CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors and Management of Mega First Corporation Berhad, I am pleased to present to you our annual report and audited financial statements for the financial year ended 31 December 2020.

Overview of the Group's Financial Performance

The financial year 2020 was a milestone year for the Group. Despite the Coronavirus Disease 2019 ("COVID-19") outbreak wreaking havoc across the local and global economies, the Group recorded a 9.3% increase in revenue to RM767.1 million (2019: RM701.9 million) and a 106.5% increase in profit before tax to RM389.0 million (2019: RM188.4 million), its highest profit before tax on record since its listing in 1970.

The growth in revenue and profit before tax was mainly attributable to the Don Sahong Hydropower Project ("Don Sahong") contributing its first full year of energy sales amounting to RM510.0 million (2019: RM35.1 million) and profit before tax of RM372.1 million (2019: RM25.0 million). No construction revenue and profit was recorded from Don Sahong this financial year (2019: Construction revenue of RM435.3 million, Construction profit of RM157.5 million).

The Group's other two core divisions namely the Resources and the Packaging Divisions weathered the unprecedented challenges imposed by the COVID-19 outbreak unscathed. While revenue from the Resources Division was 0.6% lower at RM142.8 million (2019: RM143.6 million), profit before tax increased 14.0% to RM18.8 million (2019: RM16.5 million). The Packaging Division on the other hand performed very well with revenue increasing by 42.9% to RM97.8 million (2019: RM68.4 million), while profit before tax reversed from a RM0.5 million loss in 2019 to a profit of RM9.5 million in 2020.

Please refer to the Management's Discussion and Analysis in this Annual Report for further details on the Group's financial performance.

PROSPECTS AND FUTURE PLANS

Renewable Energy Division

The Renewable Energy Division (formerly known as the Power Division) is the largest contributor to the Group's income, contributing an overall 95.7% (2019: 96.9%) to the Group's total profit before tax. The Group is committed on growing this division with a focus on the development of projects in Malaysia as well as the ASEAN region.

The Group has been anticipating a shift towards Renewable Energy ("RE") for a while amidst concerns over global climate change. The adoption of the 17 Sustainable Development Goals ("SDG") promulgated by the United Nations Development Programme ("UNDP") in 2015 further cemented our decision to focus on RE. In particular, SDG 7 calls for greater "access to affordable, reliable, sustainable and modern energy for all" by shifting away from fossil fuel energy source towards cleaner and more efficient energy sources. Accordingly, we have since 2017 taken steps towards achieving this goal, by declining to extend our concessions in the coal and medium fuel oil power plants in Shaoxing, China and Tawau, Sabah respectively.

We believe that there are many upcoming project opportunities in the region with the endorsement of the ASEAN Plan of Action for Energy Cooperation Phase II (2021-2025) in November 2020 which set a new target to achieve a 23% share of RE in total primary energy supply and 35% RE share in ASEAN's installed power capacity by 2025. The Group is well positioned to take advantage of these opportunities given its strong track record in developing power projects as well as having a sizeable recurring income from Don Sahong.

During the year, the Ministry of Energy and Mines of Laos confirmed that Don Sahong commenced commercial operations on 1 October 2020 and the concession will end on 30 September 2045. Don Sahong recorded its first full year of income generation in 2020, achieving an Energy Availability Factor ("EAF") of 86.4% that translated into a revenue generation of RM510.0 million. Based on the higher water levels recorded in the first two months of 2021 and a better power distribution plan following the completion of EDL's 500KV transmission line from Laos to Cambodia in November 2020, we expect that the average EAF will be higher and therefore revenue to be higher in 2021 assuming no adverse foreign exchange movements between the MYR and USD.

On the project front, the Group has been working on the following during the year:

i. Planning for the fifth turbine plant expansion on Don Sahong

This plan has been delayed due to the COVID-19 pandemic and the ensuing travel restrictions. At the earliest, construction can only start in the dry season in late 2021.

ii. Adding projects to our Commercial & Industrial ("C&I") rooftop solar photovoltaic portfolio

The Group has so far secured 15MW of projects and are currently in final negotiations to secure another 7.5MW project by the end of the first half of 2021. We intend to continuously add new projects in Malaysia and the region.

It is of note that these projects are being financed by a Multi-tranche Green Term Loan Facility that has been assigned a "Gold" assessment by Malaysian Rating Corporation Berhad ("MARC"), the highest assessment on MARC's scale for green financing instruments. This is the first "Gold" green loan assessed by MARC in Malaysia and demonstrates our commitment to SDG 7.

Don Sahong won the Silver award for the Hydro Power Project of the Year at the Asian Power Awards 2020 recognising the most outstanding companies with groundbreaking projects and trailblazing initiatives in Asia's power sector and this is testament to our capabilities to successfully carry out large scale projects from start to finish.

The Group is actively seeking and continuously assessing projects that come our way but as of now, many have not met our stringent risk assessment and return requirements. While Don Sahong is delivering substantial income, we will always take a calculated approach and are mindful not to commit to new projects without thorough evaluation to safeguard our recurring income and shareholder interests.

Resources Division

Despite the various business interruptions caused by the COVID-19 pandemic, the Resources Division performed reasonably well with profit before tax increasing 14.0% from the previous year. This is the combined result of securing a large contract during the year that offset lower orders from existing customers, lower fuel costs as well as effective cost control and improved plant efficiency.

Moving into 2021, we anticipate that economic conditions are likely to remain volatile. The division is also expected to encounter operational challenges such as higher freight rates, rising fuel and packaging costs as well as unpredictable movements in the foreign currency exchange rates, notably between MYR and the US Dollar. Nonetheless, we are cautiously optimistic that orders from our existing customers will slowly start to pick up as industries start to recover from the COVID-19 pandemic.

The main aim on the division right now is to focus its sales and marketing efforts on securing more customers across a more diversified pool of industries and countries in order to provide a stable revenue stream in the event of any drastic drop in sales orders from a specific economic activity or geographical sector due to logistics interruptions.

We remain confident that the division will be able to manage the potentially volatile market conditions given its success in navigating the business turmoil wreaked by the COVID-19 pandemic. Barring any unforeseen circumstances, the division is expected to perform satisfactorily in 2021.

Packaging Division

The Packaging Division recorded its best financial results yet due to an increase in sales from both domestic and overseas customers as well as improved cost control from various production efficiency and waste control initiatives.

The division's main packaging products, namely paper bags and flexible plastic packaging products are facing increasing demand as consumers become more environmentally conscious and look towards more sustainable forms of packaging materials. The demand for the Group's packaging products is expected to remain robust in 2021.

Production for both products have reached near capacity levels after three consecutive quarters of strong growth. To cope with customer demand, the division has embarked on a major expansion plan that is currently underway. By the end of the 3rd quarter of 2021, the production capacity of paper bags and flexible packaging will be increased by 200% and 100% respectively. We intend to continue to aggressively add capacity as the plant capacities gets filled up.

The division is expected to face multiple cost pressures and some margin compression in 2021 as a result of rising raw material prices, higher freight charges and higher logistics costs. However, we believe these cost pressures are an industry wide phenomenon and we expect we will be able to manage these cost pressures effectively. Overall, we expect 2021 earnings to be significantly better than 2020.

Plantation Division

The development of our plantation in Mondulkiri, Cambodia is progressing satisfactorily despite some logistics and labour disruptions caused by the COVID-19 pandemic. The main crops planted are coconuts and macadamia nuts and we forecast that these will start bearing fruit in stages in the next 3 to 5 years. We expect to process these two crops into downstream products that will promote our consumer focused lifestyle division that focuses on health foods. Upon completion of development of this plantation, we expect to be one of the largest coconut and macadamia plantations on a single site in the world.

SHAREHOLDER VALUE CREATION

The Board of Directors and management are mindful that shareholder value creation is the top priority of all shareholders. Our existing divisions are independently managed by experienced teams who are specialists the industries they are in. They manage their own division's performance and have laid the groundwork for long term sustainable growth each year. In terms of new opportunities, we consider long term profitability and sustainability to be of utmost importance and remain prudent in evaluating any opportunities that arise.

The Group won two awards during the year at The Edge Billion Ringgit Club 2020 awards. The two awards were Highest Return to Shareholders over three years as well as Highest Growth in Profit after Tax over three years. This is in line with our consistent track record of delivering shareholder value as evidenced by the steady growth in our shareholders equity position and market capitalisation each year.

With the commencement of Don Sahong's operations, the Group will generate a healthy stream of recurring cash flow for the next 25 years. Management will continue to manage the Group's future cash flow prudently. In the short term, this cash will be used mainly to defray the debt incurred on Don Sahong, to fund the Group's expansion plans, to fund any new projects and to pay out dividends to shareholders.

The Board of Directors is pleased to highlight that it has declared a total dividend of 12.5 sen per ordinary share for the financial year ended 31 December 2020, a 108% increase from 6.0 sen in 2019.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our management team and employees. The COVID-19 pandemic has thrown many challenges your way and despite it all, everyone has worked together to deliver a solid financial performance that we are all proud of.

I would also like to thank all our bankers, customers, suppliers and business associates for their support throughout the year.

To my fellow Board Members, I have enjoyed working with you and hope that we continue to have fruitful discussions to guide the future direction of the Group.

Finally, I would like to thank all our shareholders for their continued support and confidence. Your confidence in us is not misplaced and we look forward to continue having you with us on our journey of growth ahead.