,505 | 732 | 6,761 | 38,837 | 293,621 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

| COMPANY | ← Non Distributable | | | → Distributable | | | Total Equity RM'000 |
|--|----------------------|------------------------|----------------------|--|---------------------------|-------------------------|---------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Employees' Share Option Reserve RM'000 | Fair Value Reserve RM'000 | Retained Profits RM'000 | |
| Balance at 1 January 2014 | 242,455 | (28,669) | 33,505 | 732 | 6,761 | 38,837 | 293,621 |
| Profit after taxation for the financial year | - | - | - | - | - | 20,211 | 20,211 |
| Other comprehensive income for the financial year | - | - | - | - | - | - | - |
| Total comprehensive income for the financial year | - | - | - | - | - | 20,211 | 20,211 |
| Contributions by and distribution to owners of the Company:- | | | | | | | |
| Dividends (Note 11) | - | - | - | - | - | (16,702) | (16,702) |
| Share options to directors | - | - | - | 46 | - | - | 46 |
| Transfer of share options reserve for share options lapsed | - | - | - | (18) | - | 18 | - |
| Issuance of ordinary shares pursuant to ESOS | 547 | - | 435 | (161) | - | - | 821 |
| Purchase of treasury shares | - | (1,356) | - | - | - | - | (1,356) |
| Balance at 31 December 2014 | 243,002 | (30,025) | 33,940 | 599 | 6,761 | 42,364 | 296,641 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| GROUP | Note | 2014 RM'000 | 2013 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 153,020 | 154,894 |
| Adjustments for: | | | |
| Allowance for impairment losses: | | | |
| - Investment in quoted shares | | 1,666 | 1,046 |
| - Investment in unquoted shares | | - | 1,875 |
| - Investment in associate | | 10,862 | 7,500 |
| - Receivables, net | | 305 | 820 |
| Amortisation of land use rights | | 190 | 183 |
| Bad debts written off | | 297 | 80 |
| Depreciation of property, plant and equipment | | 31,769 | 30,668 |
| Interest expense | | 3,981 | 3,053 |
| Inventories written off | | 149 | 304 |
| Loss on disposal of: | | | |
| - Property, plant and equipment | | 4 | 154 |
| - Quoted shares | | 2,935 | - |
| Loss on foreign exchange – Unrealised | | 36 | 61 |
| Loss from deconsolidation of a subsidiary | | 245 | - |
| Provision for retirement benefits | | 49 | 90 |
| Staff costs - Share options to Directors | | 46 | 106 |
| Write-off of property, plant and equipment | | 260 | 488 |
| Fair value adjustment on investment properties | | (7,070) | - |
| Gain on disposal of: | | | |
| - Property, plant and equipment | | (194) | (179) |
| - Quoted shares | | (162) | (22,084) |
| Gain from deconsolidation of subsidiaries | | - | (159) |
| Gain on foreign exchange – Unrealised | | (3,766) | (2,191) |
| Interest income | | (3,275) | (1,882) |
| Dividend income | | (1,177) | (479) |
| Write-back of provision no longer required | | (966) | - |
| Share of loss/(profit) in associate | | 806 | (681) |
| Operating Profit Before Working Capital Changes | | 190,010 | 173,667 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

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STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| | Note | 2014 RM'000 | 2013 RM'000 |
|---|------|----------------|----------------|
| Decrease/(Increase) in: | | | |
| Inventories | | 21 | (710) |
| Property development | | 9,156 | (15,058) |
| Receivables | | 933 | (13,685) |
| (Decrease)/Increase in payables | | (848) | 19,468 |
| Cash From Operations | | 199,272 | 163,682 |
| Income tax paid | | (42,762) | (40,110) |
| Retirement benefits paid | | (225) | (83) |
| Net Cash From Operating Activities | | 156,285 | 123,489 |
| CASH FLOWS FOR INVESTING ACTIVITIES | | | |
| Interest received | | 3,275 | 1,882 |
| Dividend received | | 1,177 | 479 |
| Increase in land held for property development | | (245) | (1,826) |
| Increase in project development expenditure | | (19,712) | (15,769) |
| Net cash inflow/(outflow) from acquisition of subsidiaries | 43 | 350 | (5,542) |
| Net cash outflow from deconsolidation of subsidiary | 44 | (245) | (12) |
| Acquisition of additional equity interest in associate | | (420) | (165) |
| Proceeds from disposal of: | | | |
| - Property, plant and equipment | | 805 | 208 |
| - Quoted shares | | 57,814 | 106,220 |
| Money received for capital reduction of investment in quoted shares | | - | 10,138 |
| Purchase of: | | | |
| - Property, plant and equipment | 37 | (58,374) | (50,879) |
| - Quoted shares | | (29,905) | (98,220) |
| Net Cash For Investing Activities | | (45,480) | (53,486) |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

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STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| | Note | 2014 RM'000 | 2013 RM'000 |
|---|-----------|-----------------------|-----------------------|
| CASH FLOWS FOR FINANCING ACTIVITIES | | | |
| Interest paid | | (3,981) | (3,053) |
| Dividends paid: | | | |
| - shareholders of the Company | | (16,702) | (15,808) |
| - subsidiaries' non-controlling interests | | (37,225) | (31,551) |
| Net drawdown/(repayment) of: | | | |
| - Trust receipts and revolving credits | | 6,241 | 9,576 |
| - Hire purchase payables | | (494) | (238) |
| - Term loans | | 15,796 | (7,151) |
| Proceeds from issuance of shares pursuant to ESOS | | 821 | 90 |
| Purchase of treasury shares | | (1,356) | (1,524) |
| Placement of fixed deposits pledged to licensed banks | | (3,840) | (338) |
| Net Cash For Financing Activities | | <u>(40,740)</u> | <u>(49,997)</u> |
| EFFECT OF FOREIGN EXCHANGE TRANSLATION | | <u>5,975</u> | <u>9,541</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 76,040 | 29,547 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | <u>155,255</u> | <u>125,708</u> |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 39 | <u>231,295</u> | <u>155,255</u> |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

| COMPANY | Note | 2014 RM'000 | 2013 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 19,925 | 31,653 |
| Adjustments for: | | | |
| Allowance for impairment losses: | | | |
| - Investment in associate | | 5,285 | 2,991 |
| - Receivables, net | | 87 | - |
| Depreciation of property, plant and equipment | | 342 | 490 |
| Bad debts written off | | 3 | - |
| Interest expense | | 4,085 | 2,915 |
| Loss on foreign exchange – Unrealised | | 36 | - |
| Staff costs - Share options to Directors | | 46 | 106 |
| Write-off of property, plant and equipment | | 3 | - |
| Write-off of amount owing by subsidiaries | | - | 44 |
| Dividend income | | (32,006) | (34,734) |
| Gain on disposal of quoted shares | | - | (3,669) |
| Gain on foreign exchange – Unrealised | | - | (623) |
| Interest income | | (13) | (66) |
| Operating Loss Before Working Capital Changes | | (2,207) | (893) |
| (Increase)/Decrease in receivables | | (140) | 113 |
| (Decrease)/Increase in payables | | (847) | 1,522 |
| Cash (For)/From Operations | | (3,194) | 742 |
| Income tax refunded | | 1,964 | 1,114 |
| Net Cash (For)/From Operating Activities | | (1,230) | 1,856 |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

| | Note | 2014 RM'000 | 2013 RM'000 |
|---|------|-----------------|-----------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 13 | 66 |
| Dividend received | | 32,006 | 34,734 |
| Increase in project development expenditure | | (19,712) | (15,769) |
| Investment in a subsidiary | | - | (16) |
| Repayment from subsidiaries | | 29,769 | 12,656 |
| Purchase of property, plant and equipment | 37 | (14) | (24) |
| Proceeds from disposal of quoted shares | | - | 8,543 |
| Net Cash From Investing Activities | | <u>42,062</u> | <u>40,190</u> |
| CASH FLOWS FOR FINANCING ACTIVITIES | | | |
| Interest paid | | (4,085) | (2,915) |
| Dividends paid | | (16,702) | (15,808) |
| Repayment to subsidiaries | | (17,651) | (35,760) |
| Proceeds from issuance of shares pursuant to ESOS | | 821 | 90 |
| Purchase of treasury shares | | (1,356) | (1,524) |
| Net drawdown of short-term borrowings | | - | 11,500 |
| Net Cash For Financing Activities | | <u>(38,973)</u> | <u>(44,417)</u> |
| NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS | | 1,859 | (2,371) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | 701 | 3,072 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 39 | <u>2,560</u> | <u>701</u> |

The accompanying Notes on pages 27 to 135 form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at A-12-01 Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 March 2015.

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 42 and 14 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.

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 ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

FRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to FRS 10, FRS 12 and FRS 127 (2011): Investment Entities

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 136: Recoverable Amount Disclosures for Non-financial Assets

Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

- 3.1 The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.
- 3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

| FRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|--|-----------------------|
| FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to FRS 11 : Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to FRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to FRSs 2011 – 2013 Cycle | 1 July 2014 |
| Annual Improvements to FRSs 2012 – 2014 Cycle | 1 January 2016 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**3. BASIS OF PREPARATION (CONT'D)**

3.2 The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (a) FRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in FRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this FRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of FRS 9.
- (b) The Amendments to FRS 116 and FRS 138 prohibit revenue-based depreciation/amortisation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment/intangible assets is used or consumed. The adoption of the amendments to FRS 116 and FRS 138 is expected to have no impact on the financial statements of the Group upon its initial application.
- (c) The amendments to FRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit plans. Contributions that are independent of the number of years of service shall be recognised as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Group is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. The adoption of the amendments to FRS 119 is expected to have no impact on the financial statements of the Group upon its initial application.
- (d) The amendments to FRS 127 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has an intention to change its accounting policies on investments in subsidiaries/joint ventures/associates to the equity method when the amendments become effective. The adoption of FRS 127 is expected to have no impact on the financial statements of the Group upon its initial application.
- (e) Annual Improvements to FRSs 2010 – 2012 Cycle. Generally there will be no impact on the financial statements except for the amendments to FRS 116 which will only affect the amount of accumulated depreciation of future revaluations.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

- 3.2 (f) Annual Improvements to FRSs 2011 – 2013 Cycle. Generally there will be no impact on the financial statements.
- (g) Annual Improvements to FRSs 2012 – 2014 Cycle. Generally there will be no impact on the financial statements.
- 3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2017. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of Consolidation (Cont'd)

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations from 1 January 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 Basis of Consolidation (Cont'd)**Business combinations before 1 January 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. 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 by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

4.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequent if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 January 2011 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

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 as income immediately in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments

Financial instruments are recognised in the statements of financial position 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.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 Financial Instruments (Cont'd)****(a) Financial Assets (Cont'd)****(i) Financial Assets at Fair Value Through Profit or Loss (Cont'd)**

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 Financial Instruments (Cont'd)****(c) Equity Instruments**

Instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary 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.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(b) Transactions and Balances

Transactions in foreign currencies 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 end of the financial period 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 recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

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

| | 2014 | 2013 |
|------------------------|-------|-------|
| | RM | RM |
| 1 Chinese Renminbi | 0.563 | 0.541 |
| 1 United States Dollar | 3.497 | 3.276 |
| 1 Singapore Dollar | 2.647 | 2.590 |
| 1 Hong Kong Dollar | 0.451 | 0.422 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.5 Impairment****(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Impairment (Cont'd)

(b) Impairment of Non-Financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.6 Property, Plant and Equipment

Property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

(a) Freehold Land and Leasehold Quarry Land

Freehold land is not depreciated.

Leasehold quarry land is in respect of land use rights held to extract limestone for the Group's quarry operations and is outside the scope of FRS 117. Leasehold quarry land is amortised on a straight-line basis over the period of the leases ranging from 30 to 60 years.

(b) Other Property, Plant and Equipment

Other property, plant and equipment, with the exception of power plants and construction-in-progress, are depreciated to profit or loss (unless it is included in the carrying amount of another asset) 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 | 2.0% to 6.5% |
| Power plant, machinery and equipment | 5.0% to 50% |
| Vehicles | 10% to 33% |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.6 Property, Plant and Equipment (Cont'd)****(b) Other Property, Plant and Equipment (Cont'd)**

Power plants of a subsidiary are depreciated on the straight-line basis to write off the cost less estimated residual value over the concession periods of 21 years, which will end in November 2017. Nevertheless, the concession is subject to renewal according to terms as provided in the power purchase agreement.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Construction-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. 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 recognised in profit or loss in the year the asset is derecognised. In addition, the Group also makes an annual transfer of the revaluation reserve to retained profits as the asset is used. In such a case, the amount of the revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.7 Capitalisation of Borrowing Costs**

- (a) Borrowing costs incurred on the acquisition and construction or production of a qualifying asset 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.
- (b) Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

4.8 Assets Acquired Under Hire Purchase Arrangements

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 4.6 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.9 Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.10 Associates

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Associates (Cont'd)

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 December 2014. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

4.11 Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the term of the leases.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 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 profit or loss 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 recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the policy set out in Note 4.6 above.

4.13 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, if any. 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Land Held for Property Development and Property Development (Cont'd)

(b) Property Development (Cont'd)

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss 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.

4.14 Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over the tenure of the concession period when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 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 necessary to make the sale.

4.16 Cash and Cash Equivalents

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

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

During the current financial year, the Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. The change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 January 2013.

4.17 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Provisions (Cont'd)

Provisions are reviewed at the end of each reporting period 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. The unwinding of the discount is recognised as interest expense in profit or loss.

4.18 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.

4.19 Revenue and Other Income Recognition

Revenue is measured at fair value of the consideration received and receivable and 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:-

- (a) Dividends from subsidiaries and associates and other investments are recognised when the shareholders' right to receive is established.
- (b) Interest income on short-term deposits and advances are recognised on an accrual basis based on prevailing rates.
- (c) Revenue from the provision of management services is recognised based on services rendered.
- (d) Revenue from the sale of electricity and steam is recognised upon invoiced value of electricity and steam delivered, net of billing adjustments.
- (e) 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.19 Revenue and Other Income Recognition (Cont'd)**

- (f) Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.
- (g) Rental income is recognised on an accrual basis.

4.20 Income Tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise 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 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 profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Employee Benefits

(a) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

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 Plans

The Group's contributions to defined contribution plans are recognised in profit or loss 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.

(c) Share-Based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (share options).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital or share premium if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Employee Benefits (Cont'd)

(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.

4.22 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 discussed below:-

(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. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. 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 Non-financial 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Significant Accounting Estimates and Judgements (Cont'd)

(d) Write-down of 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.

(e) 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. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(f) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.22 Significant Accounting Estimates and Judgements (Cont'd)****(g) Impairment of Goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(h) 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/or equity.

4.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment assets include all assets used by a segment. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4.25 Government Grants

Grants from the government are recognised initially as deferred income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss over the periods necessary to match the grants with the related costs which they are intended to compensate on a systematic basis.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the expected useful life of the relevant asset on a systematic basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.26 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5. REVENUE

| | GROUP | | COMPANY | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Sale of electricity and steam | 481,544 | 462,719 | - | - |
| Sale of goods | 140,511 | 124,700 | - | - |
| Sale of properties | 42,746 | 34,192 | - | - |
| Dividend income | 214 | 200 | 32,006 | 34,734 |
| Interest income | 4 | 11 | 13 | 66 |
| Rental income | 7,446 | 6,936 | - | - |
| Management fee | - | - | 2,628 | 3,438 |
| | 672,465 | 628,758 | 34,647 | 38,238 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

6. PROFIT FROM OPERATIONS

This is arrived at:

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| After crediting: | | | | |
| Fair value adjustment on investment properties | 7,070 | - | - | - |
| Gain from deconsolidation of subsidiaries | - | 159 | - | - |
| Gain on disposal of: | | | | |
| - Property, plant and equipment | 194 | 179 | - | - |
| - Quoted shares | 162 | 22,084 | - | 3,669 |
| Gain on foreign exchange: | | | | |
| - Realised | 486 | 567 | - | - |
| - Unrealised | 3,766 | 2,191 | - | 623 |
| Gross dividends: | | | | |
| - Subsidiaries | - | - | 32,006 | 34,734 |
| - Others | 1,177 | 479 | - | - |
| Interest income | 3,275 | 1,882 | 13 | 66 |
| Rental income: | | | | |
| - Investment properties | 7,446 | 6,936 | - | - |
| - Others | 1,442 | 1,446 | - | - |
| Share of (loss)/profit in associate | (806) | 681 | - | - |
| Write-back of: | | | | |
| - Bad debts written off | 164 | 101 | - | - |
| - Provision no longer required | 966 | - | - | - |
| After charging: | | | | |
| Allowance for impairment losses: | | | | |
| - Available-for-sale financial assets (including cumulative losses reclassified from other comprehensive income) | | | | |
| - quoted shares | 1,666 | 1,046 | - | - |
| - unquoted shares | - | 1,875 | - | - |
| - investment in associate | 10,862 | 7,500 | 5,285 | 2,991 |
| - Receivables, net | 305 | 820 | 87 | - |
| Amortisation of land use rights | 190 | 183 | - | - |
| Auditors' remuneration: | | | | |
| - For the financial year | 430 | 359 | 61 | 52 |
| - Underprovision in the previous financial year | 92 | 41 | 15 | 4 |
| - Others | - | 11 | - | - |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

6. PROFIT FROM OPERATIONS (CONT'D)

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| After charging: | | | | |
| Bad debts written off | 297 | 80 | 3 | - |
| Depreciation of property, plant and equipment | 31,769 | 30,668 | 342 | 490 |
| Direct operating expenses arising from investment properties | 2,122 | 2,289 | - | - |
| Directors' remuneration: | | | | |
| - Salary, bonus and other remuneration, including benefits-in-kind (gross) | 697 | 684 | 697 | 684 |
| - Fees | 301 | 263 | 301 | 263 |
| - Other emoluments | 23 | 19 | 23 | 19 |
| - Share options to Directors | 46 | 106 | 46 | 106 |
| Inventories written off | 149 | 304 | - | - |
| Loss from deconsolidation of of a subsidiary | 245 | - | - | - |
| Loss on disposal of: | | | | |
| - Property, plant and equipment | 4 | 154 | - | - |
| - Quoted shares | 2,935 | - | - | - |
| Loss on foreign exchange: | | | | |
| - Realised | 52 | 109 | 11 | - |
| - Unrealised | 36 | 61 | 36 | - |
| Provision for retirement benefits | 49 | 90 | - | - |
| Rental of: | | | | |
| - Access road | 3 | 3 | - | - |
| - Land and buildings | 347 | 194 | 170 | 169 |
| - Plant and machinery | 174 | 343 | - | - |
| - Motor vehicles | 271 | - | - | - |
| Staff costs: | | | | |
| - Defined contribution plan | 3,666 | 3,333 | 289 | 236 |
| - Salaries, wages, bonuses and allowances | 28,917 | 27,455 | 2,435 | 2,066 |
| - Other benefits | 1,846 | 1,858 | 111 | 89 |
| Write-off of: | | | | |
| - Amount owing by subsidiaries | - | - | - | 44 |
| - Property, plant and equipment | 260 | 488 | 3 | - |

There was no monetary value of benefits-in-kind received by Directors of the Group and of the Company for the financial years ended 31 December 2014 and 2013.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

6. PROFIT FROM OPERATIONS (CONT'D)

Included in the auditors' remuneration for the financial year of the Group are fees paid to accounting firm other than the Company's auditors for statutory audit fees amounting to RM44,000 (2013 : RM42,000).

7. FINANCE COSTS

| | GROUP | | COMPANY | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Interest on: | | | | |
| - Bank overdrafts | 470 | 109 | 358 | 108 |
| - Revolving credits | 2,138 | 1,615 | 1,963 | 901 |
| - Term loans | 877 | 663 | - | - |
| - Others | 496 | 666 | 1,764 | 1,906 |
| | 3,981 | 3,053 | 4,085 | 2,915 |

8. INCOME TAX EXPENSE

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Current tax: | | | | |
| - Malaysian taxation | 15,675 | 13,049 | 188 | 296 |
| - Foreign taxation | 31,717 | 29,616 | - | - |
| - (Over)/Underprovision in previous financial years | (360) | 1,128 | (474) | (134) |
| | 47,032 | 43,793 | (286) | 162 |
| Deferred tax (Note 31): | | | | |
| - Relating to originating and recognition of temporary differences | (1,291) | (1,302) | - | - |
| - Effect of change in Real Property Gains Tax rates | - | 4,218 | - | - |
| - (Over)/Underprovision in previous financial years | (17) | 1,000 | - | - |
| | (1,308) | 3,916 | - | - |
| | 45,724 | 47,709 | (286) | 162 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (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 statements of profit or loss and other comprehensive income as follows:

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit before tax | 153,020 | 154,894 | 19,925 | 31,653 |
| Tax at Malaysian statutory rate of 25% (2013 : 25%) | 38,255 | 38,724 | 4,981 | 7,913 |
| Tax effects of: | | | | |
| - Effect of lower tax rate in Malaysia | (115) | (150) | - | - |
| - Share of loss/(gain) in associate | 201 | (170) | - | - |
| - Income not subject to tax | (2,767) | (6,853) | (8,001) | (9,734) |
| - Expenses not deductible | 5,986 | 5,995 | 3,208 | 2,117 |
| - Deferred tax assets not recognised during the financial year | 25 | 50 | - | - |
| - Remeasurement of deferred tax on investment properties at fair value arising from change in Real Property Gains Tax rates | - | 4,218 | - | - |
| - Utilisation of previously unrecognised: | | | | |
| - deferred tax assets | - | (359) | - | - |
| - reinvestment allowances | (183) | (17) | - | - |
| - (Over)/Underprovision in previous financial years: | | | | |
| - current tax | (360) | 1,128 | (474) | (134) |
| - deferred tax | (17) | 1,000 | - | - |
| - Withholding tax | 4,699 | 4,143 | - | - |
| Income tax expense | 45,724 | 47,709 | (286) | 162 |

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

8. INCOME TAX EXPENSE (CONT'D)

Tax saving during the financial year arising from:-

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Utilisation of tax losses: | | | | |
| - Current year | 783 | 2,603 | - | - |
| - Previously not recognised | 450 | 1,439 | - | 385 |
| Utilisation of capital allowances: | | | | |
| - Current year | 3,041 | 7,228 | 66 | 65 |
| - Previously not recognised | - | 443 | - | - |
| Utilisation of reinvestment allowances: | | | | |
| - Previously not recognised | 183 | 68 | - | - |
| Utilisation of industrial building allowances: | | | | |
| - Current year | - | 15 | - | - |

No deferred tax assets are recognised in respect of the following items:-

| | GROUP | | COMPANY | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Unutilised tax losses | 3,258 | 2,848 | - | - |
| Unabsorbed capital allowances | 182 | 641 | - | - |
| Provision | 263 | 268 | - | - |
| Accelerated capital allowances | (25) | (186) | - | - |
| | 3,678 | 3,571 | - | - |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

8. INCOME TAX EXPENSE (CONT'D)

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 2014, 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 RM1,608,000 (2013: RM720,000) available to be carried forward to be offset against future taxable income.

9. OTHER COMPREHENSIVE INCOME/(EXPENSES)

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| <u>Items that may be reclassified subsequently to profit or loss</u> | | | | |
| Fair value changes of available-for-sale financial assets: | | | | |
| - Changes during the financial year | (7,798) | 9,152 | - | 1,578 |
| - Reclassification adjustment to profit or loss on disposal | 4,920 | (13,078) | - | (2,789) |
| - Transfer to profit or loss for an impairment loss | 1,666 | 1,046 | - | - |
| | (1,212) | (2,880) | - | (1,211) |
| Foreign currency translation: | | | | |
| - Changes during the financial year | 10,606 | 20,953 | - | - |
| - Share of associate | 245 | 1,048 | - | - |
| | 10,851 | 22,001 | - | - |
| | 9,639 | 19,121 | - | (1,211) |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

10. EARNINGS PER SHARE

| | GROUP | |
|---|--------------|----------|
| | 2014 | 2013 |
| Basic earnings per share | | |
| Profit after tax for the financial year attributable to owners of the Company (RM'000) | 69,899 | 74,050 |
| Weighted average number of ordinary shares ('000):- | | |
| Issued ordinary shares at 1 January | 242,455 | 242,395 |
| Effect of new ordinary shares issued | 330 | 49 |
| Effect of treasury shares held | (20,151) | (19,686) |
| Weighted average number of ordinary shares at 31 December | 222,634 | 222,758 |
| Basic earnings per share (sen) | 31.40 | 33.24 |
| Diluted earnings per share | | |
| Profit after tax for the financial year attributable to owners of the Company # (RM'000) | 69,899 | 74,050 |
| Weighted average number of ordinary shares at 31 December ('000) | 222,634 | 222,758 |
| Weighted average number of shares under option ('000) | 2,123 | 2,730 |
| Weighted average number of shares that would have been issued at average market price # ('000) | (1,377) | (2,360) |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000) | 223,380 | 223,128 |
| Diluted earnings per share (sen) | 31.29 | 33.19 |

Earnings have not increased because the increase in the weighted average number of ordinary shares of 746,000 shares (2013 : 370,000) is deemed to have been issued for no consideration.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

10. EARNINGS PER SHARE (CONT'D)

- 10.1 The basic earnings per share is calculated by dividing the Group's profit after tax 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.
- 10.2 The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all outstanding options granted pursuant to the ESOS are exercised.

11. DIVIDENDS

A final tax-exempt dividend of 4.5 sen per ordinary share of RM1.00 each, amounting to RM10,026,068 for the financial year ended 31 December 2013 was approved by the shareholders and paid on 16 July 2014.

An interim tax-exempt dividend of 3.0 sen per ordinary share of RM1.00 each amounting to RM6,675,405 for the financial year ended 31 December 2014 (2013 : interim tax-exempt dividend of 3.0 sen) was paid on 10 October 2014.

The Board proposes a final tax-exempt dividend of 5.0 sen per ordinary share for the financial year ended 31 December 2014. 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.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT

| GROUP | ← AT COST → | | | | Exchange rate fluctuations adjustments RM'000 | End of year RM'000 |
|---|------------------------------|----------------------------|------------------------------|------------------|---|--------------------|
| | Beginning of year RM'000 | Additions RM'000 | Disposals /Write-offs RM'000 | Transfers RM'000 | | |
| 2014 | 94,981 | 5,141 | (364) | 5,859 | 2,492 | 108,109 |
| Freehold land and buildings | 4,328 | - | - | - | - | 4,328 |
| Long leasehold land | 31,889 | 2,976 | - | - | - | 34,865 |
| Short leasehold quarry land | | | | | | |
| Plant and machinery, equipment, vehicles and construction-in-progress | 444,573 | 50,788 | (5,098) | (5,859) | 9,625 | 494,029 |
| Total | 575,771 | 58,905 | (5,462) | - | 12,117 | 641,331 |
| GROUP | ← ACCUMULATED DEPRECIATION → | | | | Exchange rate fluctuations adjustments RM'000 | End of year RM'000 |
| | Beginning of year RM'000 | Charge for the year RM'000 | Disposals /Write-offs RM'000 | Transfers RM'000 | | |
| 2014 | 36,316 | 3,274 | (129) | - | 1,338 | 40,799 |
| Freehold land and buildings | 1,053 | 29 | - | - | - | 1,082 |
| Long leasehold land | 8,457 | 977 | - | - | - | 9,434 |
| Short leasehold quarry land | | | | | | |
| Plant and machinery, equipment, vehicles and construction-in-progress | 249,815 | 27,489 | (4,458) | - | 5,406 | 278,252 |
| Total | 295,641 | 31,769 | (4,587) | - | 6,744 | 329,567 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | ←← ACCUMULATED IMPAIRMENT LOSSES →→ | | | | ←← NET BOOK VALUE →→ | |
|---|-------------------------------------|--------------------------------------|-----------------------|-----------------------|--------------------------------|-----------------------|
| GROUP 2014 | Beginning of year RM'000 | Impairment for the year RM'000 | End of year RM'000 | End of year RM'000 | Beginning of year RM'000 | End of year RM'000 |
| Freehold land and buildings | - | - | - | 67,310 | 58,665 | 67,310 |
| Long leasehold land | - | - | - | 3,246 | 3,275 | 3,246 |
| Short leasehold quarry land | 224 | - | 224 | 25,207 | 23,208 | 25,207 |
| Plant and machinery, equipment, vehicles and construction-in-progress | - | - | - | 215,777 | 194,758 | 215,777 |
| Total | 224 | - | 224 | 311,540 | 279,906 | 311,540 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| GROUP | ← AT COST → | | | | ← ACCUMULATED DEPRECIATION → | | | | | | | |
|---|--------------------------|------------------|------------------------------|------------------|--|--------------------|--------------------------|----------------------------|------------------------------|------------------|--|--------------------|
| | Beginning of year RM'000 | Additions RM'000 | Disposals /Write-offs RM'000 | Transfers RM'000 | Exchange rate fluctuation adjustments RM'000 | End of year RM'000 | Beginning of year RM'000 | Charge for the year RM'000 | Disposals /Write-offs RM'000 | Transfers RM'000 | Exchange rate fluctuation adjustments RM'000 | End of year RM'000 |
| 2013 | | | | | | | | | | | | |
| Freehold land and buildings | 82,074 | 6,490 | (67) | 1,632 | 4,852 | 94,981 | | 3,018 | (47) | - | 2,570 | 36,316 |
| Long leasehold land | 4,327 | 1 | - | - | - | 4,328 | | 50 | - | - | - | 1,053 |
| Short leasehold quarry land | 31,889 | - | - | - | - | 31,889 | | 927 | - | - | - | 8,457 |
| Plant and machinery, equipment, vehicles and construction-in-progress | 401,024 | 45,086 | (18,650) | (1,632) | 18,745 | 444,573 | 231,531 | 26,673 | (17,999) | - | 9,610 | 249,815 |
| Total | 519,314 | 51,577 | (18,717) | - | 23,597 | 575,771 | 270,839 | 30,668 | (18,046) | - | 12,180 | 295,641 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| GROUP | ←← ACCUMULATED IMPAIRMENT LOSSES →→ | | | | ←← NET BOOK VALUE →→ | |
|---|-------------------------------------|--------------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------|
| | Beginning of year RM'000 | Impairment for the year RM'000 | End of year RM'000 | End of year RM'000 | End of year RM'000 | Beginning of year RM'000 |
| 2013 | | | | | | |
| Freehold land and buildings | - | - | - | 58,665 | 58,665 | 51,299 |
| Long leasehold land | - | - | - | 3,275 | 3,275 | 3,324 |
| Short leasehold quarry land | 224 | - | 224 | 23,208 | 23,208 | 24,135 |
| Plant and machinery, equipment, vehicles and construction-in-progress | - | - | - | 194,758 | 194,758 | 169,493 |
| Total | 224 | - | 224 | 279,906 | 279,906 | 248,251 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| COMPANY | ← AT COST → | | ← ACCUMULATED DEPRECIATION → | | | | ← NET BOOK VALUE → | | | |
|------------------------|--------------------------|------------------|------------------------------|--------------------|--------------------------|----------------------------|------------------------------|--------------------|--------------------------|--------------------|
| | Beginning of year RM'000 | Additions RM'000 | Disposals /Write-offs RM'000 | End of year RM'000 | Beginning of year RM'000 | Charge for the year RM'000 | Disposals /Write-offs RM'000 | End of year RM'000 | Beginning of year RM'000 | End of year RM'000 |
| 2014 | | | | | | | | | | |
| Equipment and vehicles | 2,893 | 14 | (222) | 2,685 | 2,204 | 342 | (219) | 2,327 | 358 | 689 |
| 2013 | | | | | | | | | | |
| Equipment and vehicles | 2,884 | 24 | (15) | 2,893 | 1,729 | 490 | (15) | 2,204 | 689 | 1,155 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Plant and machinery, equipment, vehicles and construction-in-progress of the Group include power plant with total carrying values of RM127,445,000 (2013 : RM113,641,000) and power plant construction-in-progress with a carrying value of RM3,599,000 (2013 : RM18,220,000).

Property, plant and equipment of certain subsidiaries with a total carrying value of RM36,737,000 (2013 : RM37,146,000) have been charged as security for banking facilities granted to those subsidiaries.

Property, plant and equipment of a subsidiary with a total carrying value of RM904,000 (2013 : RM938,000) were acquired under hire purchase arrangements.

13. SUBSIDIARIES

| | COMPANY | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Unquoted shares in Malaysia, at cost | | |
| At beginning of financial year | 394,066 | 394,050 |
| Addition | - | 16 |
| At end of financial year | 394,066 | 394,066 |
| Less : Accumulated impairment losses | (284,715) | (284,715) |
| | 109,351 | 109,351 |
| Loan to a subsidiary | 27,475 | 27,475 |
| Less : Allowance for impairment losses | (27,475) | (27,475) |
| | - | - |
| Net investment in unquoted shares at end of financial year | 109,351 | 109,351 |

The subsidiaries are listed in Note 42 to the financial statements.

The loan to a subsidiary is non-trade in nature, unsecured and interest-free. The amount owing is to be settled in cash.

In the previous financial year, a certain number of shares held by the Group and the Company in Rock Chemical Industries (Malaysia) Sdn. Berhad with carrying values of RM44,238,000 and RM25,097,000 respectively were pledged to a licensed bank as security for a revolving credit facility granted to a subsidiary. During the current financial year, the revolving credit was fully repaid and the shares pledged were fully discharged.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

13. SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:-

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Power related companies | 99,515 | 99,488 |
| Idaman Harmoni Sdn. Bhd. | 29,348 | 29,047 |
| Other individually immaterial subsidiaries | 17,806 | 14,737 |
| Total | 146,669 | 143,272 |

The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests and are material to the Group is as follows:-

| | Power related companies RM'000 | Idaman Harmoni Sdn. Bhd. RM'000 |
|--|--|---|
| At 31 December 2014 | | |
| Non-current assets | 162,021 | 92,573 |
| Current assets | 126,901 | 23,513 |
| Non-current liabilities | (5,244) | (3,518) |
| Current liabilities | (45,331) | (38,833) |
| Net assets | 238,347 | 73,735 |
| Financial year ended 31 December 2014 | | |
| Revenue | 481,544 | 6,988 |
| Profit after tax for the financial year | 84,993 | 1,336 |
| Total comprehensive income | 92,272 | 1,336 |
| Total comprehensive income attributable to non-controlling interests | 37,289 | 468 |
| Dividends paid to non-controlling interests | 37,225 | - |
| Net cash flows from operating activities | 109,747 | 3,273 |
| Net cash flows for investing activities | (15,554) | (10,341) |
| Net cash flows (for)/from financing activities | (90,981) | 5,000 |
| At 31 December 2013 | | |
| Non-current assets | 159,204 | 96,095 |
| Current assets | 131,895 | 14,860 |
| Non-current liabilities | (6,297) | (3,518) |
| Current liabilities | (48,277) | (34,020) |
| Net assets | 236,525 | 73,417 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

13. SUBSIDIARIES (CONT'D)

| | Power related companies RM'000 | Idaman Harmoni Sdn. Bhd. RM'000 |
|--|---|--|
| Financial year ended 31 December 2013 | | |
| Revenue | 462,719 | 6,577 |
| Profit/(Loss) after tax for the financial year | 77,600 | (1,175) |
| Total comprehensive income/(expenses) | 94,790 | (1,175) |
| Total comprehensive income/(expenses) attributable to non-controlling interests | 38,167 | (411) |
| Dividends paid to non-controlling interests | 31,551 | - |
| Net cash flows from operating activities | 113,464 | 2,498 |
| Net cash flows for investing activities | (28,757) | (3,786) |
| Net cash flows (for)/from financing activities | (85,816) | 2,500 |

14. ASSOCIATE

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Quoted shares in Malaysia, at cost | 43,981 | 43,561 | 19,055 | 19,055 |
| Share of post-acquisition profits | 716 | 1,522 | - | - |
| Share of other comprehensive income | 1,293 | 1,048 | - | - |
| | 2,009 | 2,570 | - | - |
| | 45,990 | 46,131 | 19,055 | 19,055 |
| Less: Accumulated impairment losses | | | | |
| At beginning of financial year | (7,500) | - | (2,991) | - |
| Addition | (10,862) | (7,500) | (5,285) | (2,991) |
| At end of financial year | (18,362) | (7,500) | (8,276) | (2,991) |
| | 27,628 | 38,631 | 10,779 | 16,064 |
| Market value of quoted shares in Malaysia | 19,303 | 16,860 | 7,836 | 7,068 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

14. ASSOCIATE (CONT'D)

The share of results of the associate is based on the unaudited financial statements of the associate.

The details of the associate are as follows:-

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|------------------------------|---------------------------------|--------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Jadi Imaging Holdings Berhad | Manufacturing and sale of toner | Malaysia | 22.30 | 21.84 |

The summarised unaudited financial information of the associate is as follows:-

| | GROUP | |
|---|-------------|-------------|
| | 2014 RM'000 | 2013 RM'000 |
| At 31 December | | |
| Non-current assets | 102,832 | 108,488 |
| Current assets | 53,415 | 50,613 |
| Non-current liabilities | (473) | (3,946) |
| Current liabilities | (31,882) | (28,749) |
| Net assets | 123,892 | 126,406 |
| Financial year ended 31 December | | |
| Revenue | 71,452 | 75,180 |
| (Loss)/Profit after tax for the financial year | (2,372) | 3,263 |
| Other comprehensive income | 1,097 | 2,820 |
| Total comprehensive (expenses)/income | (1,275) | 6,083 |
| Group's share of (loss)/profit after tax for the financial year | (806) | 681 |
| Group's share of other comprehensive income | 245 | 1,048 |
| Reconciliation of net assets to carrying amount | | |
| Group's share of net assets | 27,630 | 27,607 |
| Goodwill | 18,360 | 18,524 |
| Impairment | (18,362) | (7,500) |
| Carrying amount of the Group's interests in the associate | 27,628 | 38,631 |

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15. INVESTMENT IN QUOTED SHARES

| | GROUP | | COMPANY | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Carrying value/Market value: | | | | |
| - Quoted in Malaysia | 17,866 | 42,857 | - | - |
| - Quoted outside Malaysia | 19,463 | 28,032 | - | - |
| | <u>37,329</u> | <u>70,889</u> | - | - |

Investments in quoted shares of the Group and of the Company are designated as available-for-sale financial assets and are measured at fair value.

16. INVESTMENT IN UNQUOTED SHARES

| | GROUP | |
|--------------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Unquoted shares in Malaysia, at cost | 5,866 | 5,866 |
| Less : Accumulated impairment losses | | |
| At beginning of financial year | (5,531) | (3,656) |
| Addition | - | (1,875) |
| At end of financial year | <u>(5,531)</u> | <u>(5,531)</u> |
| | <u>335</u> | <u>335</u> |

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

17. LAND USE RIGHTS

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Rights for a foreign subsidiary to use land | 570 | 740 |
| Rights to conduct mineral extraction, quarry and mining operations in Perak | 5,628 | 5,628 |
| | <u>6,198</u> | <u>6,368</u> |

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18. INVESTMENT PROPERTIES

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Leasehold land and building, at fair value | | |
| At beginning of financial year | 121,363 | 121,363 |
| Fair value adjustment | 7,070 | - |
| At end of financial year | 128,433 | 121,363 |

The fair value of the investment properties belong to level 2 of the fair value hierarchy. The level 2 fair value has been derived by marking the investment properties to their respective market values adjusted for prevailing market conditions at the end of the reporting date.

Investment properties of a subsidiary with a total carrying value of RM76,549,000 (2013 : RM76,549,000) have been charged as security for a revolving credit facility granted to the subsidiary.

19. LAND HELD FOR PROPERTY DEVELOPMENT

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At beginning of financial year: | | |
| - Freehold land | 3,093 | 3,828 |
| - Leasehold land | 17,243 | 13,937 |
| - Development expenditure | 30,206 | 30,951 |
| - Allowance for foreseeable losses | (500) | (500) |
| | 50,042 | 48,216 |
| Addition: | | |
| - Leasehold land | 129 | 3,306 |
| - Development expenditure | 116 | 6,720 |
| | 245 | 10,026 |
| Transfer to property development (Note 23): | | |
| - Freehold land | - | (735) |
| - Development expenditure | - | (7,465) |
| | - | (8,200) |
| At end of financial year | 50,287 | 50,042 |

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19. LAND HELD FOR PROPERTY DEVELOPMENT (CONT'D)

| | GROUP | |
|------------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At end of financial year: | | |
| - Freehold land | 3,093 | 3,093 |
| - Leasehold land | 17,372 | 17,243 |
| - Development expenditure | 30,322 | 30,206 |
| - Allowance for foreseeable losses | (500) | (500) |
| | 50,287 | 50,042 |

20. PROJECT DEVELOPMENT EXPENDITURE

| | GROUP/COMPANY | |
|--|----------------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Don Sahong Project | 57,246 | 38,743 |
| Plantation Project and long-term lease land in Cambodia | 12,676 | 11,629 |
| Other Project | 2,537 | 2,375 |
| | 72,459 | 52,747 |

On 13 February 2008, the Company signed the Project Development Agreement with the Government of Lao People's Democratic Republic to develop, build, own and operate the Don Sahong Hydropower Project in the Khong District, ChamPasak Province, Lao PDR. The Don Sahong Project is a run-of-river hydropower project which will have a capacity of 260MW and capable of generating 2,000 GWh of electricity per year. Construction works on the Don Sahong Project are expected to commence in 2015 and completion is anticipated by end of 2019.

On 31 July 2013, the Company obtained approval from the Royal Government of Cambodia ("RGC") for the concession of a plot of land measuring 9,477 hectares situated in the Namlear Wildlife Sanctuary Zone, Mondulkiri Province, Kingdom of Cambodia primarily for agricultural development and cultivation. The Concession is for a term of 90 years commencing from the date of hand-over of the concession land to the Company. The hand-over of the land is expected to be completed within 90 days from the fulfillment of all major conditions by the Company and RGC.

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21. GOODWILL ON CONSOLIDATION

| | GROUP | |
|--------------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Goodwill | 13,802 | 13,802 |
| Less : Accumulated impairment losses | (2,990) | (2,990) |
| | 10,812 | 10,812 |

The carrying amounts of goodwill allocated to each cash-generating unit ("CGU") are as follows:-

| | GROUP | |
|-----------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Property | 2,455 | 2,455 |
| Resources | 4,582 | 4,582 |
| Printing | 2,785 | 2,785 |
| Others | 990 | 990 |
| | 10,812 | 10,812 |

The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required.

The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

| | Average Growth Rate | | Discount Rate | |
|-----------|------------------------|------|---------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Property | - | - | 8% | 7% |
| Resources | 13% | 18% | 8% | 7% |
| Printing | 22% | 19% | 8% | 7% |

Growth rate is based on the expected projected growth rates of the property, resources and printing units.

Discount rate reflects specific risks relating to the relevant operating segments.

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22. INVENTORIES

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At cost: | | |
| - Finished goods and work-in-progress | 17,222 | 5,721 |
| - Raw materials and consumables | 22,000 | 35,697 |
| - Completed properties for sale | 26,773 | 24,636 |
| | 65,995 | 66,054 |
| At net realisable value: | | |
| - Raw materials and consumables | 863 | 974 |
| - Completed properties for sale | 2,820 | 2,820 |
| | 3,683 | 3,794 |
| | 69,678 | 69,848 |
| Recognised in profit or loss | | |
| Inventories recognised as cost of sales | 416,513 | 405,677 |
| Amount written down | 149 | 304 |

Certain completed properties for sale of the Group with a carrying value of approximately RM475,000 (2013 : RM615,000) are under a third party first legal charge as security for a bank guarantee facility granted by a local bank to certain subsidiaries of the Company.

23. PROPERTY DEVELOPMENT

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Cumulative costs at beginning of financial year: | | |
| - Freehold land | 735 | - |
| - Leasehold land | 1,675 | 1,675 |
| - Development costs | 30,042 | 15,234 |
| | 32,452 | 16,909 |
| Addition: | | |
| - Development costs | 21,208 | 17,694 |
| Balance carried forward | 53,660 | 34,603 |

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23. PROPERTY DEVELOPMENT (CONT'D)

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Balance brought forward | 53,660 | 34,603 |
| Transferred from land held for property development (Note 19): | | |
| - Freehold land | - | 735 |
| - Development costs, net of allowance for foreseeable losses | - | 7,465 |
| | - | 8,200 |
| Less : Unsold completed units transferred to inventories | (2,877) | - |
| Less : Costs for completed projects: | | |
| - Development costs | (30,491) | (10,351) |
| Cumulative costs at end of financial year: | | |
| - Freehold land | 735 | 735 |
| - Leasehold land | 1,675 | 1,675 |
| - Development costs | 17,882 | 30,042 |
| | 20,292 | 32,452 |
| Costs recognised in profit or loss: | | |
| Cumulative costs recognised at beginning of financial year | (15,364) | (9,359) |
| Costs recognised during the financial year | (20,438) | (16,356) |
| Costs recognised for completed projects | 30,491 | 10,351 |
| Cumulative costs recognised at end of financial year | (5,311) | (15,364) |
| Property development costs at end of financial year | 14,981 | 17,088 |
| Cumulative revenue recognised in statements of profit or loss and other comprehensive income | 60,172 | 24,700 |
| Less : Cumulative billings to purchasers | (60,093) | (17,572) |
| Progress billings recognised as revenue but not yet raised | 79 | 7,128 |
| Net balance at end of financial year | 15,060 | 24,216 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

23. PROPERTY DEVELOPMENT (CONT'D)

The Group considers that portion of property development projects on which development work has commenced and 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.

24. RECEIVABLES

| | GROUP | | COMPANY | |
|--|----------------|-----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Trade receivables | 90,276 | 96,340 | - | - |
| Accrued billings | 4,126 | 4,439 | - | - |
| Retention sum | 388 | 1,222 | - | - |
| | 94,790 | 102,001 | - | - |
| Less : Allowance for impairment losses | | | | |
| - At beginning of financial year | (13,398) | (13,406) | - | - |
| - Addition | (150) | - | - | - |
| - Write-back | - | 8 | - | - |
| - Write-off | 10,791 | - | - | - |
| - At end of financial year | (2,757) | (13,398) | - | - |
| | 92,033 | 88,603 | - | - |
| Other receivables | | | | |
| Sundry receivables | 18,939 | 19,244 | 1,449 | 1,308 |
| Less : Allowance for impairment losses | | | | |
| - At beginning of financial year | (7,944) | (7,116) | (615) | (615) |
| - Addition | (155) | (828) | (87) | - |
| - At end of financial year | (8,099) | (7,944) | (702) | (615) |
| | 10,840 | 11,300 | 747 | 693 |
| Balance carried forward | 102,873 | 99,903 | 747 | 693 |

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24. RECEIVABLES (CONT'D)

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Balance brought forward | 102,873 | 99,903 | 747 | 693 |
| Refundable deposits | 3,516 | 2,685 | 173 | 173 |
| Prepaid expenses | 5,464 | 9,338 | 39 | 43 |
| Tax recoverable | 1,784 | 3,129 | 124 | 1,802 |
| | 10,764 | 15,152 | 336 | 2,018 |
| Amount owing by subsidiaries | - | - | 177,847 | 207,616 |
| Less : Allowance for impairment losses | - | - | (20,369) | (20,369) |
| | - | - | 157,478 | 187,247 |
| | 113,637 | 115,055 | 158,561 | 189,958 |

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 (2013 : 21 to 120 days).

In the previous financial year, except for an amount of RM1,000,000 owing by a subsidiary which bears interest at an interest rate of 3.7% per annum, the amounts owing by subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

The allowance for impairment losses is made for those receivables in significant financial difficulty and have defaulted in payments.

The retention sums are unsecured, interest-free and are expected to be collected within periods ranging from 8 to 24 (2013: 4 to 17) months.

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25. BANK BALANCES AND DEPOSITS

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deposits with licensed financial institutions | 134,431 | 69,355 | - | - |
| Cash and bank balances | 83,763 | 79,774 | 2,560 | 1,743 |
| Housing Development Accounts | 17,279 | 7,506 | - | - |
| | 235,473 | 156,635 | 2,560 | 1,743 |

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 0.05% to 4.20% (2013 : 1.60% to 3.45%) per annum. The fixed deposits have maturity periods ranging from 1 to 365 days (2013 : 1 to 365 days).

Fixed deposits of RM4,178,000 (2013 : RM338,000) have been pledged as security for banking facilities granted to certain subsidiaries.

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 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.

Included in bank balances and deposits of the Group is an amount of RM34,532,000 (2013 : RM30,477,000) held in Chinese Renminbi ("RMB") by a subsidiary in China. The RMB is not freely convertible to other foreign currencies. Under The People's Republic of China's ("PRC") Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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26. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

| | COMPANY | | | |
|--|------------------|--------------|----------------|----------------|
| | Number of Shares | | Amount | |
| | 2014 '000 | 2013 '000 | 2014 RM'000 | 2013 RM'000 |
| Authorised | | | | |
| Ordinary shares of RM1.00 each | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid-up | | | | |
| Ordinary shares of RM1.00 each | | | | |
| At 1 January | 242,455 | 242,395 | 242,455 | 242,395 |
| New shares issued under the employees' share option scheme | 547 | 60 | 547 | 60 |
| At 31 December | 243,002 | 242,455 | 243,002 | 242,455 |

During the financial year, the Company increased its issued and paid-up ordinary shares from RM242,455,000 to RM243,002,000 by the issuance of 547,000 new ordinary shares arising from the exercise of employee share options.

| <u>No. of new ordinary shares issued</u> | <u>Issue price per share</u> |
|--|------------------------------|
| 490,000 | RM1.50 |
| 57,000 | RM1.52 |

The new shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

As at 31 December 2014, options over 2,123,000 (2013 : 2,730,000) unissued ordinary shares remained outstanding.

Of the total 243,002,000 (2013 : 242,455,000) issued and fully paid-up ordinary shares of RM1.00 each as at 31 December 2014, 20,488,500 (2013 : 19,881,500) ordinary shares were held as treasury shares by the Company.

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27. TREASURY SHARES

| | COMPANY | | | |
|--------------------------------|------------------|--------------|----------------|----------------|
| | Number of Shares | | Amount | |
| | 2014 '000 | 2013 '000 | 2014 RM'000 | 2013 RM'000 |
| At beginning of financial year | 19,882 | 18,942 | 28,669 | 27,145 |
| Purchase of shares | 607 | 940 | 1,356 | 1,524 |
| At end of financial year | 20,489 | 19,882 | 30,025 | 28,669 |

During the financial year, the Company purchased 607,000 of its issued ordinary shares of RM1.00 each from the open market at an average price of approximately RM2.23 per share for a total consideration of RM1,356,132. These shares are held as treasury shares in accordance with Section 67A of the Companies Act 1965.

None of the treasury shares were resold or cancelled during the financial year.

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 price paid per share RM | Total consideration RM |
|--------------|-------------------------|-----------------------------------|------------------------------------|------------------------------------|---------------------------|
| January | - | - | - | - | - |
| February | 2,000 | 2.26 | 2.26 | 2.26 | 4,566 |
| March | - | - | - | - | - |
| April | - | - | - | - | - |
| May | 17,000 | 2.26 | 2.29 | 2.29 | 38,994 |
| June | - | - | - | - | - |
| July | 583,000 | 2.21 | 2.23 | 2.22 | 1,301,239 |
| August | 5,000 | 2.25 | 2.25 | 2.25 | 11,333 |
| September | - | - | - | - | - |
| October | - | - | - | - | - |
| November | - | - | - | - | - |
| December | - | - | - | - | - |
| Total | 607,000 | | | | 1,356,132 |

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28. RESERVES

| | GROUP | | COMPANY | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-distributable reserves | | | | |
| Share premium | 33,940 | 33,505 | 33,940 | 33,505 |
| Employees' share option reserve | 599 | 732 | 599 | 732 |
| Translation reserve | 36,635 | 28,696 | - | - |
| Fair value reserve | 8,447 | 9,659 | 6,761 | 6,761 |
| Capital reserve | 15,208 | 15,077 | - | - |
| | 94,829 | 87,669 | 41,300 | 40,998 |
| Distributable reserves | | | | |
| Retained profits | 431,142 | 378,116 | 42,364 | 38,837 |
| | 525,971 | 465,785 | 83,664 | 79,835 |

28.1 Share premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

28.2 Employees' share option reserve

The employees' share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees, calculated using the Black-Scholes model, recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws as amended and approved by shareholders on 21 May 2014. The ESOS tenure is 10 years effective from 1 August 2010.

The main features of the ESOS are as follows:-

- (a) The employees eligible to participate in the ESOS must be employed for a continuous period of at least one (1) year by the Company and/or a subsidiary within the Group;
- (b) The non-executive directors eligible to participate in the ESOS must have been a member of the Board or its subsidiaries for at least one (1) year;

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28. RESERVES (CONT'D)

28.2 Employees' share option reserve (Cont'd)

- (c) No eligible employee or director shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group;
- (d) The entitlement under the ESOS for the Directors of the Company and persons connected to them is subject to the approval of the shareholders of the Company in a general meeting;
- (e) The ESOS shall be in force for a period of ten (10) years from its commencement on 1 August 2010 unless otherwise terminated in accordance with the By-Laws;
- (f) No employee or director shall be granted options for less than 100 ordinary shares and not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group, and not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);
- (g) The new ordinary shares in the Company allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all respects with the then existing ordinary shares in the Company, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Company; and
- (h) The subscription price shall be at a discount of not more than 10% on the weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

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

| Grant date | Exercise price RM | Balance as at 1.1.2014 '000 | ← Movements during the financial year → | | | Balance as at 31.12.2014 '000 |
|------------|----------------------|-----------------------------------|--|-------------------|----------------|-------------------------------------|
| | | | Granted '000 | Exercised '000 | Lapsed '000 | |
| 24.8.2010 | 1.50 | 2,130 | - | (490) | (60) | 1,580 |
| 29.6.2012 | 1.52 | 600 | - | (57) | - | 543 |
| | | 2,730 | - | (547) | (60) | 2,123 |

During the financial year, no new employees' share options were granted.

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28. RESERVES (CONT'D)

28.2 Employees' share option reserve (Cont'd)

The fair values of the share options granted were estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

| Grant date | GROUP/COMPANY | |
|--|---------------|-----------|
| | 24.8.2010 | 29.6.2012 |
| Fair value of share options at the grant date (RM) | 1.70 | 1.65 |
| Weighted average share price (RM) | 1.67 | 1.54 |
| Exercise price (RM) | 1.50 | 1.52 |
| Expected volatility (%) | 20.54 | 16.20 |
| Expected life (years) | 5 | 5 |
| Risk free rate (%) | 3.87 | 3.55 |
| Expected dividend yield (%) | 4.41 | 5.45 |

28.3 Translation reserve

The translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

28.4 Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

28.5 Capital reserve

The capital reserve comprises reserves arising from consolidation of subsidiaries and amounts transferred from profit after taxation of a subsidiary incorporated in PRC under the PRC laws and regulations.

28.6 Retained profits

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

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29. PAYABLES (NON-CURRENT)

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Hire purchase payables (non-current) | 308 | 364 |
| Provision | 504 | 680 |
| | 812 | 1,044 |
| The hire purchase payables are payable as follows:- | | |
| Minimum hire purchase payments: | | |
| - Not later than one year | 485 | 384 |
| - Later than one year and not later than five years | 308 | 380 |
| | 793 | 764 |
| Less: Future finance charges | (38) | (46) |
| Present value of hire purchase payables | 755 | 718 |
| Current: | | |
| - Not later than one year (Note 32) | 447 | 354 |
| Non-current: | | |
| - Later than one year and not later than five years | 308 | 364 |
| | 755 | 718 |

The hire purchase payables of the Group bear effective interest at rates ranging from 2.85% to 6.31% (2013 : 5.41% to 6.44%) per annum.

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30. LONG-TERM BORROWINGS

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Term loans | | |
| Current -- not later than one year (Note 33): | | |
| - Secured | 3,721 | 2,990 |
| - Unsecured | 11,268 | 10,822 |
| | 14,989 | 13,812 |
| Non-current (secured): | | |
| Later than one year and not later than two years | 7,825 | 2,669 |
| Later than two years and not later than five years | 10,825 | 3,150 |
| Later than five years | 2,745 | 957 |
| | 21,395 | 6,776 |
| | 36,384 | 20,588 |

The term loans of the Group bear interest at rates ranging from 4.00% to 6.95% (2013 : 4.00% to 7.20%), are repayable over a period of 5 years to 15 years and are secured by:-

- (a) Legal charges over certain land and landed properties of certain subsidiaries;
- (b) A debenture covering fixed and floating charges over the present and future assets of a subsidiary;
- (c) Special debentures on certain machinery of certain subsidiaries;
- (d) A letter of undertaking from a subsidiary;
- (e) Legal charges over certain designated bank accounts of a subsidiary;
- (f) Corporate guarantees given by certain subsidiaries; and
- (g) A personal guarantee and joint and several guarantees given by certain directors of certain subsidiaries.

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31. DEFERRED TAXATION

| | GROUP | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At beginning of financial year | 21,912 | 18,022 |
| Recognised in profit or loss (Note 8) | (1,308) | 3,916 |
| Effect of foreign exchange translation | (17) | (26) |
| | 20,587 | 21,912 |
| Analysed into: | | |
| Deferred tax asset | (448) | (484) |
| Deferred tax liabilities | 21,035 | 22,396 |
| | 20,587 | 21,912 |
| The deferred tax liabilities represent the tax effects of: | | |
| - Temporary differences of capital allowances and depreciation | 14,422 | 14,916 |
| - Fair value gain on investment properties | 4,218 | 4,218 |
| - Revaluation surplus | 2,392 | 2,765 |
| - Others | (445) | 13 |
| | 20,587 | 21,912 |

32. PAYABLES (CURRENT)

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Trade payables | 26,519 | 30,949 | - | - |
| Other payables and accruals | | | | |
| Accrued expenses | 15,929 | 13,229 | 1,217 | 1,085 |
| Hire purchase payables due within 12 months (Note 29) | 447 | 354 | - | - |
| Sundry payables | 23,364 | 25,306 | 6,134 | 7,077 |
| Amount owing to subsidiaries | - | - | 35,076 | 52,727 |
| Provision | 236 | - | - | - |
| | 39,976 | 38,889 | 42,427 | 60,889 |
| | 66,495 | 69,838 | 42,427 | 60,889 |

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32. PAYABLES (CURRENT) (CONT'D)

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 30 to 120 days (2013 : 30 to 120 days).

Included in sundry payables is an amount of RM5,986,485 (2013 : RM5,986,485) in respect of Feasibility Study Grant received from Malaysia External Trade Development Corporation for the Company's power project. This was approved with reimbursement of actual expenses and there are no unfulfilled conditions or contingencies relating to this grant.

Included in the amount owing to subsidiaries is a principal sum of RM25,048,000 (2013 : RM42,709,000) which is non-trade in nature, unsecured, bears interest at an interest rate of 3.70% (2013 : 3.70%) per annum and is repayable on demand. The total amount owing is to be settled in cash.

33. SHORT-TERM BORROWINGS

| | GROUP | | COMPANY | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Bank overdrafts (Note 39) | | | | |
| - Secured | - | - | - | - |
| - Unsecured | - | 1,042 | - | 1,042 |
| | - | 1,042 | - | 1,042 |
| Trust receipts | | | | |
| - Secured | 2,190 | 2,149 | - | - |
| Revolving credits | | | | |
| - Secured | 39,200 | 33,000 | - | - |
| - Unsecured | 15,000 | 15,000 | 15,000 | 15,000 |
| | 54,200 | 48,000 | 15,000 | 15,000 |
| Term loans (Note 30) | | | | |
| - Secured | 3,721 | 2,990 | - | - |
| - Unsecured | 11,268 | 10,822 | - | - |
| | 14,989 | 13,812 | - | - |
| | 71,379 | 65,003 | 15,000 | 16,042 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

33. SHORT-TERM BORROWINGS (CONT'D)

The interest rates of the short-term borrowings, other than term loans disclosed in Note 30 to the financial statements, are as follows:-

- (a) The trust receipts of the Group bear interest at rates ranging from 5.01% to 5.89% (2013 : 4.40% to 5.73%).
- (b) The revolving credits of the Group and of the Company bear interest at rates ranging from 0.75% to 1.00% (2013 : 0.80% to 1.00%) per annum above the bankers' cost of funds.

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 certain land and landed properties of certain subsidiaries;
- (b) A deed of assignment over an investment property of a subsidiary and a third party charge of the said investment property upon issuance of individual/strata titles;
- (c) Corporate guarantees from certain subsidiaries;
- (d) Joint and several guarantees from certain directors of certain subsidiaries;
- (e) Debenture covering fixed and floating charges over the present and future assets of certain subsidiaries;
- (f) A letter of undertaking from a subsidiary;
- (g) Legal charges over certain designated bank accounts of a subsidiary; and
- (h) A pledge of a fixed deposit account of a subsidiary.

34. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share has been calculated based on the Group's shareholders' funds as of 31 December 2014 of RM738,948,000 (2013 : RM679,571,000) on 222,513,500 (2013 : 222,573,500) ordinary shares of RM1.00 each in issue (net of treasury shares).

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35. CAPITAL COMMITMENTS

| | GROUP | | COMPANY | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Property, plant and equipment | | | | |
| Authorised but not provided for: | | | | |
| - Contracted | 33,637 | 15,268 | - | - |
| - Not contracted | 11,179 | 1,328 | - | - |
| | 44,816 | 16,596 | - | - |
| Development expenditure | | | | |
| - Contracted | 17,664 | 24,527 | 17,664 | 24,527 |
| | 62,480 | 41,123 | 17,664 | 24,527 |

36. OPERATING LEASE COMMITMENTS

LEASES AS LESSOR

Certain subsidiaries of the Group have leased out certain properties of the Group. The future minimum lease payments under the non-cancellable operating leases are as follows:-

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Not more than one year | 6,882 | 6,526 |
| Later than one year and not later than five years | 4,657 | 6,269 |
| | 11,539 | 12,795 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

37. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cost of property, plant and equipment purchased | 58,905 | 51,577 | 14 | 24 |
| Amount financed through hire purchase | (531) | (698) | - | - |
| Cash disbursed for purchase of property, plant and equipment | 58,374 | 50,879 | 14 | 24 |

38. CONTINGENT LIABILITIES

- (a) In the previous financial year, the authority in the State of Sabah raised an assessment of RM305,000 for year 2013, inclusive of interest, which resulted in a total claim of approximately RM2.0 million for the period from 1998 to 2013. An accrual of RM293,000 had been made in the financial statements. The basis of the remaining assessment of RM1,716,000 was disputed and therefore, no accrual was made.

During the financial year, the authority raised further assessment of RM239,000 for current year together with the interest thereon. The Company paid RM159,000 for the period from 1998 to 2003, which assessments were not disputed, and made an additional accrual of RM907,000 to make up a total accrual of RM1.2 million, an amount proposed by the Company to the authority for the remaining period from 2004 to 2014. The basis of the remaining assessment of RM888,000 is disputed and therefore, no accrual has been made.

- (b) A claim has been made against a subsidiary by a third party in the Malacca High Court for breach of contract, relating to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the High Court ordered the subsidiary to pay damages to the third party. The damages claimed by the third party has yet to be proven in court. The claim is expected to be immaterial and therefore no provision has been made.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Bank balances and deposits (Note 25) | 235,473 | 156,635 | 2,560 | 1,743 |
| Bank overdrafts (Note 33) | - | (1,042) | - | (1,042) |
| | 235,473 | 155,593 | 2,560 | 701 |
| Less: Deposits pledged to licensed bank | (4,178) | (338) | - | - |
| | 231,295 | 155,255 | 2,560 | 701 |

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Chinese Renminbi, United States Dollar, Singapore Dollar and Hong Kong Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

| GROUP 2014 | RINGGIT MALAYSIA RM'000 | CHINESE RENMINBI RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|----------------------------------|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial assets | | | | | | | |
| Investment in quoted shares | 17,866 | - | - | 17,230 | 2,233 | - | 37,329 |
| Investment in unquoted shares | 335 | - | - | - | - | - | 335 |
| Receivables | 50,081 | 44,035 | 9,420 | 945 | 928 | 980 | 106,389 |
| Bank balances and deposits | 69,572 | 139,574 | 7,911 | 10,405 | 8,005 | 6 | 235,473 |
| | 137,854 | 183,609 | 17,331 | 28,580 | 11,166 | 986 | 379,526 |

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40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| GROUP 2014 | RINGGIT MALAYSIA RM'000 | CHINESE RENMINBI RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|---|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial liabilities | | | | | | | |
| Payables (non-current) | 812 | - | - | - | - | - | 812 |
| Long-term borrowings | 21,395 | - | - | - | - | - | 21,395 |
| Payables (current) | 53,937 | 11,949 | 586 | 12 | 11 | - | 66,495 |
| Short-term borrowings | 60,111 | 11,268 | - | - | - | - | 71,379 |
| | 136,255 | 23,217 | 586 | 12 | 11 | - | 160,081 |
| Net financial assets | 1,599 | 160,392 | 16,745 | 28,568 | 11,155 | 986 | 219,445 |
| Less: Net financial assets denominated in the respective entities' functional currencies | (1,599) | (55,351) | - | - | (11) | - | (56,961) |
| Currency exposure | - | 105,041 | 16,745 | 28,568 | 11,144 | 986 | 162,484 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| GROUP 2013 | RINGGIT MALAYSIA RM'000 | CHINESE RENMINBI RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|----------------------------------|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial assets | | | | | | | |
| Investment in quoted shares | 42,857 | - | - | 20,008 | 8,024 | - | 70,889 |
| Investment in unquoted shares | 335 | - | - | - | - | - | 335 |
| Receivables | 47,822 | 39,709 | 8,373 | 911 | 5,773 | - | 102,588 |
| Bank balances and deposits | 39,707 | 98,878 | 8,088 | 7,931 | 1,825 | 206 | 156,635 |
| | 130,721 | 138,587 | 16,461 | 28,850 | 15,622 | 206 | 330,447 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| GROUP 2013 | RINGGIT MALAYSIA RM'000 | CHINESE RENMINBI RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|---|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial liabilities | | | | | | | |
| Payables (non-current) | 1,044 | - | - | - | - | - | 1,044 |
| Long-term borrowings | 6,776 | - | - | - | - | - | 6,776 |
| Payables (current) | 55,391 | 12,882 | 1,502 | - | 12 | 51 | 69,838 |
| Short-term borrowings | 54,181 | 10,822 | - | - | - | - | 65,003 |
| | 117,392 | 23,704 | 1,502 | - | 12 | 51 | 142,661 |
| Net financial assets | 13,329 | 114,883 | 14,959 | 28,850 | 15,610 | 155 | 187,786 |
| Less: Net financial assets denominated in the respective entities' functional currencies | (13,329) | (46,482) | (16) | - | - | - | (59,827) |
| Currency exposure | - | 68,401 | 14,943 | 28,850 | 15,610 | 155 | 127,959 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| COMPANY 2014 | RINGGIT MALAYSIA RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|----------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial assets | 158,398 | - | - | - | - | 158,398 |
| Receivables | 1,130 | 129 | 1,046 | 255 | - | 2,560 |
| Bank balances and deposits | 159,528 | 129 | 1,046 | 255 | - | 160,958 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| COMPANY 2014 | RINGGIT MALAYSIA RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial liabilities | | | | | | |
| Payables (current) | 42,427 | - | - | - | - | 42,427 |
| Short-term borrowings | 15,000 | - | - | - | - | 15,000 |
| | 57,427 | - | - | - | - | 57,427 |
| Net financial assets | | | | | | |
| Less: Net financial assets denominated in the entity's functional currency | 102,101 | 129 | 1,046 | 255 | - | 103,531 |
| | (102,101) | - | - | - | - | (102,101) |
| Currency exposure | - | 129 | 1,046 | 255 | - | 1,430 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| COMPANY 2013 | RINGGIT MALAYSIA RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|----------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| | Financial assets | 188,113 | - | - | - | - |
| Receivables | 126 | 103 | 1,268 | 246 | - | 1,743 |
| Bank balances and deposits | 188,239 | 103 | 1,268 | 246 | - | 189,856 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

| COMPANY 2013 | RINGGIT MALAYSIA RM'000 | UNITED STATES DOLLAR RM'000 | SINGAPORE DOLLAR RM'000 | HONG KONG DOLLAR RM'000 | OTHERS RM'000 | TOTAL RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|------------------|-----------------|
| Financial liabilities | | | | | | |
| Payables (current) | 60,889 | - | - | - | - | 60,889 |
| Short-term borrowings | 16,042 | - | - | - | - | 16,042 |
| | 76,931 | - | - | - | - | 76,931 |
| Net financial assets | 111,308 | 103 | 1,268 | 246 | - | 112,925 |
| Less: Net financial assets denominated in the entity's functional currency | (111,308) | - | - | - | - | (111,308) |
| Currency exposure | - | 103 | 1,268 | 246 | - | 1,617 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Effects on profit after taxation and equity | | | | |
| Chinese Renminbi/RM:- | | | | |
| - strengthened by 5% | 3,939 | 2,565 | - | - |
| - weakened by 5% | (3,939) | (2,565) | - | - |
| United States Dollar/RM:- | | | | |
| - strengthened by 5% | 628 | 560 | 5 | 4 |
| - weakened by 5% | (628) | (560) | (5) | (4) |
| Singapore Dollar/RM:- | | | | |
| - strengthened by 5% | 1,071 | 1,082 | 39 | 48 |
| - weakened by 5% | (1,071) | (1,082) | (39) | (48) |
| Hong Kong Dollar/RM:- | | | | |
| - strengthened by 5% | 418 | 585 | 10 | 9 |
| - weakened by 5% | (418) | (585) | (10) | (9) |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Notes 29, 30, 32 and 33 to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Effects on profit after taxation and equity | | | | |
| Increase of 25 basis points (bp) | (149) | (110) | (28) | (30) |
| Decrease of 25 bp | 149 | 110 | 28 | 30 |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

| | GROUP | | COMPANY | |
|---|---------|---------|---------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Effects on profit after taxation | | | | |
| Increase of 5% | - | - | - | - |
| Decrease of 5% | - | - | - | - |
| Effects on equity | | | | |
| Increase of 5% | 1,866 | 3,544 | - | - |
| Decrease of 5% | (1,866) | (3,544) | - | - |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) (2013 : 1) customers which constituted approximately 16% (2013 : 11%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

| | GROUP | | COMPANY | |
|----------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Malaysia | 40,646 | 39,532 | - | - |
| China | 40,264 | 39,709 | - | - |
| Others | 11,123 | 9,362 | - | - |
| | 92,033 | 88,603 | - | - |

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

| | GROSS AMOUNT RM'000 | INDIVIDUAL IMPAIRMENT RM'000 | COLLECTIVE IMPAIRMENT RM'000 | CARRYING VALUE RM'000 |
|-------------------------|------------------------------------|---|---|--------------------------------------|
| GROUP 2014 | | | | |
| Not past due | 64,598 | - | - | 64,598 |
| Past due: | | | | |
| - Less than 3 months | 17,713 | - | - | 17,713 |
| - 3 to 6 months | 7,413 | - | - | 7,413 |
| - Over 6 months | 5,066 | (2,757) | - | 2,309 |
| | 94,790 | (2,757) | - | 92,033 |
| GROUP 2013 | | | | |
| Not past due | 67,489 | - | - | 67,489 |
| Past due: | | | | |
| - Less than 3 months | 15,120 | - | - | 15,120 |
| - 3 to 6 months | 2,804 | - | - | 2,804 |
| - Over 6 months | 16,588 | (13,398) | - | 3,190 |
| | 102,001 | (13,398) | - | 88,603 |

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| | EFFECTIVE RATE % | CARRYING AMOUNT RM'000 | CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000 | WITHIN 1 YEAR RM'000 | 1 – 5 YEARS RM'000 | OVER 5 YEARS RM'000 |
|---------------|------------------------|------------------------------|---|----------------------------|--------------------------|------------------------------|
| GROUP | | | | | | |
| 2014 | | | | | | |
| Payables: | | | | | | |
| - Non-current | - | 504 | 504 | - | - | 504 |
| - Current | - | 66,048 | 66,048 | 66,048 | - | - |
| Hire | | | | | | |
| purchase | 5.41%- | | | | | |
| payables | 6.17% | 755 | 793 | 485 | 308 | - |
| Term | 4.00%- | | | | | |
| loans | 6.95% | 36,384 | 42,457 | 15,356 | 22,293 | 4,808 |
| Trust | | | | | | |
| receipts | 4.76% | 2,190 | 2,294 | 2,294 | - | - |
| Revolving | 4.56%- | | | | | |
| credits | 5.70% | 54,200 | 54,618 | 54,618 | - | - |
| | | 160,081 | 166,714 | 138,801 | 22,601 | 5,312 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

| | EFFECTIVE RATE % | CARRYING AMOUNT RM'000 | CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000 | WITHIN 1 YEAR RM'000 | 1 – 5 YEARS RM'000 | OVER 5 YEARS RM'000 |
|----------------|------------------------|------------------------------|---|----------------------------|--------------------------|------------------------------|
| GROUP | | | | | | |
| 2013 | | | | | | |
| Payables: | | | | | | |
| - Non-current | - | 680 | 680 | - | - | 680 |
| - Current | - | 69,484 | 69,484 | 69,484 | - | - |
| Hire | | | | | | |
| purchase | 5.41%- | | | | | |
| payables | 6.44% | 718 | 764 | 384 | 380 | - |
| Term | 4.00%- | | | | | |
| loans | 7.20% | 20,588 | 22,128 | 13,936 | 6,922 | 1,270 |
| Bank | | | | | | |
| overdrafts | 6.60% | 1,042 | 1,112 | 1,112 | - | - |
| Trust | 2.04%- | | | | | |
| receipts | 5.15% | 2,149 | 2,226 | 2,226 | - | - |
| Revolving | 4.28%- | | | | | |
| credits | 4.54% | 48,000 | 48,174 | 48,174 | - | - |
| | | 142,661 | 144,568 | 135,316 | 7,302 | 1,950 |
| COMPANY | | | | | | |
| 2014 | | | | | | |
| Payables: | | | | | | |
| - Current | - | 42,427 | 42,427 | 42,427 | - | - |
| Revolving | 4.66%- | | | | | |
| credits | 4.82% | 15,000 | 15,058 | 15,058 | - | - |
| | | 57,427 | 57,485 | 57,485 | - | - |
| COMPANY | | | | | | |
| 2013 | | | | | | |
| Payables: | | | | | | |
| - Current | - | 60,889 | 60,889 | 60,889 | - | - |
| Bank | | | | | | |
| overdrafts | 6.60% | 1,042 | 1,111 | 1,111 | - | - |
| Revolving | 4.43%- | | | | | |
| credits | 4.48% | 15,000 | 15,057 | 15,057 | - | - |
| | | 76,931 | 77,057 | 77,057 | - | - |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year.

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

40.3 Classification Of Financial Instruments

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Financial assets | | | | |
| <u>Available-for-sale financial assets</u> | | | | |
| Investment in quoted shares, at fair value | 37,329 | 70,889 | - | - |
| Investment in unquoted shares, at cost | 335 | 335 | - | - |
| | 37,664 | 71,224 | - | - |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 Classification Of Financial Instruments (Cont'd)

| | GROUP | | COMPANY | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Financial assets | | | | |
| <u>Loans and receivables</u> | | | | |
| <u>financial assets</u> | | | | |
| Receivables | 106,389 | 102,588 | 920 | 866 |
| Bank balances and deposits | 235,473 | 156,635 | 2,560 | 1,743 |
| Amount owing by subsidiaries | - | - | 157,478 | 187,247 |
| | 341,862 | 259,223 | 160,958 | 189,856 |
| Financial liabilities | | | | |
| <u>Other financial liabilities</u> | | | | |
| Payables: | | | | |
| - Non-current | 504 | 680 | - | - |
| - Current | 66,048 | 69,484 | 7,351 | 8,162 |
| Hire purchase payables | 755 | 718 | - | - |
| Term loans | 36,384 | 20,588 | - | - |
| Bank overdrafts | - | 1,042 | - | 1,042 |
| Trust receipts | 2,190 | 2,149 | - | - |
| Revolving credits | 54,200 | 48,000 | 15,000 | 15,000 |
| Amount owing to subsidiaries | - | - | 35,076 | 52,727 |
| | 160,081 | 142,661 | 57,427 | 76,931 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are determined by discounting the relevant cash flows at rates ranging from 4.00% to 6.95% (2013: 4.00% to 7.20%). The discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

| GROUP | Fair Value of Financial Instruments Carried At | | | Fair Value of Financial Instruments Not Carried At | | | Total Fair Value | Carrying Amount |
|------------------------------|--|-------------------|-------------------|--|-------------------|-------------------|------------------|-----------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | | |
| 2014 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Other investments: | | | | | | | | |
| – Quoted shares | 37,329 | - | - | - | - | - | 37,329 | 37,329 |
| – Unquoted shares # | - | - | - | - | - | - | # | 335 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 755 | - | 755 | 755 |
| Term loans | - | - | - | - | 36,384 | - | 36,384 | 36,384 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information (Cont'd)

| GROUP 2013 | Fair Value of Financial Instruments Carried At | | | Fair Value of Financial Instruments Not Carried At | | | Total Fair Value RM'000 | Carrying Amount RM'000 |
|------------------------------|---|-------------------|-------------------|---|-------------------|-------------------|----------------------------------|------------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | | |
| <u>Financial Assets</u> | | | | | | | | |
| Other investments: | | | | | | | | |
| – Quoted shares | 70,889 | - | - | - | - | - | 70,889 | 70,889 |
| – Unquoted shares # | - | - | - | - | - | - | # | 335 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 718 | - | 718 | 718 |
| Term loans | - | - | - | - | 20,588 | - | 20,588 | 20,588 |

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information (Cont'd)

The fair values of level 2 above have been determined using the following basis:-

- (a) The fair values of hire purchase payables and term loans are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

| | GROUP | | COMPANY | |
|------------------------|-------------|-------------|-----------|-----------|
| | 2014 % | 2013 % | 2014 % | 2013 % |
| Hire purchase payables | 5.41 - 6.17 | 5.41 - 6.44 | - | - |
| Term loans | 4.00 - 6.95 | 4.00 - 7.20 | - | - |

There were no transfer between level 1 and level 2 during the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

| Business segments | Description |
|--------------------------|--|
| Power | Build, own and operate power plants. |
| Resources | Quarrying of limestone, manufacturing and trading of calcium carbonate powder, lime based products and calcium silicate and cement bricks. |
| Property | Property development and property investment. |

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2014 BUSINESS SEGMENTS | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|------------------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| | | | | | | |
| Revenue | | | | | | |
| External revenue | 481,544 | 107,864 | 50,672 | 32,385 | - | 672,465 |
| Inter-segment revenue | - | - | - | 40,150 | (40,150) | - |
| Consolidated revenue | 481,544 | 107,864 | 50,672 | 72,535 | (40,150) | 672,465 |
| Results | | | | | | |
| Profit from operations | 121,014 | 22,568 | 28,576 | 24,326 | (38,677) | 157,807 |
| Finance costs | | | | | | (3,981) |
| Share of loss in associate | | | | | | (806) |
| Income tax expense | | | | | | (45,724) |
| Profit for the financial year | | | | | | 107,296 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

Included in the profit for the financial year are the following items:-

| GROUP 2014 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| Income | | | | | | |
| Dividend income | - | - | - | 38,206 | (37,029) | 1,177 |
| Fair value adjustment on investment properties | - | - | 7,070 | - | - | 7,070 |
| Gain on disposal of quoted shares | - | - | - | 162 | - | 162 |
| Gain on foreign exchange: | | | | | | |
| - Realised | 11 | 155 | - | 320 | - | 486 |
| - Unrealised | 1,780 | 771 | - | 1,215 | - | 3,766 |
| Interest income | 2,628 | 1,195 | 1,041 | 94 | (1,683) | 3,275 |
| Rental income | - | 308 | 9,229 | 47 | (696) | 8,888 |
| Expense | | | | | | |
| Allowance for impairment losses: | | | | | | |
| - Investment in associate | - | - | - | 10,862 | - | 10,862 |
| - Investment in quoted shares | - | - | - | 1,666 | - | 1,666 |
| - Receivables, net | - | 150 | 68 | 87 | - | 305 |
| Depreciation of property, plant and equipment | 23,318 | 5,766 | 318 | 2,367 | - | 31,769 |
| Interest expense | 166 | 317 | 198 | 4,949 | (1,649) | 3,981 |
| Loss on disposal of quoted shares | - | - | - | 2,935 | - | 2,935 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2014 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--------------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| Assets | | | | | | |
| Segment assets | 392,102 | 203,339 | 285,034 | 169,693 | - | 1,050,168 |
| Inter-segment assets | 10,082 | 15,027 | 33,722 | 167,323 | (226,154) | - |
| | 402,184 | 218,366 | 318,756 | 337,016 | (226,154) | 1,050,168 |
| Deferred tax asset | | | | | | 448 |
| Tax recoverable | | | | | | 1,784 |
| Investment in associate | | | | | | 27,628 |
| Consolidated total assets | | | | | | 1,080,028 |
| Liabilities | | | | | | |
| Segment liabilities | 33,962 | 25,538 | 50,953 | 49,628 | - | 160,081 |
| Inter-segment liabilities | 4,738 | 23,447 | 114,343 | 132,300 | (274,828) | - |
| | 38,700 | 48,985 | 165,296 | 181,928 | (274,828) | 160,081 |
| Deferred taxation | | | | | | 21,035 |
| Provision for taxation | | | | | | 13,295 |
| Consolidated total liabilities | | | | | | 194,411 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2014 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| Other segment items | | | | | | |
| Addition to non-current assets other than financial instruments: | | | | | | |
| - Property, plant and equipment | 21,178 | 21,038 | 52 | 16,637 | - | 58,905 |
| - Land held for property development | - | - | 245 | - | - | 245 |
| - Project development expenditure | - | - | - | 19,712 | - | 19,712 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2013 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|-------------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| | | | | | | |
| Revenue | | | | | | |
| External revenue | 462,719 | 91,071 | 41,608 | 33,360 | - | 628,758 |
| Inter-segment revenue | - | - | - | 38,712 | (38,712) | - |
| Consolidated revenue | 462,719 | 91,071 | 41,608 | 72,072 | (38,712) | 628,758 |
| Results | | | | | | |
| Profit from operations | 107,779 | 22,299 | 13,740 | 49,939 | (36,491) | 157,266 |
| Finance costs | | | | | | (3,053) |
| Share of profit in associate | | | | | | 681 |
| Income tax expense | | | | | | (47,709) |
| Profit for the financial year | | | | | | 107,185 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

Included in the profit for the financial year are the following items:-

| GROUP 2013 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| Income | | | | | | |
| Dividend income | - | - | - | 35,213 | (34,734) | 479 |
| Gain on disposal of quoted shares | - | - | - | 22,084 | - | 22,084 |
| Gain on foreign exchange: | | | | | | |
| - Realised | 24 | 82 | - | 461 | - | 567 |
| - Unrealised | 753 | 476 | - | 962 | - | 2,191 |
| Interest income | 1,652 | 1,294 | 507 | 186 | (1,757) | 1,882 |
| Rental income | - | 312 | 8,745 | 21 | (696) | 8,382 |
| Expense | | | | | | |
| Allowance for impairment losses: | | | | | | |
| - Investment in quoted shares | - | - | - | 1,046 | - | 1,046 |
| - Investment in unquoted shares | - | - | - | 1,875 | - | 1,875 |
| - Investment in associate | - | - | - | 7,500 | - | 7,500 |
| - Receivables, net | - | 611 | - | 209 | - | 820 |
| Depreciation of property, plant and equipment | 22,752 | 5,517 | 351 | 2,048 | - | 30,668 |
| Interest expense | 171 | 394 | 775 | 3,470 | (1,757) | 3,053 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2013 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--------------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| | | | | | | |
| Assets | | | | | | |
| Segment assets | 352,093 | 168,584 | 268,282 | 167,052 | - | 956,011 |
| Inter-segment assets | 15,027 | 26,407 | 30,651 | 197,081 | (269,166) | - |
| | 367,120 | 194,991 | 298,933 | 364,133 | (269,166) | 956,011 |
| Deferred tax asset | | | | | | 484 |
| Tax recoverable | | | | | | 3,129 |
| Investment in associate | | | | | | 38,631 |
| Consolidated total assets | | | | | | 998,255 |
| Liabilities | | | | | | |
| Segment liabilities | 42,719 | 15,142 | 46,864 | 37,936 | - | 142,661 |
| Inter-segment liabilities | 12 | 23,569 | 138,279 | 155,030 | (316,890) | - |
| | 42,731 | 38,711 | 185,143 | 192,966 | (316,890) | 142,661 |
| Deferred taxation | | | | | | 22,396 |
| Provision for taxation | | | | | | 10,355 |
| Consolidated total liabilities | | | | | | 175,412 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

| GROUP 2013 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| Other segment items | | | | | | |
| Addition to non-current assets other than financial instruments: | | | | | | |
| - Property, plant and equipment | 24,751 | 20,876 | 440 | 5,510 | - | 51,577 |
| - Land held for property development | - | - | 10,026 | - | - | 10,026 |
| - Project development expenditure | - | - | - | 15,576 | - | 15,576 |
| - Land use rights | - | 5,628 | - | - | - | 5,628 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

41. OPERATING SEGMENTS (CONT'D)

Geographical information

Analysis by geographical information:-

| | Revenue | | Non-current assets | |
|-----------------------|----------------|----------------|--------------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Malaysia | 257,882 | 233,482 | 510,343 | 505,091 |
| China | 349,547 | 346,852 | 135,837 | 127,410 |
| Other ASEAN countries | 26,692 | 16,661 | - | - |
| India | 22,724 | 20,362 | - | - |
| Australia | 9,442 | 5,868 | - | - |
| New Zealand | 1,670 | 2,566 | - | - |
| Bangladesh | 2,336 | 2,033 | - | - |
| Other countries | 2,172 | 934 | - | - |
| | 672,465 | 628,758 | 646,180 | 632,501 |

Major customers

The following are major customers with revenue equal to or more than 10% of Group revenue:-

| | Revenue | | Division |
|------------|----------------|----------------|----------|
| | 2014 RM'000 | 2013 RM'000 | |
| Customer A | 126,944 | 124,769 | Power |
| Customer B | 131,997 | 115,867 | Power |
| | 258,941 | 240,636 | |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)
42. 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 | |
|--|--|--------------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Mega First Power Industries Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Mega First Power (HK) Limited * | Investment holding | Hong Kong | 100 | 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. ^ | Dormant | Malaysia | - | 100 |
| Highland Resources Sdn. Bhd. ^ | Dormant | Malaysia | - | 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 |

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

42. SUBSIDIARIES (CONT'D)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|---|---|--------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Public Ventures Management Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Megah Harmonik Property Management Sdn. Bhd. | Property management | Malaysia | 100 | 100 |
| Greentown Parking Sdn. Bhd. | Investment holding and car park operator | Malaysia | 100 | 100 |
| Rock Chemical Industries (Malaysia) Sdn. Berhad | Investment holding and provision of management consultancy services | Malaysia | 100 | 100 |
| Batamas Sdn. Berhad | Investment holding and manufacture and sale of bricks | Malaysia | 100 | 100 |
| Usaha Takzim Sdn. Bhd. | Property investment | Malaysia | 100 | 100 |
| Mega First Ventures Limited ^^ | De-registered | Hong Kong | - | 100 |
| Mesrasasi Sdn. Bhd. | Limestone quarry operator | Malaysia | 100 | 100 |
| RCI Lime Sdn. Bhd. | Manufacture and sale of lime products and limestone quarry operator | Malaysia | 100 | 100 |
| RCI Marketing Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| RCI Minerals Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| RCI Ventures Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

42. SUBSIDIARIES (CONT'D)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|---|--|--------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Teratai Kembara Sdn. Bhd. | Investment holding | Malaysia | 77.8 | 77.8 |
| Teratai ANR Sdn. Bhd. | Pre-operating | Malaysia | 70.0 | 70.0 |
| Identiti Jitu Sdn. Bhd. | Sand mining | Malaysia | 55 | 55 |
| Runding Kualiti Sdn. Bhd. | Pre-operating | Malaysia | 60 | 60 |
| Runding ANR Sdn. Bhd. | Pre-operating | Malaysia | 60 | - |
| 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 components | Malaysia | 95 | 95 |
| Bloxwich Lighting Sdn. Bhd. | Trading of light emitting diode (LED) for lighting | Malaysia | 100 | 100 |
| Hexachase Corporation Sdn. Bhd. | Desktop publishing | Malaysia | 52.4 | 52.4 |
| Hexachase Labels Sdn. Bhd. # | Manufacturer of labels and printed products | Malaysia | 47.1 | 47.1 |
| Hexachase Marketing & Trading Sdn. Bhd. # | Marketing and trading of labels and printed products | Malaysia | 47.1 | 47.1 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

42. SUBSIDIARIES (CONT'D)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|--|--|--------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Hexachase Labels (Kuala Lumpur) Sdn. Bhd. # ^ | Dormant | Malaysia | - | 47.1 |
| Hexachase Packaging Sdn. Bhd. # | Manufacturer of packaging materials | Malaysia | 41.9 | 41.9 |
| Hexachase Paper Products Sdn. Bhd. # ^ | Dormant | Malaysia | - | 41.9 |
| Hexachase Flexipack Sdn. Bhd. # | Marketing and trading of paper and associated products | Malaysia | 34.1 | - |
| Authentic Excellence Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Bayangan Sutera Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Don Sahong Holdings Limited (formerly known as Don Sahong Power Company Limited) | Investment holding | British Virgin Islands | 100 | 100 |
| Silver Acreage Limited | Dormant | British Virgin Islands | 100 | 100 |
| Ground Roses Limited | Dormant | British Virgin Islands | 100 | 100 |
| Geo-Mobile Asia Sdn. Bhd. | Investment holding | 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. ^ | Dormant | Malaysia | - | 100 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

42. SUBSIDIARIES (CONT'D)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|--------------------------------------|----------------------|--------------------------|--------------------------|--------|
| | | | 2014 % | 2013 % |
| Mega First Development Sdn. Bhd. ^ | Dormant | Malaysia | - | 100 |
| MFCB Marketing Sdn. Bhd. ^ | Dormant | Malaysia | - | 100 |
| Mega First Properties Sdn. Bhd. ^ | Dormant | Malaysia | - | 100 |
| Mega First Mining Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Mega First Industries Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Mega First Resources Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Anting Sendirian Berhad | Quarry operator | Malaysia | 100 | 100 |
| Sri Anting Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Mega First Ventures Sdn. Bhd. ^ | Dormant | Malaysia | - | 100 |
| Propera Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Goleman Limited | Dormant | British Virgin Islands | 100 | 100 |
| Mega First Plantation (Cambodia) Ltd | Plantation | Kingdom of Cambodia | 100 | 100 |

* *These subsidiaries were audited by other firms of chartered accountants.*

These companies are subsidiaries of Hexachase Corporation Sdn. Bhd..

^ *These companies were placed under members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act 1965 (Note 44).*

^^ *On 24 July 2014, Mega First Ventures Limited ("MFVL") obtained approval for de-registration from the Registrar of Companies in Hong Kong and was eventually dissolved on 12 December 2014.*

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

43. ACQUISITION OF SUBSIDIARIES

2014

On 12 June 2014, Hexachase Corporation Sdn. Bhd., which is a 52.4%-owned subsidiary of the Company, acquired 65% equity interest in Hexachase Flexipack Sdn. Bhd. comprising 650,000 fully paid ordinary shares of RM1.00 each.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:-

| | AT DATE OF ACQUISITION CARRYING AMOUNT RM'000 | FAIR VALUE RECOGNISED RM'000 |
|--|--|---|
| Bank balances and deposits | 1,000 | 1,000 |
| Non-controlling interests | (350) | (350) |
| Net identifiable assets acquired | 650 | 650 |
| Add: Goodwill on acquisition | | - |
| Total purchase consideration | | 650 |
| Less: Cash and cash equivalents of the subsidiary acquired | | (1,000) |
| Net cash inflow from acquisition of the subsidiary | | (350) |

The acquired subsidiary has contributed the following results to the Group:-

| | 2014 RM'000 |
|---------------------|----------------|
| Revenue | - |
| Loss after taxation | (389) |

If the acquisitions had taken place at the beginning of the financial year, the Group's revenue and loss after taxation from continuing operations would have been the same.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

43. ACQUISITION OF SUBSIDIARIES (CONT'D)

2013

On 4 January 2013, Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI"), which is a wholly-owned subsidiary of the Company, acquired 778 fully paid-up ordinary shares of RM1.00 each representing 77.8% of the issued and paid-up share capital of Teratai Kembara Sdn. Bhd. for an aggregate cash consideration of RM3.89 million.

On 13 May 2013, RCI acquired 1,321 fully paid-up ordinary shares of RM1.00 each representing 55% of the issued and paid-up share capital of Identiti Jitu Sdn. Bhd. for an aggregate cash consideration of RM550,090.

On 22 November 2013, RCI acquired 600 fully paid-up ordinary shares of RM1.00 each representing 59% of the issued and paid-up share capital of Runding Kualiti Sdn. Bhd. for a cash consideration of RM1,200,000.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:-

| | AT DATE OF ACQUISITION | |
|--|------------------------------|------------------------------------|
| | CARRYING AMOUNT RM'000 | FAIR VALUE RECOGNISED RM'000 |
| Land use rights | - | 5,628 |
| Bank balances and deposits | 98 | 98 |
| Payables | (58) | (58) |
| Provision for taxation | (18) | (18) |
| Non-controlling interests | (10) | (10) |
| Net identifiable assets acquired | 12 | 5,640 |
| Add: Goodwill on acquisition | | - |
| Total purchase consideration | | 5,640 |
| Less: Cash and cash equivalents of the subsidiaries acquired | | (98) |
| Net cash outflow from acquisition of subsidiaries | | 5,542 |

The acquired subsidiaries have contributed the following results to the Group:-

| | 2013 RM'000 |
|---------------------|----------------|
| Revenue | 94 |
| Loss after taxation | 34 |

If the acquisitions had taken place at the beginning of the financial year, the Group's revenue and profit after taxation from continuing operations would have been RM628,869,000 and RM107,226,000 respectively.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

44. DECONSOLIDATION OF SUBSIDIARIES

2014

On 24 July 2014, Mega First Ventures Limited ("MFVL") obtained approval for de-registration from the Registrar of Companies in Hong Kong and was eventually dissolved on 12 December 2014. MFVL was a wholly-owned subsidiary of RCI, which in turn is a wholly-owned subsidiary of the Company.

The deconsolidation has the following effects on the financial position of the Group as at the end of the reporting period:-

| | GROUP 2014 RM'000 |
|--|--------------------------------|
| Fair value of net assets deconsolidated | - |
| Loss on deconsolidation | (245) |
| | <hr/> |
| Effect of the deconsolidation of subsidiary | (245) |
| Cash and cash equivalents of subsidiary deconsolidated | - |
| | <hr/> |
| Net cash outflow from deconsolidation of subsidiary | <u>(245)</u> |

2013

On 10 January 2013, Highland Resources Sdn. Bhd., a wholly-owned subsidiary of Gombak Land Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, was placed under members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act 1965.

On 6 February 2013, MFFB International Limited, a wholly-owned subsidiary of Bayangan Sutera Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, was dissolved following completion of its liquidation.

On 5 July 2013, the following dormant subsidiaries were placed under members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act 1965:-

Direct subsidiaries

- (a) Mega First Corporate Services Sdn. Bhd.
- (b) Mega First Development Sdn. Bhd.
- (c) Mega First Properties Sdn. Bhd.
- (d) Mega First Ventures Sdn. Bhd.

Indirect subsidiaries

- (a) Empayar Permai Sdn. Bhd.
- (b) MFCB Marketing Sdn. Bhd.
- (c) Hexachase Labels (Kuala Lumpur) Sdn. Bhd.
- (d) Hexachase Paper Products Sdn. Bhd.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

44. DECONSOLIDATION OF SUBSIDIARIES (CONT'D)

The deconsolidation has the following effects on the financial position of the Group as at the end of the reporting period:-

| | GROUP 2013 RM'000 |
|--|-------------------------|
| Bank balance | 12 |
| Other payables | (8) |
| Capital reserves on consolidation | (163) |
| | <hr/> |
| Fair value of net assets deconsolidated | (159) |
| Gain on deconsolidation | 159 |
| | <hr/> |
| Effect of the deconsolidation of subsidiaries | - |
| Cash and cash equivalents of subsidiaries deconsolidated | (12) |
| | <hr/> |
| Net cash outflow from deconsolidation of subsidiaries | (12) |
| | <hr/> <hr/> |

45. 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Directors of the Company | | | | |
| Executive Directors | | | | |
| - Salary, bonus and other remuneration, including benefits-in-kind (gross) | 697 | 684 | 697 | 684 |
| - Share options to Directors | 14 | 30 | 14 | 30 |
| Non-Executive Directors | | | | |
| - Fees | 301 | 263 | 301 | 263 |
| - Other emoluments | 23 | 19 | 23 | 19 |
| - Share options to Directors | 32 | 76 | 32 | 76 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 1,067 | 1,072 | 1,067 | 1,072 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

45. DIRECTORS' REMUNERATION (CONT'D)

The details of Directors' remuneration received and receivable (excluding share options to Directors) for the financial year in bands of RM50,000 are as follows:-

| | GROUP | |
|-------------------------|---------------------|------|
| | 2014 | 2013 |
| | Number of Directors | |
| Executive Directors | | |
| Below RM50,000 | 1 | 1 |
| RM50,001 – RM100,000 | - | - |
| RM100,001 – RM150,000 | - | - |
| RM150,001 – RM200,000 | - | - |
| RM200,001 – RM250,000 | - | - |
| RM250,001 – RM300,000 | 1 | 1 |
| RM300,001 – RM350,000 | - | - |
| RM350,001 – RM400,000 | - | - |
| RM400,001 – RM450,000 | 1 | 1 |
| RM450,001 – RM500,000 | - | - |
| Non-Executive Directors | | |
| Below RM50,000 | 4 | 4 |
| RM50,001 – RM100,000 | 3 | 4 |

46. RELATED PARTY DISCLOSURES

For the purpose of the financial statements, the Group and the Company have related party relationships with its subsidiaries as disclosed in Note 42 to the financial statements and key management personnel.

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:-

| | GROUP | | COMPANY | |
|---|--------------|--------|----------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend income received and receivable | - | - | 32,006 | 34,734 |
| Management fee received and receivable | - | - | 2,628 | 3,438 |
| Interest income received and receivable | - | - | 11 | 60 |
| Interest expense paid and payable | - | - | (1,636) | (1,697) |
| Rental received and receivable | - | - | 310 | 310 |
| Rental paid and payable | - | - | (480) | (480) |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

46. RELATED PARTY DISCLOSURES (CONT'D)

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

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Directors' fees | 301 | 263 | 301 | 263 |
| Salary, bonus and other remuneration, including benefits-in-kind (gross) | 4,747 | 3,997 | 2,032 | 1,892 |
| Share options to Directors | 46 | 106 | 46 | 106 |

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

| | GROUP/COMPANY | |
|----------------|---------------|--------------|
| | 2014 '000 | 2013 '000 |
| At 1 January | 2,730 | 3,210 |
| Exercised | (547) | (60) |
| Lapsed | (60) | (420) |
| At 31 December | 2,123 | 2,730 |

(d) The details of significant transactions with related parties are as follows:-

| | GROUP | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Purchase of light emitting diode (LED) lightings components | 126 | 1,025 |
| Sale of LED lightings | 186 | 240 |

47. MATERIAL LITIGATION

On 15 November 2013, Serudong Power Sdn Bhd ("SPSB"), a 51%-owned subsidiary of Mega First Power Industries Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, commenced arbitration proceedings under the Kuala Lumpur Regional Centre for Arbitration Rules against Sabah Electricity Sdn Bhd. The commencement of the arbitration proceedings is in relation to the recovery of the outstanding capacity and energy payments of approximately RM18,656,000 due to the adjustment of the Fixed Operating Rate and Variable Operating Rate for the period from December 2000 to September 2013, together with interests thereon at 1.5% above the base lending rate as provided for in the Power Purchase Agreement.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

47. MATERIAL LITIGATION (CONT'D)

Since then, the parties have agreed by mutual consent to suspend the arbitration until 31 January 2015 so as to facilitate negotiation for an amicable settlement of the dispute. The parties, however, have failed to agree on a settlement within the agreed time frame. Consequently, SPSB has proceeded with the arbitration and the Kuala Lumpur Regional Centre for Arbitration has recently appointed the arbitrators. The potential gains arising therefrom have not been recognised in the financial statements pending the outcome of the arbitration.

48. SUBSEQUENT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

- (a) On 3 March 2015, Ground Roses Limited ("Ground Roses"), Silver Acreage Limited ("Silver Acreage") and Electricite du Laos ("EDL") entered into a Shareholders' Agreement to regulate the parties' participation in a project company that will be undertaking the development and implementation of the Don Sahong Hydropower Project. Pursuant to the Shareholders' Agreement, Ground Roses, Silver Acreage and EDL respectively will hold 79%, 1% and 20% in the project company which will be a private company to be incorporated in Lao People's Democratic Republic ("Lao PDR").

The project company to be named as "Don Sahong Power Company Ltd" (hereafter referred to as "DSPC") will eventually sign a Concession Agreement with the Government of Lao PDR to develop, build, and operate the Don Sahong Hydropower Project. DSPC will have an initial registered and paid-up capital of US\$3,000,000 and the eventual registered and paid-up capital is currently estimated at US\$53,790,000.

Both Ground Roses and Silver Acreage are direct wholly-owned subsidiaries of Don Sahong Holdings Limited ("DSHL") (formerly known as Don Sahong Power Company Limited). DSHL is a direct wholly-owned subsidiary of MFCB. DSHL, Ground Roses and Silver Acreage are incorporated in the British Virgin Islands. EDL is a state-owned enterprise duly organised and existing under the laws of Lao PDR.

The Don Sahong Hydropower Project is a run-of-river hydropower project located at the Hou Sahong channel of the Mekong River in Khong District, Champassak Province, Lao PDR. It will have a capacity of 260MW and capable of generating about 2,000 GWh of electricity per year.

- (b) On 16 February 2015, Jadi Imaging Holdings Berhad ("Jadi") ceased to be an associate of the Group following the open market disposal of Jadi shares, which resulted in reduction of the Group's equity interest in Jadi to below 20%. Consequently, the Group's remaining investment in Jadi will henceforth be reclassified as "investment in quoted shares" under non-current assets.

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

49. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

| | GROUP | | COMPANY | |
|--|-----------------------|----------------------------------|-----------------------|----------------------------------|
| | As Restated RM'000 | At Previously Reported RM'000 | As Restated RM'000 | At Previously Reported RM'000 |
| Consolidated Statement of Financial Position (Extract):- | | | | |
| Non-Current Assets | | | | |
| Project Development Expenditure | 52,747 | 50,372 | 52,747 | 50,372 |
| Current Assets | | | | |
| Receivables | 115,055 | 117,430 | 189,958 | 192,333 |
| Consolidated Statement of Cash Flows (Extract):- | | | | |
| Cash flows from operating activities | | | | |
| - (Increase)/Decrease in Receivables | (13,685) | (13,878) | 113 | (80) |
| Net cash from operating activities | 123,489 | 123,296 | 1,856 | 1,663 |
| Cash flows (for)/from investing activities | | | | |
| - Increase in project development expenditure | (15,769) | (15,576) | (15,769) | (15,576) |
| Net cash (for)/from investing activities | (53,486) | (53,293) | 40,190 | 40,383 |
| Cash flows for financing activities | | | | |
| - Placement of deposits pledged with licensed banks | (338) | - | - | - |
| Net cash for financing activities | (49,997) | (49,659) | - | - |
| Cash and cash equivalents at end of financial year | 155,255 | 155,593 | - | - |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

50. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Total retained profits: | | | | |
| - Realised | 279,642 | 233,075 | 41,752 | 38,189 |
| - Unrealised | 59,229 | 56,490 | 612 | 648 |
| | 338,871 | 289,565 | 42,364 | 38,837 |
| Total share of retained profits from associated Company: | | | | |
| - Realised | (89) | 683 | - | - |
| - Unrealised | 1,085 | 1,004 | - | - |
| | 339,867 | 291,252 | 42,364 | 38,837 |
| Consolidation adjustments | 91,275 | 86,864 | - | - |
| Total Group retained profits | 431,142 | 378,116 | 42,364 | 38,837 |

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)**MEGA FIRST CORPORATION BERHAD**

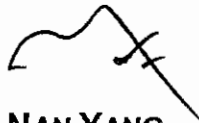
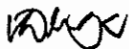
(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**STATEMENT BY DIRECTORS**

We, **GOH NAN YANG** and **KHOO TENG KEAT**, being two of the Directors of **MEGA FIRST CORPORATION BERHAD** state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of 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 at 31 December 2014 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 50, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance
with a resolution of the Directors,

**GOH NAN YANG****KHOO TENG KEAT**

Petaling Jaya
31 March 2015

APPENDIX IV

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND AUDITORS' REPORT THEREON (Cont'd)

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATUTORY DECLARATION

I, **NEO HONG CHEE**, the officer primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements, are, to the best of my knowledge and belief, 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
NEO HONG CHEE at **PETALING JAYA** on this
 31st day of March 2015



12B-1, (Tingkat 2), Jln Yong Shook Li
 46200 Petaling Jaya
 Selangor Darul Ehsan

COMMISSIONER FOR OATHS

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES**

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

CERTIFIED TRUE COPY

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income**
For the 4th quarter and financial year ended 31 December 2015


YONG LAI SIM
(Company Secretary)
(MAICSA: 0862552)

| | Note | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|--|------|--|---|--|--|
| | | Current Year 4th Quarter 31.12.2015 RM'000 | Preceding Year Corresponding 4th Quarter 31.12.2014 RM'000 | Current Year To Date 31.12.2015 RM'000 | Preceding Year Corresponding Period 31.12.2014 RM'000 |
| Revenue | A8 | 159,196 | 160,279 | 588,686 | 672,465 |
| Cost of sales | | (114,422) | (109,302) | (433,486) | (483,954) |
| Gross profit | | 44,774 | 50,977 | 155,200 | 188,511 |
| Other income/(expenses), net | | 4,150 | (1,448) | 38,285 | 4,645 |
| Operating expenses | | (12,760) | (9,985) | (40,536) | (35,349) |
| Profit from operations | | 36,164 | 39,544 | 152,949 | 157,807 |
| Finance costs | | (1,579) | (1,170) | (5,425) | (3,981) |
| Share of loss in associate, net of tax | | - | (645) | - | (806) |
| Profit before tax | A8 | 34,585 | 37,729 | 147,524 | 153,020 |
| Income tax expense | | (12,515) | (14,355) | (39,870) | (45,724) |
| Profit after tax for the period | | 22,070 | 23,374 | 107,654 | 107,296 |
| Other comprehensive (expenses)/ income | | (8,244) | 15,329 | 29,610 | 9,639 |
| Total comprehensive income for the period | B10 | 13,826 | 38,703 | 137,264 | 116,935 |
| Profit after tax attributable to: | | | | | |
| Owners of the Company | | 11,461 | 14,270 | 74,264 | 69,899 |
| Non-controlling interests | | 10,609 | 9,104 | 33,390 | 37,397 |
| | | 22,070 | 23,374 | 107,654 | 107,296 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 8,060 | 25,722 | 91,034 | 76,626 |
| Non-controlling interests | | 5,766 | 12,981 | 46,230 | 40,309 |
| | | 13,826 | 38,703 | 137,264 | 116,935 |
| EPS - Basic (sen) | B11 | 5.15 | 6.41 | 33.34 | 31.39 |
| EPS - Diluted (sen) | B11 | 5.10 | 6.39 | 33.13 | 31.32 |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**
**Mega First Corporation Berhad
(Co. No. 6682-V)**
**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2015**

| | Unaudited As At 31.12.2015 RM'000 | Audited As At 31.12.2014 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 333,500 | 311,540 |
| Associate | - | 27,628 |
| Investment in quoted shares | 41,512 | 37,329 |
| Investment in unquoted shares | 335 | 335 |
| Land use rights | 6,667 | 6,198 |
| Investment properties | 140,740 | 128,433 |
| Land held for property development | 51,215 | 50,287 |
| Project development expenditure | 221,726 | 72,459 |
| Deferred tax asset | 3,068 | 448 |
| Goodwill on consolidation | 10,812 | 10,812 |
| Long-term prepayment | 540 | 711 |
| | 810,115 | 646,180 |
| Current Assets | | |
| Inventories | 67,575 | 69,678 |
| Property development | 6,370 | 15,060 |
| Receivables | 123,565 | 113,637 |
| Bank balances and deposits | 197,528 | 235,473 |
| | 395,038 | 433,848 |
| TOTAL ASSETS | 1,205,153 | 1,080,028 |
| EQUITY AND LIABILITIES | | |
| Equity Attributable To Owners Of The Company | | |
| Share capital | 243,345 | 243,002 |
| Treasury shares | (30,046) | (30,025) |
| Reserves | 600,818 | 525,971 |
| | 814,117 | 738,948 |
| Non-Controlling Interests | 156,516 | 146,669 |
| Total Equity | 970,633 | 885,617 |
| Non-Current Liabilities | | |
| Payables | 1,678 | 812 |
| Long-term borrowings | 35,831 | 21,395 |
| Deferred taxation | 19,296 | 21,035 |
| | 56,805 | 43,242 |
| Current Liabilities | | |
| Payables | 63,560 | 66,495 |
| Short-term borrowings | 103,628 | 71,379 |
| Taxation | 10,527 | 13,295 |
| | 177,715 | 151,169 |
| Total Liabilities | 234,520 | 194,411 |
| TOTAL EQUITY AND LIABILITIES | 1,205,153 | 1,080,028 |
| Net Assets Per Ordinary Share (RM) | 3.65 | 3.32 |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

| | ← Non-Distributable | | | | → Distributable | | | | Total Equity RM'000 | | |
|---|----------------------|------------------------|----------------------|-----------------------------|----------------------------|---------------------------|------------------------|-------------------------|---------------------|---|----------------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | | Attributable To Owners Of The Parent RM'000 | Non-Controlling Interests RM'000 |
| Balance at 1.1.2014 | 242,455 | (28,669) | 33,505 | 732 | 28,696 | 9,659 | 15,077 | 378,116 | 679,571 | 143,272 | 822,843 |
| Total comprehensive income for the financial year | - | - | - | - | 7,939 | (1,212) | - | 69,899 | 76,626 | 40,309 | 116,935 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the company | - | - | - | - | - | - | - | (16,702) | (16,702) | - | (16,702) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (37,225) | (37,225) |
| Share option to directors | - | - | - | 46 | - | - | - | - | 46 | - | 46 |
| Share options lapsed | - | - | - | (18) | - | - | - | 18 | - | - | - |
| Purchase of treasury shares | - | (1,356) | - | - | - | - | - | - | (1,356) | - | (1,356) |
| Issuance of ordinary shares pursuant to ESOS | 547 | - | 435 | (161) | - | - | - | - | 821 | - | 821 |
| Increase in equity interest in a subsidiary | 547 | (1,356) | 435 | (133) | - | - | - | (16,684) | (17,191) | (37,225) | (54,416) |
| Total transactions with owners of the Company | 547 | (1,356) | 435 | (133) | - | - | - | (16,684) | (17,191) | (37,225) | (54,416) |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 350 | 350 |
| Realisation of capital reserves | - | - | - | - | - | - | 131 | (189) | (58) | (37) | (95) |
| Balance at 31.12.2014 | 243,002 | (30,025) | 33,940 | 599 | 36,635 | 8,447 | 15,208 | 431,142 | 738,948 | 146,669 | 885,617 |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

Unaudited Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the financial year ended 31 December 2015

| | ← Non-Distributable | | | | → Distributable | | | | Total Equity RM'000 | | |
|---|----------------------------|------------------------------|----------------------------|--------------------------------------|----------------------------------|------------------------------------|------------------------------|-------------------------------|---------------------------|--|--|
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Retained Profits RM'000 | | Attributable Of The Parent RM'000 | Non-Controlling Interests RM'000 |
| Balance at 1.1.2015 | 243,002 | (30,025) | 33,940 | 599 | 36,635 | 8,447 | 15,208 | 431,142 | 738,948 | 146,669 | 865,617 |
| Total comprehensive income for the financial year | - | - | - | - | 20,121 | (3,351) | - | 74,264 | 91,034 | 46,230 | 137,264 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | | | | |
| Dividends paid to:- | | | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | - | - | (17,828) | (17,828) | - | (17,828) |
| - subsidiaries' non-controlling interests | - | - | - | - | - | - | - | - | - | (39,197) | (39,197) |
| Share options granted | - | - | - | 1,537 | - | - | - | - | 1,537 | - | 1,537 |
| Share options lapsed | - | - | - | (180) | - | - | - | - | (180) | - | (180) |
| Purchase of treasury shares | - | (21) | - | - | - | - | - | - | (21) | - | (21) |
| Issuance of ordinary shares pursuant to ESOS | 343 | - | 239 | (61) | - | - | - | - | 521 | - | 521 |
| Total transactions with owners of the Company | 343 | (21) | 239 | 1,296 | - | - | - | (17,828) | (15,971) | (39,197) | (55,168) |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | 205 | 205 |
| Issuance of shares by a subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | - | 2,540 | 2,540 |
| Realisation of capital reserves | - | - | - | - | - | - | 275 | (169) | 106 | 69 | 175 |
| Balance at 31.12.2015 | 243,345 | (30,046) | 34,179 | 1,895 | 56,756 | 5,096 | 15,483 | 487,409 | 814,117 | 156,516 | 970,633 |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**
**Mega First Corporation Berhad
(Co. No. 6682-V)**
**Unaudited Condensed Consolidated Statement of Cash Flows
For the financial year ended 31 December 2015**

| | Current Year To Date 31.12.2015 RM'000 | Preceding Year Corresponding Period 31.12.2014 RM'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 147,524 | 153,020 |
| Adjustments for non-cash flow - Non-cash items | 35,961 | 21,446 |
| - Non-operating items | (1,312) | 15,789 |
| Operating profit before changes in working capital | 182,173 | 190,255 |
| Changes in working capital - Net change in current assets | (1,093) | 9,029 |
| - Net change in current liabilities | (3,146) | 113 |
| Cash from operations | 177,934 | 199,397 |
| Income tax paid | (46,828) | (42,762) |
| Retirement benefits paid | (64) | (200) |
| Net cash from operating activities | 131,042 | 156,435 |
| Cash flows for investing activities | | |
| Interest received | 5,908 | 3,346 |
| Dividend received | 320 | 1,177 |
| Increase in: | | |
| - Land held for property development | (928) | (245) |
| - Investment properties | (8,045) | - |
| - Project development expenditure | (151,350) | (19,800) |
| Proceeds from disposal of property, plant and equipment | 1,334 | 911 |
| Purchase of property, plant and equipment | (47,484) | (58,910) |
| Purchase of land use right | (610) | - |
| Proceeds from disposal of quoted shares | 10,862 | 57,812 |
| Purchase of quoted shares | - | (29,905) |
| Net cash inflow from acquisition of subsidiaries | 205 | 350 |
| Net cash outflow from deconsolidation of subsidiaries | - | (247) |
| Proceeds from disposal of interest in associate | 3,792 | - |
| Acquisition of additional equity interest in associate | - | (419) |
| Government subsidy received on purchase of plant and equipment | 9,664 | - |
| Net cash for investing activities | (176,332) | (45,930) |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**
**Mega First Corporation Berhad
(Co. No. 6682-V)**
**Unaudited Condensed Consolidated Statement of Cash Flows (Cont'd)
For the financial year ended 31 December 2015**

| | Current Year To Date 31.12.2015 RM'000 | Preceding Year Corresponding Period 31.12.2014 RM'000 |
|---|---|--|
| Cash flows for financing activities | | |
| Interest paid | (4,884) | (3,511) |
| Dividends paid to shareholders of the Company | (17,828) | (16,702) |
| Dividends paid to subsidiaries' non-controlling interests | (39,197) | (37,225) |
| Net drawdown of: | | |
| - Revolving credits and trust receipts | 42,396 | 6,241 |
| - Hire purchase payables | 1,117 | 37 |
| - Term loans | 4,289 | 15,796 |
| Proceeds from issuance of shares pursuant to ESOS | 521 | 821 |
| Purchase of treasury shares | (21) | (1,356) |
| Placement of fixed deposits pledged to licensed banks | (21,480) | (3,840) |
| Net cash for financing activities | (35,087) | (39,739) |
| Effect of foreign exchange translation | 20,952 | 5,274 |
| Net (decrease)/increase in cash and cash equivalents | (59,425) | 76,040 |
| Cash and cash equivalents at beginning of the period | 231,295 | 155,255 |
| Cash and cash equivalents at end of the period | 171,870 | 231,295 |

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

| | | |
|------------------------------------|----------------|----------------|
| Bank balances and deposits | 197,528 | 235,473 |
| Deposits pledged to licensed banks | (25,658) | (4,178) |
| | 171,870 | 231,295 |

The notes set out on pages 7 to 28 form an integral part and should be read in conjunction with this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

- (a) During the financial year ended 31 December 2015, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

| FRSs and IC Interpretations (including the Consequential Amendments) | Effective Date |
|---|-----------------------|
| Amendments to FRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Annual Improvements to FRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to FRSs 2011 – 2013 Cycle | 1 July 2014 |

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A1. Basis of preparation (Cont'd)

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2015:

| FRSs and IC Interpretations (including the Consequential Amendments) | Effective Date |
|--|-----------------------------------|
| FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |) Defer until) further notice |
| Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to FRSs 2012 – 2014 Cycle | 1 January 2016 |

- (c) MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and/or IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called “transitioning entities”).

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2017. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A1. Basis of preparation (Cont'd)

Other than as disclosed above, the accounting policies and methods of computation adopted by the Group in preparing this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2014.

A2. Qualification of financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. Unusual item

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

A5. Nature and amount of changes in estimates

There was no change in estimates of amounts reported in prior periods that have a material effect in the period under review.

A6. Debt and equity securities

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|-------------------------------------|--|----------------------------|--|------------------------------|
| | Share Capital (Issued and Fully Paid) '000 | Treasury Shares '000 | Share Capital (Issued and Fully Paid) RM'000 | Treasury Shares RM'000 |
| At 1.1.2015 | 243,002 | (20,489) | 243,002 | (30,025) |
| Issue of shares pursuant to ESOS | 343 | - | 343 | - |
| Purchase of treasury shares | - | (8) | - | (21) |
| At 31.12.2015 | <u>243,345</u> | <u>(20,497)</u> | <u>243,345</u> | <u>(30,046)</u> |

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A6. Debt and equity securities (Cont'd)

During the financial year ended 31 December 2015, the Company:-

- (a) Issued 343,000 new ordinary shares of RM1.00 each for cash at the price of RM1.52 per share, arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

All the abovementioned ordinary shares rank pari passu with the then ordinary shares of the Company.

- (b) Purchased 8,700 of its issued ordinary shares of RM1.00 each from the open market at an average price of approximately RM2.33 per share. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 243,345,000 (31.12.2014 : 243,002,000) issued and fully paid-up ordinary shares of RM1.00 each as at 31 December 2015, 20,497,200 (31.12.2014 : 20,488,500) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 31 December 2015 was therefore 222,847,800 (31.12.2014 : 222,513,500).

- (c) Granted 12,600,000 options over new shares ("Options") to the eligible Directors and employees of the Group under the Company's ESOS. The first 50% of the Options are exercisable on 30 June 2018, and the remaining 50% of the Options are exercisable on 1 July 2019. The ESOS expires on 31 July 2020.

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

| Options over ordinary shares of RM1 each | | | | | |
|---|--|-------------------------|---------------------------|------------------------|--|
| Exercise Price RM | Balance as at 1.1.2015 '000 | Granted '000 | Exercised '000 | Lapsed '000 | Balance as at 31.12.2015 '000 |
| 1.50 | 1,580 | - | - | - | 1,580 |
| 1.52 | 543 | - | (343) | - | 200 |
| 2.25 | - | 12,600 | - | (275) | 12,325 |

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

A7. Dividend paid

Dividend paid in the current quarter and the financial year ended 31 December 2015 is disclosed in Note B9.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A8. Segment information for the financial year ended 31 December 2015

| GROUP 2015 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|----------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| | | | | | | |
| Revenue | | | | | | |
| External revenue | 435,231 | 94,692 | 26,356 | 32,407 | - | 588,686 |
| Inter-segment revenue | - | - | - | 124,488 | (124,488) | - |
| Consolidated revenue | 435,231 | 94,692 | 26,356 | 156,895 | (124,488) | 588,686 |
| Results | | | | | | |
| Profit from operations | 136,908 | 16,894 | 3,879 | 118,814 | (123,546) | 152,949 |
| Finance costs | | | | | | (5,425) |
| Share of loss in associate | | | | | | - |
| Profit before tax | | | | | | 147,524 |
| Income tax expense | | | | | | (39,870) |
| Profit after tax | | | | | | 107,654 |
| Total assets | | | | | | |
| At 31.12.2015 | 351,507 | 251,809 | 300,280 | 624,161 | (322,604) | 1,205,153 |

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A8. Segment information for the financial year ended 31 December 2015 (Cont'd)

| GROUP 2014 | Power RM'000 | Resources RM'000 | Property RM'000 | Investment Holding & Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|----------------------------|-----------------|---------------------|--------------------|---|------------------------|------------------------|
| | | | | | | |
| Revenue | | | | | | |
| External revenue | 481,544 | 107,864 | 50,672 | 32,385 | - | 672,465 |
| Inter-segment revenue | - | - | - | 40,150 | (40,150) | - |
| Consolidated revenue | 481,544 | 107,864 | 50,672 | 72,535 | (40,150) | 672,465 |
| Results | | | | | | |
| Profit from operations | 121,014 | 22,568 | 28,576 | 24,326 | (38,677) | 157,807 |
| Finance costs | | | | | | (3,981) |
| Share of loss in associate | | | | | | (806) |
| Profit before tax | | | | | | 153,020 |
| Income tax expense | | | | | | (45,724) |
| Profit after tax | | | | | | 107,296 |
| Total assets | | | | | | |
| At 31.12.2014 | 393,919 | 223,458 | 319,440 | 369,365 | (226,154) | 1,080,028 |

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APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A9. Valuation of property, plant and equipment

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

A10. Significant events during the reporting period

- (a) On 1 October 2015, Don Sahong Power Company Ltd ("DSPC"), a 80% owned indirect subsidiary of the Company entered into a Power Purchase Agreement ("PPA") with Electricité Du Laos ("EDL") for the sale by DSPC and the purchase by EDL of all electricity generated by a hydropower project on a take-or-pay basis. This project is commonly referred to as the Don Sahong Hydropower Project to be located in the Hou Sahong Channel of the Mekong River, in Khong District, Champasak Province, Lao PDR ("the Project").

The Project, which is a 260MW run-of-river hydropower project capable of generating about 2,000 GWh of electricity per year, is expected to commence commercial operation in early 2020. The concession period shall end on the date occurring 25 years after the commercial operation date. The total project cost is estimated to be approximately US\$500 million.

The PPA shall be for a period of 25 years from the commercial operation date of the Project. DSPC shall construct a 230kV transmission line from the Project's switchyard to interconnect with the existing EDL Grid System.

- (b) On 15 October 2015, DSPC entered into an Engineering, Procurement, Construction and Commissioning Contract ("EPC Contract") with Sinohydro Corporation Ltd for the development, construction and commissioning of the Project over a period of 50 months for the contract sum of approximately USD320 million.
- (c) On 26 November 2015, the Company announced the proposal to undertake a corporate exercise involving:
- (i) proposed renounceable rights issue of new ordinary shares of RM1.00 each in the Company ("MFCB Shares") together with free detachable warrants ("Warrants") to raise gross proceeds of up to RM250.0 million ("Proposed Rights Issue with Warrants"); and
 - (ii) proposed exemptions to Goh Nan Kioh ("GNK") and persons acting in concert with him ("PACs") from the obligation to undertake a mandatory take-over offer for all MFCB Shares and Warrants not held by GNK and his PACs under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 ("Proposed Exemptions"),

(collectively, the "Proposals").

Further details on the Proposals are set out in Note B6.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A11. Significant events subsequent to the end of the reporting period

The significant events occurring after the end of the period reported up to 18 February 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements, are disclosed in Note B6.

A12. Changes in composition of the Group

- (a) On 16 February 2015, Jadi Imaging Holdings Berhad ("Jadi") ceased to be an associate of the Group following the open market disposal of Jadi shares, which resulted in the Group's equity interest in Jadi falling below 20%. Consequently, the Group's remaining investment in Jadi will henceforth be reclassified as "investment in quoted shares" under non-current assets.
- (b) On 13 May 2015, the following subsidiaries were dissolved upon expiration of 3 months from the date of lodgement of the Return by Liquidator relating to the Final Meeting with the Companies Commission of Malaysia:
- (i) Mega First Corporate Services Sdn Bhd.
 - (ii) Mega First Development Sdn Bhd.
 - (iii) Mega First Properties Sdn Bhd.
 - (iv) Mega First Ventures Sdn Bhd.
 - (v) Empayar Permai Sdn Bhd.
 - (vi) MFCB Marketing Sdn Bhd.
 - (vii) Hexachase Labels (Kuala Lumpur) Sdn Bhd.
 - (viii) Hexachase Paper Products Sdn Bhd.
- (c) On 2 June 2015, Highland Resources Sdn. Bhd. was dissolved upon expiration of 3 months from the date of lodgement of the Return by Liquidator relating to the Final Meeting with the Companies Commission of Malaysia.
- (d) On 19 June 2015, Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI") subscribed for 210,000 new ordinary shares of RM1.00 each representing 51.22% equity interest in the enlarged issued and paid-up share capital of Melewar Jutamas Sdn. Bhd. ("MJSB") for the cash consideration of RM12,690,000.00. MJSB is the registered owner of a piece of land measuring approximately 34.398 hectares held under H.S. (D) 13091, PT 9796 in Mukim Teja, District of Kampar, State of Perak with a leasehold period expiring on 6 May 2073.

Concurrent with the execution of this subscription, RCI has entered into a Call and Put Option Agreement ("Option Agreement") for RCI to acquire from the remaining shareholders ("Call Option") or for the remaining shareholders to require RCI to acquire ("Put Option") the remaining 48.78% equity interest in the enlarged issued and paid-up share capital of MJSB at the price of RM63.45 per share or an aggregate cash consideration of RM12,690,000.00 at any time during the Call Option Period (which is the period within 21 days after 1 June 2018) or during the Put Option Period (which is the period within 21 days after the Call Option Period), respectively.

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**
**Mega First Corporation Berhad
(Co. No. 6682-V)**
A12. Changes in composition of the Group (Cont'd)

- (e) On 6 July 2015, Mega First Investments (L) Limited ("MFIL") was incorporated and registered under the Labuan Companies Act, 1990 of Malaysia. MFIL has a paid-up capital of USD10,000 comprising 10,000 shares and is wholly-owned by the Company. MFIL is principally involved in investment related activities.
- (f) On 7 July 2015, DSPC was incorporated as a limited company upon issuance of the Investment Certificate under the laws of the Lao People's Democratic Republic ("Lao PDR"). DSPC has an initial registered and paid-up capital of USD3,000,000 and the eventual registered and paid-up capital is currently estimated at USD53,790,000. DSPC is 79%, 1% and 20% owned by Ground Roses Limited ("GRL"), Silver Acreage Limited ("SAL") and EDL respectively. GRL and SAL are wholly-owned subsidiaries of the Company.
- (g) On 28 December 2015, Bloxwich International Sdn Bhd which is a wholly-owned subsidiary of the Company, disposed of 10,000 fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Bloxwich Lighting Sdn Bhd ("Bloxwich Lighting") for a total cash consideration of RM1,500.00. The disposal is in line with the Group's internal rationalisation initiative.

Other than as disclosed above, there was no change in the composition of the Group for the current quarter and financial year ended 31 December 2015.

A13. Changes in contingent liabilities and assets
(a) Contingent liabilities

The Group's contingent liabilities as at 31 December 2015 are as follows:

- (i) The sum of RM601,000 in relation to the disputed interest on assessment on the power plant of a subsidiary levied by the local authority in the State of Sabah.
- (ii) A claim has been made against a subsidiary by a third party in the Malacca High Court for breach of contract, related to the sale and purchase of 40% of the undivided share of a piece of land. On 6 January 2005, the High Court ordered the subsidiary to pay damages to the third party. The damages claimed by the third party have yet to be proven in Court. The claim is expected to be immaterial and therefore no provision has been made.

Other than as disclosed above, there was no material contingent liability as at 18 February 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

A13. Changes in contingent liabilities and assets (Cont'd)

(b) Contingent asset

The Group has no contingent asset as at 18 February 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A14. Capital commitments

As at 31 December 2015, the Group has the following commitments:

| | RM'000 |
|--|------------------|
| Property, plant and equipment | |
| Authorised but not provided for: | |
| Contracted | 8,046 |
| Not contracted | 5,233 |
| | <u>13,279</u> |
| Project development expenditure | |
| Authorised but not provided for: | |
| Contracted | 1,034,748 |
| | <u>1,048,027</u> |

A15. Significant related party transactions

There was no significant related party transaction during the current quarter and financial year ended 31 December 2015.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

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

B1. Review of performance

(a) Current quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|-------------------------------|------------------|---------|-------|-------------------------|----------|--------|
| | 4Q 2015 | 4Q 2014 | % Chg | 4Q 2015 | 4Q 2014 | % Chg |
| Power | 116,806 | 122,843 | -4.9% | 38,007 | 36,157 | 5.1% |
| Resources | 26,213 | 24,032 | 9.1% | 1,721 | 5,099 | -66.2% |
| Property | 6,691 | 4,962 | 34.8% | 1,254 | 13,223 | -90.5% |
| Sub-total | 149,710 | 151,837 | -1.4% | 40,982 | 54,479 | -24.8% |
| Investment holding and others | 9,486 | 8,442 | 12.4% | (6,397) | (16,750) | n.m. |
| | 159,196 | 160,279 | -0.7% | 34,585 | 37,729 | -8.3% |

Group revenue year-on-year decreased 0.7% to RM159.2 million. However, pre-tax profit fell 8.3% to RM34.6 million on weaker performances by the Resources and Property divisions, cushioned partially by lower loss from quoted investments (included under "investment holding and others") (4Q 2015: RM5.6 million; 4Q 2014: RM15.5 million).

Power Division

The Power Division's revenue declined 4.9% to RM116.8 million, mainly due to lower sales in both China and Tawau operations, partially offset by a positive foreign currency translation impact on revenue from China. The China plant experienced lower demand for steam with the slowdown in industrial activities. Sales volume of steam and energy declined 8% and 6% respectively. The lower coal prices and downward tariff adjustments compounded the lower revenue. The revenue decline at the Tawau plant was due to shorter operating hours (-13.1%) and lower fuel oil prices (-34.5%).

Despite the lower revenue, pre-tax profit rose 5.1% to RM38 million mainly due to recovery of short-billings from previous years.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

B1. Review of performance (Cont'd)

(a) Current quarter (Cont'd)

Resources and Property Divisions

Resources revenue for the current quarter was RM26.2 million, an increase of 9.1% from the previous corresponding period mainly due to higher sales volume of lime products, calcium carbonate powder and limestone, offset by lower brick sales. Sales volume of lime products increased 2.6% mainly due to higher local consumption. Export sales of lime products were negatively impacted by slower offtake by several key customers. Brick sales were sluggish on weak demand from the housing development sector.

Pre-tax profit was 66.2% lower at RM1.7 million, mainly due to margins erosions in lime products attributable to higher costs for raw materials, interest on borrowings for capacity expansion and staff rationalisation as well as the impact from the depreciation of US Dollar against Ringgit in 4Q 2015.

The Property Division recorded a pre-tax profit of RM1.3 million with revenue at RM6.7 million. There was a significant drop in pre-tax profit for the current quarter year-on-year. The pre-tax profit in the previous corresponding period included a RM7.1 million fair value gain on investment properties and the completion of a residential project in Salak Tinggi. The results from investment properties remained fairly constant year-on-year.

(b) For the financial year ended 31 December 2015

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|-------------------------------|------------------|---------|--------|-------------------------|----------|--------|
| | 2015 | 2014 | % Chg | 2015 | 2014 | % Chg |
| Power | 435,231 | 481,544 | -9.6% | 136,871 | 120,848 | 13.3% |
| Resources | 94,692 | 107,864 | -12.2% | 15,837 | 22,250 | -28.8% |
| Property | 26,356 | 50,672 | -48.0% | 7,428 | 28,378 | -73.8% |
| Sub-total | 556,279 | 640,080 | -13.1% | 160,136 | 171,476 | -6.6% |
| Investment holding and others | 32,407 | 32,385 | 0.1% | (12,612) | (18,456) | n.m. |
| | 588,686 | 672,465 | -12.5% | 147,524 | 153,020 | -3.6% |

Group pre-tax profit declined 3.6% to RM147.5 million. The decline was mainly attributable to weaker performances from the Resources and Property divisions and a RM2.3 million loss from the de-recognition of an associate company, partially offset by lower loss from quoted investments (2015: RM2.8 million; 2014: RM13.4 million).

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

B1. Review of performance (Cont'd)

(b) For the financial year ended 31 December 2015 (Cont'd)

Power Division

Power pre-tax profit rose 13.3% to RM136.9 million. Despite a 16.9% appreciation in Renminbi against Ringgit, revenue fell 9.6% to RM435.2 million, impacted by slower demand and lower unit prices. In China, steam sales volume fell 7.8% due to a slowdown in industrial activities, while the steam price and energy tariff registered a 11.2% and 3% reduction respectively as a result of lower coal prices (-9.6%) and downward tariff adjustments. In Tawau, revenue slipped significantly due to shorter operating hours (-8.4%) and the oil price slump (-33.8%).

Despite lower revenue, Power pre-tax profit was propped up by foreign exchange gains from Renminbi fixed deposits and the translation gain from the results of the China operations. Excluding the impact of the favorable foreign exchange gains, pre-tax profit declined by 6.1% to RM113.5 million as compared to the previous financial year.

Resources and Property Divisions

Resources revenue dropped 12.2% to RM94.7 million. Other than limestones, the other products registered varying rates of contraction in revenue. Lime products recorded a 11.1% decline in revenue to RM72.1 million mainly due to lower demand from export markets (-33%), whereas domestic sales volume increased 3.6%. Hence, Resources pre-tax profit declined 28.8% to RM15.8 million on higher costs (due to shutdowns for scheduled major maintenance, and higher operating expenses and borrowing costs arising from the lime products segment's capacity expansion), which were partially offset by a foreign exchange gain from US Dollar sale proceeds.

Property revenue declined 48% to RM26.4 million mainly due to a 57% decrease in development revenue resulting from lower sale of completed properties and completion of a residential project in Salak Tinggi. There was no new property launch in 2015. Consequently, pre-tax profit dropped 73.8% to RM7.4 million from RM28.4 million in 2014, which included a fair value gain on investment properties of RM7.1 million.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (*Cont'd*)Mega First Corporation Berhad
(Co. No. 6682-V)

B2. Variation of results against preceding quarter

| | Revenue (RM'000) | | | Pre-tax Profit (RM'000) | | |
|-------------------------------|------------------|---------|--------|-------------------------|---------|--------|
| | 4Q 2015 | 3Q 2015 | % Chg | 4Q 2015 | 3Q 2015 | % Chg |
| Power | 116,806 | 111,634 | 4.6% | 38,007 | 39,696 | -4.3% |
| Resources | 26,213 | 23,759 | 10.3% | 1,721 | 6,414 | -73.2% |
| Property | 6,691 | 3,139 | 113.2% | 1,254 | 831 | 50.9% |
| Sub-total | 149,710 | 138,532 | 8.1% | 40,982 | 46,941 | -12.7% |
| Investment holding and others | 9,486 | 7,234 | 31.1% | (6,397) | (1,799) | n.m. |
| | 159,196 | 145,766 | 9.2% | 34,585 | 45,142 | -23.4% |

Compared to the preceding quarter, Group revenue increased by 9.2% to RM159.2 million, while pre-tax profit fell 23.4% to RM34.6 million. The Group's core pre-tax profit fell 12.7% to RM41 million mainly due to the impact of the weaker Renminbi and US Dollar against Ringgit in the current quarter, despite improved operating performance by the three core divisions.

Power Division

Compared to the preceding quarter, Power revenue rose 4.6% to RM116.8 million on higher contribution from the China operations. The China plant achieved higher sales volume, offset by lower steam price (as a result of lower coal prices). Steam sales volume increased due to accelerating demand and higher industrial activities after the summer months in China, which in turn generated higher energy sales volume. On the other hand, the Tawau plant's revenue fell on shorter operating hours (-8.2%) and lower fuel oil prices (-11.6%).

Power pre-tax profit however fell 4.3% to RM38 million mainly as a result of lower foreign exchange gains from Renminbi fixed deposits, partially offset by recovery of short-billings from previous years.

Resources and Property Divisions

Resources revenue rose 10.3% to RM26.2 million on higher sales of lime products and calcium carbonate powder but partially offset by lower sales of limestone and bricks. Sales volume of lime products increased 17.4% from both domestic and export markets, while the average selling price remained fairly stable. Despite the revenue increase, Resources' results were hit by foreign exchange losses, as opposed to a significant gain in the preceding quarter, as well as restructuring costs. These factors resulted in Resources delivering a lower pre-tax profit of RM1.7 million.

Property revenue jumped two-fold to RM6.7 million in the current quarter, mainly due to higher property sales and progress billing of the development projects. This resulted in Property delivering a pre-tax profit of RM1.3 million.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**Mega First Corporation Berhad
(Co. No. 6682-V)****B3. Prospects**

In light of the current global economic headwind and the slowing Chinese economy, sales of steam and power of the Group's China operations will be affected in the short term. However, the resources division is expected to grow as a result of the recently commissioned lime kiln which has boosted capacity by 50%. The contribution from the property division is expected to remain steady as most of the earnings are derived from investment properties.

The Group's investment in the Don Sahong Hydropower Project is part of its strategy to grow the power business and recurring income and will be the key source of long-term growth for the Group. The construction of the Don Sahong Hydropower Project had commenced on 15 October 2015, with an estimated construction period of approximately four (4) to four and a half (4.5) years and the commercial operation date is scheduled to be in early 2020.

Under IC Interpretation 12 (Service Concession Arrangements) and FRS 111 (Construction Contracts), the Group is expected to recognise construction profits from the Don Sahong Hydropower Project during the construction period, which is expected to be material to the Group's earnings.

Barring any unforeseen circumstances, the Group expects earnings enhancement in 2016.

B4. Profit forecast

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

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

B5. Income tax expense

| | Current quarter ended 31.12.2015 RM'000 | Year ended 31.12.2015 RM'000 |
|----------------------|--|---|
| Current tax expense: | | |
| - Malaysian | 3,467 | 10,623 |
| - Overseas | 9,048 | 29,247 |
| | 12,515 | 39,870 |

The effective tax rate of the Group for the current quarter was higher than the Malaysian statutory tax rate of 25% mainly due to withholding tax of 10% for dividends repatriated from China and losses from disposals, impairment charges and write-offs, which are not tax deductible, after setting off foreign exchange translation gains, which are non-taxable.

The effective tax rate of the Group for the financial year ended 31 December 2015 was higher than 25% mainly due to the impact from withholding tax of 10% for dividends repatriated from China, additional income tax relating to the disposal of a land between subsidiaries, impairment charges and write-offs, which are not tax deductible, after setting off foreign exchange translation gains, which are non-taxable.

B6. Status of corporate proposal

- (a) On 26 November 2015, on behalf of the Board of Directors, the Joint Principal Advisers announced that the Company proposed to undertake the Proposals as disclosed in Note A10(c).
- (b) On 10 December 2015, on behalf of the Board of Directors, the Joint Principal Advisers announced that an application was submitted to Bursa Securities in relation to the Proposals for the following:
- (i) listing of and quotation for the new MFCB Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
 - (ii) admission to the Official List and the listing of and quotation for the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
 - (iii) listing of and quotation for the new MFCB Shares to be issued pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities.

(collectively, the "Applications").

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

B6. Status of corporate proposal (Cont'd)

- (c) On 18 December 2015, on behalf of the Board of Directors, the Joint Principal Advisers announced that Bursa Securities had, vide its letter dated 18 December 2015, approved the Applications. The approval granted by Bursa Securities is subject to the following conditions:
- (i) the Company and the Joint Principal Advisers must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Rights Issue with Warrants;
 - (ii) the Company and the Joint Principal Advisers to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;
 - (iii) the Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed; and
 - (iv) the Company to furnish Bursa Securities on a quarterly basis a summary of the total number of new MFCB Shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable.
- (d) On 20 January 2016, the Company issued a circular to shareholders in relation to the Proposals, independent advice letter from Kenanga Investment Bank Berhad to the non-interested shareholders of the Company in relation to the Proposed Exemptions and Notice of Extraordinary General Meeting ("EGM").
- (e) On 4 February 2016, on behalf of the Board of Directors, the Joint Principal Advisers announced that the following has been approved:
- (i) Ordinary Resolution 1 by the shareholders of the Company by show of hands; and
 - (ii) Ordinary Resolution 2 by the non-interested shareholders of the Company by way of a poll,

as set out in the Notice of EGM at the Company's EGM held on 4 February 2016.

Subsequent to the conclusion of the Company's EGM, an application was submitted by the Joint Principal Advisers on behalf of GNK to the Securities Commission Malaysia to seek its approval for the Proposed Exemptions under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 ("the Proposed Exemptions Application")

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)
**Mega First Corporation Berhad
(Co. No. 6682-V)**
B6. Status of corporate proposal (Cont'd)

- (f) On 5 February 2016, on behalf of the Board of Directors, the Joint Principal Advisers announced that the Securities Commission Malaysia had, via its letter dated 5 February 2016, approved the Proposed Exemptions Application.
- (g) On 17 February 2016, on behalf of the Board of Directors, the Joint Principal Advisers announced that:
- (i) the Issue Price has been fixed at RM1.59 or USD0.38 per Rights Share at an entitlement basis of seven (7) Rights Shares for every ten (10) MFCB Shares held by the Entitled Shareholders on the Entitlement Date;
 - (ii) the entitlement basis for the Warrants has been fixed at three (3) Warrants for every seven (7) Rights Shares subscribed for; and
 - (iii) the exercise price of the Warrants has been fixed at RM2.22 for each Warrant.

Other than as disclosed above, there was no corporate proposal announced but not completed at 18 February 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B7. Borrowing and debt securities

The Group's borrowings as at 31 December 2015:

| | RM'000 |
|----------------------------------|---------------|
| Long-term borrowings | |
| <i>Secured denominated in:</i> | |
| Ringgit Malaysia | 35,831 |
| Short-term borrowings | |
| <i>Secured denominated in:</i> | |
| Ringgit Malaysia | 88,628 |
| <i>Unsecured denominated in:</i> | |
| Ringgit Malaysia | 15,000 |
| | 103,628 |
| | 139,459 |

The Group has no debt securities as at 31 December 2015.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**Mega First Corporation Berhad
(Co. No. 6682-V)****B8. Material litigation**

As disclosed in Note 47 to the last audited financial statements, Serudong Power Sdn Bhd ("SPSB"), a 51% owned subsidiary of Mega First Power Industries Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, commenced arbitration proceedings under the Kuala Lumpur Regional Centre for Arbitration Rules against Sabah Electricity Sdn Bhd ("SESB"). The arbitration is ongoing and the hearing dates have been fixed for April 2016.

Other than as disclosed above, there was no material litigation at 18 February 2016, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Dividend

- (a) A final tax-exempt dividend of 5.0 sen per ordinary share for the financial year ended 31 December 2014 was paid on 9 July 2015.
- (b) An interim tax-exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2015 (31 December 2014: interim tax-exempt dividend of 3.0 sen) was paid on 9 October 2015.
- (c) The Board of Directors proposes a final tax-exempt dividend of 5.0 sen per ordinary share for the financial year ended 31 December 2015 (2014 : 5.0 sen tax-exempt). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements. The entitlement and payment dates will be announced later.

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)Mega First Corporation Berhad
(Co. No. 6682-V)B10. Detailed disclosure for consolidated statement of profit or loss and other
comprehensive income

The total comprehensive income is arrived at:

| | Current quarter ended 31.12.2015 RM'000 | Year ended 31.12.2015 RM'000 |
|---|---|---------------------------------------|
| After crediting: | | |
| Interest income | 1,521 | 5,908 |
| Dividend income | 10 | 320 |
| Gain on disposal of a subsidiary | 6 | 6 |
| Gain on disposal of property, plant and equipment | 14 | 286 |
| Gain/(Loss) on foreign exchange, net: | | |
| - realised | 17,491 | 18,300 |
| - unrealised | (14,850) | 14,244 |
| After debiting: | | |
| Allowance for impairment losses on: | | |
| - receivables | (101) | (101) |
| - quoted investments | (5,357) | (5,357) |
| Amortisation of land use rights | (60) | (222) |
| Depreciation of property, plant and equipment | (9,772) | (36,602) |
| Impairment loss on project development expenditure | - | (2,083) |
| Interest expense | (1,406) | (4,884) |
| Loss on derecognition of associate | - | (2,256) |
| Loss on disposal of quoted shares | - | (324) |
| Provision for and write-off of inventories | (202) | (382) |
| Write-off of property, plant and equipment | (130) | (362) |
| Write-off of goodwill on incorporation of a subsidiary | (1,279) | (1,279) |
| After other comprehensive income/(expenses): | | |
| Foreign currency translation difference for foreign operations | (14,486) | 34,254 |
| Reversal of share of associate's foreign currency translation | - | (1,293) |
| Fair value changes of available-for-sale financial assets | 6,242 | (3,351) |

APPENDIX V

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)

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

B11. Earnings per share

| | Quarter ended 31 December | | Year ended 31 December | |
|---|------------------------------|----------------|---------------------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Basic earnings per share | | | | |
| Profit after tax attributable to owners of the Company | 11,461 | 14,270 | 74,264 | 69,899 |
| Weighted average number of ordinary shares ('000):- | | | | |
| Issued ordinary shares at 1 January | 243,002 | 242,455 | 243,002 | 242,455 |
| Effect of new ordinary shares issued | 226 | 257 | 226 | 257 |
| Effect of treasury shares held | (20,494) | (20,038) | (20,494) | (20,038) |
| | <u>222,734</u> | <u>222,674</u> | <u>222,734</u> | <u>222,674</u> |
| Basic earnings per share (sen) | <u>5.15</u> | <u>6.41</u> | <u>33.34</u> | <u>31.39</u> |
| Diluted earnings per share | | | | |
| Profit after tax attributable to owners of the Company | 11,461 | 14,270 | 74,264 | 69,899 |
| Weighted average number of ordinary shares ('000) | 222,734 | 222,674 | 222,734 | 222,674 |
| Weighted average number of shares under option ('000) | 14,105 | 2,123 | 14,105 | 2,123 |
| Weighted average number of shares that would have been issued at average market price ('000) | (12,176) | (1,454) | (12,661) | (1,638) |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000) | <u>224,663</u> | <u>223,343</u> | <u>224,178</u> | <u>223,159</u> |
| Diluted earnings per share (sen) | <u>5.10</u> | <u>6.39</u> | <u>33.13</u> | <u>31.32</u> |

- (a) The basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2015 excluding treasury shares held by the Company.
- (b) The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all outstanding options granted pursuant to the ESOS are exercised.

APPENDIX V

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MFCB FOR THE FYE
31 DECEMBER 2015 TOGETHER WITH THE EXPLANATORY NOTES (Cont'd)**

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

B12. Retained profits

| | At 31.12.2015 RM'000 | At 31.12.2014 RM'000 |
|---|-------------------------------------|-------------------------------------|
| Total retained profits: | | |
| - realised | 295,729 | 279,642 |
| - unrealised | 78,403 | 59,229 |
| | 374,132 | 338,871 |
| Total share of retained profits from associated company: | | |
| - realised | - | (89) |
| - unrealised | - | 1,085 |
| | 374,132 | 339,867 |
| Consolidation adjustments | 113,277 | 91,275 |
| Total Group retained profits | 487,409 | 431,142 |

B13. Authorised for issue

These interim financial statements were authorised for issue by the Board of Directors on 25 February 2016.

DIRECTORS' REPORT

MFCB

01 MAR 2016

To: The shareholders of Mega First Corporation Berhad ("MFCB" or "Company")

Dear Sir/ Madam,

On behalf of the Board of Directors of MFCB ("**Board**"), I wish to report, after making due enquiries in relation to the period between 31 December 2014, being the date to which the last audited consolidated financial statements of MFCB and its subsidiaries ("**Group**") have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus:

- (i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Company which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at value which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section 9.3 of the Abridged Prospectus, there are no other contingent liabilities by reason of any guarantee or indemnity given by the Group;
- (v) since the last audited consolidated financial statements of the Company, there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings of the Group; and
- (vi) there has been no material change in the published reserves or unusual factor affecting the profits of the Group since the last audited consolidated financial statements of the Company.

Yours faithfully,
For and on behalf of the Board of
Mega First Corporation Berhad



GOH NAM KIOH
Executive Chairman

MEGA FIRST CORPORATION BERHAD (6682-V)

ADDITIONAL INFORMATION**1. SHARE CAPITAL**

Save for the Rights Shares, Warrants and Exercised Shares, no securities of the Company will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issuance of this Abridged Prospectus.

Save as disclosed below, no person has been, is or would be entitled to be granted an option to subscribe for any securities in the Company and no capital of the Company is under any option or agreed conditionally or unconditionally to be put under any option as at the LPD:

- (i) pursuant to the Rights Issue with Warrants, the Entitled Shareholders will be provisionally allotted with the Rights Shares with Warrants;
- (ii) under the ESOS, the eligible directors and employees of the MFCB Group may be granted Options to subscribe for new MFCB Shares up to but not exceeding fifteen per cent (15%) of the total issued and paid-up share capital of MFCB at any time during the ESOS. As at the LPD, MFCB has 13,458,000 outstanding Options comprising:
 - (a) 1,273,000 Options A, which are exercisable at any time from 21 May 2014 to 31 July 2020, at an exercise price of RM1.50; and
 - (b) remaining 12,185,000 Options, 50% of which are exercisable at any time from 30 June 2018 and the remaining are exercisable at any time from 1 July 2019 to 31 July 2020, at an exercise price of RM2.25.

The number of Outstanding Options and the exercise prices of the Outstanding Options may be subject to adjustments in accordance to the By-Laws.

2. DIRECTORS' REMUNERATION

The extract of the provisions in the Articles of Association of the Company in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in the Articles of Association of the Company):

(a) Article 89 – Directors remuneration

The remuneration of the Directors shall be determined from time to time by the Company in General Meeting and such remuneration shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the Meeting. Such remuneration shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for the proportion of remuneration related to the period during which he has held office. Such remuneration shall so far as a Director who is not an Executive Director is concerned by way of a fixed sum and not by way of a commission on or percentage of profits or turnover, subject always however to the other provisions of this Article.

ADDITIONAL INFORMATION (Cont'd)

(b) Article 90 – Directors expenses and extra remuneration

- (i) The Directors shall be entitled to be repaid all travelling or such reasonable expense as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors of General Meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (ii) Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article.
- (iii) The remuneration in the case of a Director other than an Executive Director shall not at any time be by a commission on or percentage of the profits or turnover and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

(c) Article 91(a) – Pensions

Subject to the provisions of Section 137 of the Act, the Directors may pay a pension or allowances (either revocable or irrevocable and either subject or not subject to any terms and conditions) to any Executive Director (as hereinafter defined) on or at any time after his retirement from his office or employment under the Company or under any associated company or on or after his death to his widow or other dependants.

(d) Article 92 – Power of Directors to hold office of profit and to contract with Company

Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director shall observe the provision of Section 131 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by a Director which might create duties or interest in conflict with his duties or interests as a Director. No Director shall as a Director vote in respect of any contract, arrangement or transaction in which he is so interested whether directly or indirectly as aforesaid and if he does so vote his vote shall not be counted but this prohibition as to voting shall not apply to any contract by or on behalf of the Company to give to the Directors or any of them any security by way of any lawful indemnity or to any allotment of shares in or debentures of the Company to any Director or to any contract, arrangement or transaction where the Director is interested merely as a shareholder or a director of another company or both.

(e) Article 93(1) – Holding of office in other companies

A Director may be or become a director of or hold any office or place of profit (other than as Auditor) or otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director, or officer of or by virtue of his interest in such other company.

ADDITIONAL INFORMATION (Cont'd)**(f) Article 96 – Remuneration of managing director**

The remuneration of a Managing Director shall from time to time be fixed by the Directors and may subject to these Articles by way of salary or commission or participation in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

(g) Article 105(a) – Alternate director

Any Director of the Company may at any time appoint any person approved by a majority of his co-Directors to be his alternate Director of the Company and may at any time remove any such alternate Director so appointed from office. An alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company.

3. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor its subsidiaries have entered into any material contracts (not being contracts in the ordinary course of business) within the two (2) years immediately preceding the date of this Abridged Prospectus:

(i) Shareholders agreement dated 3 March 2015 between Ground Roses Limited (“Ground Roses”), Silver Acreage Limited (“Silver Acreage”) and EDL (“Shareholders Agreement”)

Ground Roses and Silver Acreage (both being wholly-owned subsidiaries of Don Sahong Holdings Limited, which in turn is a wholly-owned subsidiary of the Company) have entered into a shareholders agreement dated 3 March 2015 with EDL, to regulate the parties’ participation in DSPC, which will be undertaking the development, financing, design, construction, completion, operation and maintenance of the Don Sahong Hydropower Project. Accordingly, Ground Roses, Silver Acreage and EDL hold 79%, 1% and 20% respectively in DSPC.

(ii) Share subscription agreement dated 1 June 2015 entered between Rock Chemical Industries (Malaysia) Sdn Berhad (“RCI”), Melewar Jutamas Sdn Bhd (“MJSB”), Teh Hor Yick and Teh Chak Seong (“Individuals”) (“Share Subscription Agreement”); and the call and put option agreement dated 1 June 2015 entered between RCI and the Individuals (“Call and Put Option Agreement”)

RCI had on 1 June 2015 entered into a conditional share subscription agreement with MJSB and the two (2) Individuals to subscribe for 210,000 new ordinary shares of RM1.00 each in MJSB, representing 51.22% equity interest in the enlarged issued and paid-up share capital of MJSB, for a cash consideration of RM12,690,000. The share subscription has been completed on 19 June 2015 and MJSB became an indirect subsidiary of the Company with effect from 19 June 2015.

Concurrent with the execution of the Share Subscription Agreement, RCI has entered into the Call and Put Option Agreement for RCI to acquire from the Individuals (“**Call Option**”) or for the Individuals to require RCI to acquire (“**Put Option**”) the remaining 48.78% equity interest in the enlarged issued and paid-up share capital of MJSB at the price of RM63.45 per share or an aggregate cash consideration of RM12,690,000 at any time during the Call Option period (which is a period within 21 days after 1 June 2018 (“**Call Option Period**”)) or within the Put Option period (which is a period within 21 days after the Call Option Period).

ADDITIONAL INFORMATION (Cont'd)**(iii) Underwriting Agreement**

On 19 February 2016, MFCB entered into the Underwriting Agreement for the Joint Underwriters to underwrite up to an aggregate of 78,524,180 Rights Shares, representing approximately 50% of the total Rights Shares, at the Issue Price for which no undertaking has been obtained from the Undertaking Shareholders. The Underwriting Commission payable by the Company is 1.5% of the value of the underwritten Rights Shares based on the Issue Price.

The Joint Underwriters may terminate the Underwriting Agreement on the occurrence of any of the termination events set out in the Underwriting Agreement. These include, among others, events which, in the opinion of any of the Joint Underwriters, would materially prejudice the success of the Rights Issue with Warrants or likely to have a material adverse effect on the financial condition, contractual commitments, prospects, properties or results of operations of the Company and/or the Group, as a whole or on the ability of the Company to perform its obligations with regards to the transactions to which the Company is a party as contemplated in the Documents as well as events which as a result of it be commercially impracticable for the Joint Underwriters to proceed with the Rights Issue with Warrants on the terms and in the manner contemplated in the Documents and the Underwriting Agreement.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Company and its subsidiaries do not have any material litigation, claim or arbitration, pending or threatened against the Group which may materially and adversely affect the financial position or business of the Group:

(i) SPSB v SESB

On 13 November 2013, SPSB commenced arbitration proceedings ("**Arbitration**") against SESB at the Kuala Lumpur Regional Centre for Arbitration. SPSB's claim in the Arbitration is in relation to the recovery of the capacity and energy payments pursuant to the power purchase agreement dated 13 April 1995 entered into between SPSB and SESB where under electrical energy is sold by SPSB to SESB.

On 5 June 2015, SPSB submitted the statement of claim for the maximum outstanding capacity and energy payments of approximately RM25.8 million due to the adjustment of the fixed operating rate and variable operating rate for the period from December 2000 to March 2015, as well as interests which amounted to approximately RM13.6 million. The Arbitration has been fixed for hearing on various dates in April 2016 and is at the stage of documents disclosure and the exchanging of witness statement.

While there have been discussions between SPSB and SESB for settlement of the SPSB's claim prior to and after the commencement of the Arbitration, as at the LPD, there had been no settlement and SPSB's claim was being contested.

Notwithstanding the above, SPSB and SESB have agreed in-principle that by virtue of SESB's own defence of SPSB's claims, a principal amount of approximately RM6.9 million is payable to SPSB and in this regard, the parties have been exploring the prospect of jointly seeking a partial arbitral award.

According to SPSB's solicitors for this matter, the range of recovery to SPSB from the Arbitration should be between a principal amount of approximately RM6.9 million to in excess of approximately RM20.0 million with potentially, interest thereon. On SPSB's liability, as SESB has made no counterclaim in the Arbitration, it is likely to be restricted to costs that may be awarded against SPSB in the Arbitration.

ADDITIONAL INFORMATION (Cont'd)

5. CONSENTS

The Joint Principal Advisers, Joint Underwriters, Principal Bankers, Company Secretaries, Share Registrar and Solicitors have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form, manner and context in which they appear in this Abridged Prospectus.

CH, being the reporting accountants and auditor of MFCB, has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form, manner and context in which it appears in this Abridged Prospectus, including the Reporting Accountants' letter relating to the pro forma consolidated statements of financial position of MFCB as at 31 December 2014 and the auditors' report for the audited consolidated financial statements of MFCB for the FYE 31 December 2014.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent for the inclusion of its name and citation of the share prices of MFCB compiled by them, in the form, manner and context in which they appear in this Abridged Prospectus.

6. GENERAL

Save as disclosed in this Abridged Prospectus, there are no:

- (i) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of the Group;
- (ii) material commitments for capital expenditure of the Group;
- (iii) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of the Group;
- (iv) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on revenues or operating income of the Group;
- (v) substantial increase in revenue; and
- (vi) material information, including any special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Group.

7. RESPONSIBILITY STATEMENT

The Board has seen and approved all the documentation relating to the Rights Issue with Warrants including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

Maybank IB and CIMB, being the Joint Principal Advisers and Joint Underwriters for the Rights Issue with Warrants, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.

ADDITIONAL INFORMATION (Cont'd)

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at the registered office of MFCB at A-12-01, Level 12, Block A, PJ8, 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours on any weekday (except public holidays) for a period of not less than twelve (12) months from the date of this Abridged Prospectus:

- (i) Memorandum and Articles of Association of MFCB;
- (ii) Deed Poll;
- (iii) the audited consolidated financial statements of MFCB for the past two (2) FYE 31 December 2013 and 2014;
- (iv) the unaudited condensed consolidated financial statements of MFCB for FYE 31 December 2015;
- (v) the pro forma consolidated statements of financial position of MFCB as at 31 December 2014 together with the notes and Reporting Accountants' letter as set out in **Appendix III** of this Abridged Prospectus;
- (vi) irrevocable undertaking letters by the Undertaking Shareholders in respect of the Undertakings and Additional Undertaking referred to in **Section 3.1** of this Abridged Prospectus;
- (vii) the Directors' Report as set out in **Appendix VI** of this Abridged Prospectus;
- (viii) the material contracts referred to in **Section 3** of this Appendix;
- (ix) the submission documents relevant to the arbitration referred to in **Section 4** of this Appendix; and
- (x) the consent letters referred to in **Section 5** of this Appendix.

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OFFERING, SELLING AND TRANSFER RESTRICTIONS

1. GENERAL

No action has been taken or will be taken to permit a public offering of the Provisional Rights Shares with Warrants and the Rights Shares with Warrants in any country or jurisdiction, or the possession, circulation or distribution of the Documents or any other material relating to the Company, the Rights Issue with Warrants, the Provisional Rights Shares with Warrants or the Rights Shares with Warrants in any country or jurisdiction where action for such purpose is required, except that this Abridged Prospectus has been registered with the SC and lodged with the Companies Commission of Malaysia. Accordingly, the Provisional Rights Shares with Warrants may not be accepted, and the Provisional Rights Shares with Warrants and Rights Shares with Warrants may not be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered, directly or indirectly, and the Documents or any offering materials or advertisements in connection with the Rights Issue with Warrants, the Provisional Rights Shares with Warrants or the Rights Shares with Warrants may not be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of such country or jurisdiction. Entitled Shareholders and/or their renounees/transferees (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance or renunciation, as the case may be, of all or any part of their Provisional Rights Shares with Warrants, the Excess Application, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares with Warrants would result in the contravention of any law of such countries or jurisdictions. All Entitled Shareholders and other persons will comply with all applicable laws and regulations relating to the offer, sale or delivery of the Rights Shares with Warrants in each country or jurisdiction in which it accepts the Provisional Rights Shares with Warrants, or offers, takes up, subscribes, acquires, sells, resells, pledges, transfers or delivers the Rights Shares with Warrants, or has in its possession or distributes this Abridged Prospectus or any related offering material, in all cases at its own expense.

2. UNITED STATES

The Provisional Rights Shares with Warrants and the Rights Shares with Warrants have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States and may be offered or sold only (i) within the United States to QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) thereunder, and (ii) outside the United States in offshore transactions in reliance on Regulation S. The Joint Principal Advisers, Joint Underwriters and the Company (i) have not offered or sold, and will not offer or sell, the Provisional Rights Shares with Warrants or the Rights Shares with Warrants by means of any general solicitation or general advertising (within the meaning of Rule 502(c) under the U.S. Securities Act) in the United States or otherwise in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act and (ii) have not engaged and will not engage in any directed selling efforts (as defined in Regulation S) with respect to the Provisional Rights Shares with Warrants and the Rights Shares with Warrants.

THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE RIGHTS SHARES WITH WARRANTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE RIGHTS SHARES WITH WARRANTS, OR THE ACCURACY OR ADEQUACY OF THIS ABRIDGED PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

APPENDIX VIII

OFFERING, SELLING AND TRANSFER RESTRICTIONS (Cont'd)

The Provisional Rights Shares with Warrants and the Rights Shares with Warrants may only be accepted by, and the Provisional Rights Shares with Warrants and the Rights Shares with Warrants may only be offered, taken up, subscribed, acquired, sold, resold, pledged, transferred or delivered to entitled QIBs, each of whom will be required to provide the Company a signed U.S. Investor Representation Letter (with a copy to the Joint Principal Advisers and the Joint Underwriters) in the form contained in **Appendix IX** of this Abridged Prospectus.

3. SINGAPORE

This Abridged Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Provisional Rights Shares with Warrants and the Rights Shares with Warrants will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**").

Accordingly, each of the Joint Principal Advisers, Joint Underwriters and the Company has represented and agreed that it has not offered or sold any Provisional Rights Shares with Warrants or Rights Shares with Warrants or caused such Provisional Rights Shares with Warrants or Rights Shares with Warrants to be made the subject of an invitation for subscription or purchase and will not offer or sell such Provisional Rights Shares with Warrants or Rights Shares with Warrants or cause the Provisional Rights Shares with Warrants or the Rights Shares with Warrants to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Abridged Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Provisional Rights Shares with Warrants or Rights Shares with Warrants, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

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FORM OF U.S INVESTOR REPRESENTATION LETTER**U.S. INVESTOR REPRESENTATION LETTER**

Please note that this U.S. Investor Representation Letter needs to be signed and returned to Mega First Corporation Berhad ("**MFCB**" or "**Company**") so as to reach the Company on or before 5.00 p.m. on 30 March 2016. Upon subscription for the Provisional Rights Shares with Warrants and/or Excess Application (each as defined herein), please forward a copy of the signed U.S. Investor Representation Letter to your agent, financial intermediary or nominee holding your MFCB Shares (as defined herein) (if any). If you do not return a duly signed U.S. Investor Representation Letter in a timely manner, you may not be eligible to participate in the Rights Issue with Warrants (as defined herein) and will not be allowed to receive the Abridged Prospectus and/or its accompanying documents.

Copies of the signed investor representation letters will be made available to Maybank Investment Bank Berhad and CIMB Investment Bank Berhad (collectively, the "**Joint Principal Advisers**" and "**Joint Underwriters**"), each of whom shall be entitled to rely on the letters.

_____ 2016

Board of Directors
Mega First Corporation Berhad
 A-12-01, Level 12
 Block A, PJ8
 23 Jalan Barat
 Seksyen 8
 46050 Petaling Jaya
 Selangor Darul Ehsan
 Malaysia

Attention: Company Secretary

Dear Sirs,

RENOUNCEABLE RIGHTS ISSUE OF 157,048,290 NEW ORDINARY SHARES OF RM1.00 EACH IN MFCB ("MFCB SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM1.59 PER RIGHTS SHARE, WHICH CAN BE SUBSCRIBED FOR AT USD0.38 PURSUANT TO THE SUBSCRIPTION OPTION, TOGETHER WITH 67,306,410 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF SEVEN (7) RIGHTS SHARES FOR EVERY TEN (10) MFCB SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 11 MARCH 2016 AND THREE (3) WARRANTS FOR EVERY SEVEN (7) RIGHTS SHARES SUBSCRIBED FOR ("RIGHTS ISSUE WITH WARRANTS")

This letter is delivered in connection with our participation in the Rights Issue with Warrants by the Company, which consists of the provisional allotment of the Rights Shares with Warrants ("**Provisional Rights Shares with Warrants**") and subscription of the Rights Shares with Warrants (which includes any excess Rights Shares with Warrants applied for in addition to provisionally allotted MFCB Shares ("**Excess Application**")) (together with the Provisional Rights Shares with Warrants, the "**Securities**").

APPENDIX IX

FORM OF U.S INVESTOR REPRESENTATION LETTER (Cont'd)

We understand that the Rights Issue with Warrants is being conducted, the Provisional Rights Shares with Warrants are being accepted, and the Rights Shares with Warrants are being subscribed or acquired by us by means of a transaction not involving any public offering in reliance on Section 4(a)(2) under the United States of America ("**United States**" or "**U.S.**") Securities Act of 1933, as amended ("**Securities Act**"). We understand and agree that, although the acceptance of the Provisional Rights Shares with Warrants and subscription of the Rights Shares with Warrants are by qualified institutional buyers in the United States ("**QIBs**" as defined under Rule 144A under the Securities Act), they are made in reliance of Section 4(a)(2) under the Securities Act, and not in reliance of Rule 144A under the Securities Act.

We hereby represent, warrant, acknowledge and agree as follows:

1. We are the beneficial holder of, or acting on account of shareholders beneficially holding, the Rights Shares with Warrants as at the date hereof.
2. We are a QIB as defined in Rule 144A under the Securities Act, with full power and authority to make the acknowledgements, representations, warranties and agreements contained herein, and, if we are acquiring the Provisional Rights Shares with Warrants or the Rights Shares with Warrants as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB, we have sole investment discretion with respect to each such account, and we have full power and authority to make the acknowledgements, representations, warranties and agreements contained herein on behalf of each owner of such account.
3. To the extent we exercise the Provisional Rights Shares with Warrants and subscribe for the Rights Shares with Warrants, or apply for the Excess Rights Shares with Warrants, we will acquire such Provisional Rights Shares with Warrants or the Rights Shares with Warrants or the Excess Rights Shares with Warrants, for our own account, or for the account of one or more QIBs as to which we have full investment discretion, in each case for investment purposes, and not with a view to any resale, distribution or other disposition, within the meaning of U.S. securities laws, of the Provisional Rights Shares with Warrants or the Rights Shares with Warrants or the Excess Rights Shares with Warrants.
4. Provided that we have returned and duly signed this investor representation letter in a timely manner, we understand that we will receive a copy of the Abridged Prospectus which the Company is issuing in connection with the Rights Issue with Warrants, and our receipt of the Provisional Rights Shares with Warrants, any subscription we may make for the Rights Shares with Warrants, or any application we may make for the Excess Rights Shares with Warrants, will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in the Abridged Prospectus, its accompanying documents and this letter.
5. We are aware and understand, and each account for which we are acting has been advised and understands, that an investment in the Securities involves a considerable degree of risk and that the Securities are a speculative investment, and further, that no U.S. federal or state or other agency has made any finding or determination as to the fairness of any such investment or any recommendation or endorsement of any such investment.
6. We understand, and each account for which we are acting has been advised and understands, that no action has been or will be taken to permit an offering of the Securities in any country or jurisdiction where action would be required for that purpose other than in Malaysia; and we will not offer, resell, pledge or otherwise transfer any of the Securities which we may acquire, or any beneficial interests therein, in any country or jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale, solicitation or invitation except under circumstances that will result in compliance with any applicable laws and/or regulations of such country or jurisdiction.

FORM OF U.S INVESTOR REPRESENTATION LETTER (Cont'd)

7. Without limiting the generality of the foregoing, we are aware and understand, and each account for which we are acting has been advised and understands, that (a) the Securities have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States, (b) any offer and sale of Securities to us, and to each such account, is being made in reliance on an exemption from the registration requirements of the Securities Act, and (c) the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act; and we agree, on our own behalf and on behalf of any accounts for which we are acting, that for so long as the Securities are "restricted securities", we will not offer, resell, pledge or otherwise transfer any Provisional Rights Shares with Warrants or the Rights Shares with Warrants which we may acquire, or any beneficial interests therein, except (i) in an offshore transaction accordance with Rule 904 of Regulation S under the Securities Act, or (ii) pursuant to another applicable exemption from the registration requirements of the Securities Act, and in each case in accordance with any applicable U.S. federal and state securities laws.
8. To the extent we exercise the Provisional Rights Shares with Warrants and subscribe for Rights Shares with Warrants, or apply for the Excess Rights Shares with Warrants, we acknowledge and agree that we are not acquiring or subscribing for the Securities as a result of any general solicitation or general advertising, as those terms are defined in Regulation D under the Securities Act, or directed selling efforts, as defined in Regulation S under the Securities Act. We understand and agree that although offers and sales of the Securities are being made in the United States to QIBs, such offers and sales are not being made under Rule 144A under the Securities Act.
9. To the extent we exercise the Provisional Rights Shares with Warrants and subscribe for Rights Shares with Warrants, or apply for the Excess Rights Shares with Warrants, we agree not to deposit any Securities into any unrestricted depository facility maintained by any depository bank unless and until such time as the Securities are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.
10. Prior to making any investment decision to exercise the Provisional Rights Shares with Warrants and subscribe for the Rights Shares with Warrants or apply for the Excess Rights Shares with Warrants, we (a) will have consulted with our own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent we have deemed necessary, (b) will have been furnished with and will have carefully read and reviewed the Abridged Prospectus and its accompanying documents, (c) will have possessed all information relating to MFCB and its subsidiaries (collectively, the "**MFCB Group**") and the Provisional Rights Shares with Warrants and the Rights Shares with Warrants, which we believe is necessary or appropriate for the purpose of making our investment decision, including, without limitation, the Exchange Information (as defined herein), and will have had a reasonable opportunity to ask questions of and receive answers from officers and representatives of the Company concerning the financial condition and results of operations of the MFCB Group and the purchase of the Securities, and any such questions have been answered to our satisfaction, (d) will have reviewed all information that we believe is necessary or appropriate in connection with an investment in the Securities and (e) will have conducted our own due diligence on the MFCB Group and the Rights Issue with Warrants, and will have made our own investment decisions based upon our own judgment, due diligence and advice from such advisers as we have deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of the Company, any of its advisers, agents, representatives and managers involved in any offering of securities of the Company outside the United States or their respective affiliates, including any research reports, other than, with respect to the Company, any information contained in the Abridged Prospectus.

FORM OF U.S INVESTOR REPRESENTATION LETTER (Cont'd)

11. Without limiting the generality of the foregoing, we acknowledge that (a) the shares of the Company are listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Company is therefore required to publish certain business, financial and other information in accordance with the rules and practices of Bursa Securities (the "**Exchange Information**"), which includes, but is not limited to, a description of the nature of the business of the Company and the most recent consolidated balance sheet and profit and loss account of the Company, and similar statements for preceding years, and that we have reviewed such Exchange Information as we have deemed necessary or that we are able to obtain or access the Exchange Information without undue difficulty; and (b) neither of the Company nor any of its affiliates has made any representations to us, express or implied, with respect to the Company or the Securities or the accuracy, completeness or adequacy of the Exchange Information.
12. We understand that the Exchange Information and the Abridged Prospectus has been prepared in accordance with content, format and style which is either prescribed by the Securities Commission Malaysia or under Malaysian laws or is customary in rights offerings in Malaysia, which differs from the content, format and style customary for similar offerings in the United States. In particular, we understand that (a) the financial information of the Company contained in the Exchange Information and the Abridged Prospectus has been prepared in accordance with the Financial Reporting Standards, and (b) with respect to the financial information contained in the Abridged Prospectus, such financial information is not being prepared for an offering registered with the U.S. Securities and Exchange Commission. We further understand that the Company has not made a determination as to whether it may be classified as a "passive foreign investment company" ("**PFIC**") for the current or any future taxable year and will not provide information required for us to make a "qualified election fund" election, and that there may be certain adverse consequences under United States tax laws if the Company were to be a PFIC in the current or any future taxable year in which we may hold the Provisional Rights Shares with Warrants or, the Rights Shares with Warrants or the MFCB Shares. We understand that a separate determination must be made each year as to the PFIC status of the Company and are seeking our own advice on this matter. In addition, we understand that the Company has not analysed any potential tax consequences to it under United States tax law or any other relevant tax law resulting from the receipt, exercise or disposition of the Provisional Rights Shares with Warrants, the Rights Shares with Warrants or the ownership of the Rights Shares with Warrants. We understand that we should consult our own tax advisor regarding such tax consequences.
13. We acknowledge that (a) any information that we have received or will receive relating to or in connection with the Rights Issue with Warrants, and the Securities, including the Abridged Prospectus and the Exchange Information (collectively, the "**Information**"), has been or will be prepared solely by the Company and (b) that none of the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States or any of their respective affiliates has verified or will verify such Information, and no recommendation, promise, representation or warranty, express or implied, is, has been or will be made or given by any of them as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise, representation or warranty by any of them or their respective affiliates. We understand that the Information contains forward-looking statements and assumptions which may or may not ultimately prove to be correct and that there can be no assurances that any such forward-looking statements or assumptions are accurate.
14. We will not hold the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States or any of their respective affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by the Company to us. We acknowledge that no written or oral information relating to the Rights Issue with Warrants, the Provisional Rights Shares with Warrants, or the Rights Share with Warrants has been or will be provided by the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States or any of their respective affiliates to us.

APPENDIX IX

FORM OF U.S INVESTOR REPRESENTATION LETTER (Cont'd)

15. We are highly sophisticated investors and have the relevant knowledge and experience in financial, business and international investment matters as to be capable of evaluating the merits and risks of an investment in the Securities. We, or any account for which we are acting, have the financial ability to bear the economic risk of investment in the Securities, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to any investment we, or such account for which we are acting, may make in the Securities, and are able to sustain a complete loss in connection therewith and we will not look to the Company, or to any manager involved in any offering of securities of the Company, for all or part of any such loss or losses we may suffer. We have no reason to anticipate any change in our circumstances, financial or otherwise, which may cause or require any sale or distribution by us of all or any part of any Securities we may decide to invest in.
16. We understand and acknowledge that the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States are assisting the Company in respect of the Rights Issue with Warrants and that the managers involved are acting solely for the Company and no one else in connection with the Rights Issue with Warrants and, in particular, are not providing any service to us, making any recommendations to us, advising us regarding the suitability of any transactions we may enter into to subscribe or purchase any securities nor providing advice to us in relation to the Company, the Rights Issue with Warrants, or the Securities. Further, to the extent permitted by law, we waive any and all claims, actions, liabilities, damages or demands we may have against the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States arising from their engagement with the Company.
17. We have full power and authority to execute and deliver this U.S. Investor Representation Letter, which constitutes its valid and legally binding obligation and is enforceable against us in accordance with its terms.
18. We understand that the foregoing acknowledgments, representations, warranties and agreements have been provided in connection with the Malaysian, United States, and other applicable securities laws. We acknowledge that the Company and the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States, their respective affiliates and others, including legal counsels to each of the Company, the Joint Principal Advisers and Joint Underwriters, will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if at any time before the closing of the Rights Issue with Warrants, or the issuance of the Rights Shares with Warrants, any of the acknowledgements, representations, warranties and agreements made in connection with our exercise of Provisional Rights Shares with Warrants and subscription for the Rights Shares with Warrants, or Excess Application, is no longer accurate, we shall promptly notify the Company in writing.
19. We understand that the Company and the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States and their respective affiliates are entitled to rely upon this U.S. Investor Representation Letter and are irrevocably authorised to produce this U.S. Investor Representation Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.
20. We irrevocably authorise any nominee, custodian or other financial intermediary through which we hold the Rights Shares with Warrants, to provide the Company and the advisers, agents, representatives and managers of the Company involved in any offering of securities of the Company outside the United States with a copy of this U.S. Investor Representation Letter and such information regarding our identity and holding of the Rights Shares with Warrants, including pertinent account information and details of our identity and contact information, as may be necessary or appropriate to facilitate our receipt or exercise of the Provisional Rights Shares with Warrants or purchase of the Rights Shares with Warrants.

APPENDIX IX

FORM OF U.S INVESTOR REPRESENTATION LETTER (Cont'd)

21. This letter shall be governed by, and construed in accordance with, Malaysian law without regard to the conflict provisions thereof. We and each account on whose behalf we are acting, irrevocably agree to waive trial by jury in any action, proceeding, claim or counterclaim brought by or on behalf of us or any such account related to or arising out of this letter agreement or the performance of services hereunder.
22. We and each account on whose behalf we are acting, irrevocably submit to the exclusive jurisdiction of the courts of Malaysia over any suit, action or proceeding arising out of or relating to this agreement. We and each account on whose behalf we are acting, irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that we and each account on whose behalf we are acting, have or hereafter may acquire any immunity (on the grounds of sovereignty or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or its property, such party irrevocably waives, to the fullest extent permitted by law, such immunity in respect of any such suit, action or proceeding.

Very truly yours,

By institution:
Signature:

Name:

Title:

Institution's Address:

Daytime Telephone Number:

If signing on behalf of another person, please indicate the capacity in which signed:

Name, address and contact details of the agent, financial intermediary or custodian through which the MFCB Shares are held: