CHAIRMAN'S STATEMENT

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors, I am pleased to present Mega First Corporation Berhad's Annual Report for the financial year ended 31 December 2023 ("FY2023").

2023 was a challenging year marked by heightened geopolitical conflicts and a post-pandemic sluggish global economic landscape, fueled by persistent inflationary pressures, supply chain disruptions, expansionary monetary policies and wavering consumer confidence across the globe.

In the face of these unfavorable operating conditions, I am immensely proud to share that we have still managed to deliver yet another strong financial performance in FY2023.

DELIVERING RESULTS AND GROWING SUSTAINABLY

In FY2023, the Group recorded a recurrent revenue (excluding Serudong Power Sdn Bhd) of RM1.25 billion (FY2022: RM1.23 billion). The Group's three core divisions reported a 5.1% increase in profit before tax ("PBT") to RM494.5 million (FY2022: RM470.6 million) and achieved an after-tax positive cash flow of RM585.1 million from operating activities. Despite expansionary capital expenditure and investments of RM687.1 million, the Group has managed to maintain a healthy net debt-to-equity (including hire purchase liabilities) of 12.5%.

For FY2023, I am also delighted to share that the Board has approved and declared an improved dividend payout of 8.25 sen (FY2022: 7.45 sen) per ordinary share. This dividend payout represents our commitment to delivering value to our shareholders and recognition of dividends as a means of providing a return to shareholders. As always, we will strive to maintain a healthy balance between distributing profits and reinvesting for better opportunities and growth prospects.

RENEWABLE ENERGY ("RE") DIVISION

Our RE Division delivered yet another year of strong earnings. It continued to be the largest contributor to the Group's overall income, contributing 91.8% (FY2022: 85.6%) to the Group's total PBT.

Some highlights of the RE Division's achievements in FY2023 and prospects for FY2024 include:

i. Don Sahong Hydropower Plant ("DSHP")

DSHP posted a record high PBT of RM434.4 million in FY2023 (+3.7% year-on-year) despite a 3.2 percentage-point decline in the average Energy Availability Factor ("EAF") to 91.4%. This was largely due to currency gains, a 1% energy tariff adjustment and a lower net interest expense.

Moving forward, PBT is anticipated to continue to grow in FY2024. Our optimism is premised on:

1) An additional 65 MW of generation capacity from the expected commercialisation of DSHP's 5th turbine in July 2024, increasing DSHP's generation capacity to 325 MW from 260 MW; and

2) A 1% energy tariff adjustment.

To note, net profit attributable to shareholders will get a further lift in FY2024 from the increase in the Company's effective equity interest in Don Sahong Power Company Limited ("DSPC") from 80% to 95% from 1 January 2024 onwards.

ii. Commercial & Industrial Solar Photovoltaic ("C&I Solar PV") Investment

Our solar energy sales revenue grew by 36.1% to RM8.7 million in FY2023, with 9.1 MWp added during the year to reach a cumulative energised capacity of 27.0 MWp. Earnings are also expected to increase in FY2024, in line with the progressive installation of the Division's pipeline of projects.

The additional 65.5 MWp solar projects that have been secured in FY2023 are as below:

1) 7.6 MWp C&I solar projects, which are expected to be progressively commissioned and energised in FY2024;

2) 11.4 MWp solar farm project with Fenaka Corporation Limited, a state utility company in the Republic of Maldives. This project is expected to be completed in FY2024; and

3) 46.5 MWp solar farm project in Malaysia under the Corporate Green Power Programme ("CGPP") by the Energy Commission. This project is expected to be commercially operational in FY2025.

Upon the successful completion of the above projects, the Group's total solar portfolio will increase significantly to 92.5 MWp from 27.0 MWp as at 31 December 2023.

Going forward, we will continue to build on our expertise and experience in RE within the APAC region, by exploring and reinvesting our strong cash flows into other RE projects. Having said that, we will only invest in RE projects that pass our stringent risk assessments and which can generate healthy and sustainable returns to shareholders without harming the environment.

PACKAGING DIVISION

Our Packaging Division posted an incremental revenue and PBT of RM402.3 million (+0.8%) and RM33.6 million (+0.2%) respectively in FY2023. This achievement is noteworthy, considering the heightened competition and weak consumer demand faced throughout the year.

Looking ahead, the operating environment is expected to remain challenging in FY2024, mirroring the conditions and pressures faced in FY2023. However, we are optimistic that we will be able to sustain our earnings growth, as we continue to pursue our ongoing initiatives to broaden our customer base and further enhance our market penetration strategies.

To note, the construction of the Division's two new factory buildings in Melaka and Bangi for Hexachase and Stenta respectively is on track for completion in 2Q2024. While the business landscape is expected to remain challenging for some time, we are confident that our commitment to these factory expansions and industry advancements will position us strongly for sustained long-term profitability.

RESOURCES DIVISION

Our Resources Division recorded an all-time high PBT of RM23.3 million in FY2023, representing a 34.0% year-on-year growth. This was recorded in spite of a 1.7% decrease in revenue to RM202.9 million thanks to our team's consistent efforts to improve our profit margins.

In light of the sluggish global economy, mining activity across the region and industrial demand for our products are expected to remain subdued in 2024. Nevertheless, we are optimistic that our total sales volume will register growth and the Division will deliver improved earnings in FY2024, as we continue to diligently monitor our costs and pricing and actively widen our customer base.

Please refer to the Management's Discussion and Analysis on pages 18-22 of this Annual Report for further details on the Group's and each Division's financial performance.

FOOD SECURITY DIVISION

As of the end of FY2023, the cumulative planted area of our plantation in Cambodia totalled an estimated 2,560 hectares, comprising 1,830 hectares of coconuts and 730 hectares of macadamias. The coconut trees will progressively reach commercial scale maturity starting from 2024, while the macadamia trees are expected take another 1-2 years to reach the same.

After careful consideration, we have opted to concentrate on harvesting flower sap of the coconut trees, and refining it into coconut sugar products, including syrup and granulated sugar. This strategic choice is motivated by the scarcity of pure, unadulterated coconut sugar products in both industrial and retail markets, alongside a steady and expanding global demand (forecasted CAGR: 4.8% from 2018-2030). This market potential is underpinned by the superior health benefits of coconut sugar compared to refined white sugar.

We are confident that leveraging the capacity of our plantation presents a significant opportunity to meet the burgeoning global demand for coconut sugar products. Upon reaching maximum harvest capacity, we anticipate establishing ourselves as the largest and foremost fully integrated company dedicated to coconut sugar products worldwide.

Looking ahead, our commitment remains steadfast in nurturing and expanding the Food Security Division to make a substantial contribution to the Group's long-term earnings, whether through expansion, diversification or strategic acquisitions.

SUSTAINABILITY FOR A BETTER WORLD

I am pleased to announce that we were rated AA in the MSCI ESG Ratings last year, marking an improvement from our previous rating of A. This marks a milestone in our journey towards becoming a leading Malaysian company that is committed to embracing sustainable practices in our everyday operations, and recognising the profound impact our businesses can have on the environment and society.

We are currently on track to reach our ESG-related targets, namely to achieve net zero emissions by 2050, enhance the livelihoods of 3,000 people in nearby communities by 2030 and to have 100% of our Tier 1 suppliers in compliance with our Responsible Sourcing Policy by 2030.

For a more in-depth analysis and detailed understanding on our ESG efforts, kindly refer to pages 23-76 of our Sustainability Report.

AWARDS AND RECOGNITION

I am humbled to report that we were named Company of the Year at The Edge Billion Ringgit Club ("BRC") Awards for 2023. This is the 10th time we have been awarded by The Edge BRC and the 6th consecutive year that we have been recognised by them.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to extend my gratitude and thanks to all our stakeholders for their contributions and unwavering support over the past year.

To our shareholders, thank you for your continued trust and confidence in our vision and leadership. Your investment in our Company fuels our growth and drives us to achieve excellence in everything we do.

To our customers, suppliers and partners, thank you for your trust, dedication and partnership that have allowed us to deliver value and positioned us for sustainable growth.

To our employees, thank you for your resilience, loyalty, hard work and commitment, especially during these challenging times. We would not be where we are without each and every one of you.

Finally, I would like to express my appreciation to our Board of Directors and management teams for their strategic guidance, leadership, and relentless pursuit of excellence. Together, we have navigated through uncertainties and capitalised on opportunities, positioning the Company for greater successes.

As we look ahead, I am confident that with the continued support of our stakeholders, including our shareholders, bankers, employees, management teams, and Board of Directors, we will achieve even greater heights together in the future.