

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

**Interim Financial Report
31 December 2008**

Unaudited Condensed Consolidated Income Statements
For the fourth quarter and 12-month period ended 31 December 2008

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Year 4 th Quarter 31.12.2008 RM'000	Preceding Year Corresponding 4 th Quarter 31.12.2007 RM'000	Current Year To date 31.12.2008 RM'000	Preceding Year Corresponding Period 31.12.2007 RM'000
Revenue	A8	123,392	122,751	500,889	471,813
Operating expenses		(116,211)	(118,034)	(457,355)	(400,898)
Other income		3,772	16,166	36,644	31,797
Profit from operations		10,953	20,883	80,178	102,712
Finance costs		(1,225)	(1,637)	(5,567)	(6,887)
Share of profit/(loss) in an associate		(257)	86	265	(86)
Profit before tax	A8	9,471	19,332	74,876	95,739
Income tax expense		(1,658)	(3,147)	(9,066)	(13,252)
Profit for the financial year		7,813	16,185	65,810	82,487
Attributable to :					
Equity holders of the Company		5,857	7,795	40,504	50,463
Minority interests		1,956	8,390	25,306	32,024
		7,813	16,185	65,810	82,487
EPS - Basic (sen)	B14	2.49	3.28	17.23	21.23
- Diluted (sen)	B14	2.48	3.26	17.07	21.10

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Balance Sheets
As at 31 December 2008

	Unaudited	Audited
	As At	As At
	31.12.08	31.12.07
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	208,371	221,216
Associate	4,263	3,998
Investments	5,813	10,899
Prepaid lease payments	3,691	3,680
Investment properties	71,744	45,259
Land held for property development	65,567	68,684
Goodwill on consolidation	10,027	10,027
	<u>369,476</u>	<u>363,763</u>
Current Assets		
Inventories	41,294	39,891
Property development	22,681	14,920
Receivables	120,093	122,151
Bank balances and deposits	141,597	121,928
	<u>325,665</u>	<u>298,890</u>
TOTAL ASSETS	<u><u>695,141</u></u>	<u><u>662,653</u></u>
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Company		
Share capital	239,283	239,212
Treasury shares	(6,412)	(3,893)
Reserves	157,793	116,587
	<u>390,664</u>	<u>351,906</u>
Minority Interests	<u>138,037</u>	<u>110,557</u>
Total Equity	<u><u>528,701</u></u>	<u><u>462,463</u></u>
Non-Current Liabilities		
Long-term borrowings	12,665	23,745
Retirement benefit obligations	523	736
Hire purchase payables	9	1,855
Deferred taxation	24,502	26,193
	<u>37,699</u>	<u>52,529</u>
Current Liabilities		
Payables	57,783	84,765
Short-term borrowings	67,763	56,561
Taxation	3,195	6,335
	<u>128,741</u>	<u>147,661</u>
Total Liabilities	<u><u>166,440</u></u>	<u><u>200,190</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>695,141</u></u>	<u><u>662,653</u></u>
Net Assets Per Ordinary Share (RM)	<u><u>1.67</u></u>	<u><u>1.49</u></u>

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Statement Of Changes In Equity
For the 12-month period ended 31 December 2008

	← Attributable to equity holders of the parent →							Distributable	Minority Interests	Total Equity
	← Non-distributable reserves →			Share Option Reserve	Translation Reserve	Capital Reserve	Retained Profits			
	Share Capital	Share Premium	Treasury Shares	Share Option Reserve	Translation Reserve	Capital Reserve	Retained Profits	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2007	236,000	33,380	-	28	6,650	2,213	36,548	314,819	124,913	439,732
Currency translation differences	-	-	-	-	(4,017)	-	-	(4,017)	(1,646)	(5,663)
Profit for the financial year	-	-	-	-	-	-	50,463	50,463	32,024	82,487
Dividends	-	-	-	-	-	-	(8,678)	(8,678)	(44,734)	(53,412)
Issue of ordinary shares pursuant to ESOS	3,212	-	-	-	-	-	-	3,212	-	3,212
Purchase of treasury shares	-	-	(3,893)	-	-	-	-	(3,893)	-	(3,893)
Balance at 1 January 2008	239,212	33,380	(3,893)	28	2,633	2,213	78,333	351,906	110,557	462,463
Currency translation differences	-	-	-	-	10,270	-	-	10,270	5,827	16,097
Profit for the financial year	-	-	-	-	-	-	40,504	40,504	25,306	65,810
Dividends	-	-	-	-	-	-	(9,568)	(9,568)	(3,653)	(13,221)
Arising from deconsolidation of a foreign subsidiary	-	-	-	-	2,462	-	(2,462)	-	-	-
Issue of ordinary shares pursuant to ESOS	71	-	-	-	-	-	-	71	-	71
Purchase of treasury shares	-	-	(2,519)	-	-	-	-	(2,519)	-	(2,519)
Balance at 31 December 2008	239,283	33,380	(6,412)	28	15,365	2,213	106,807	390,664	138,037	528,701

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report.

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

Unaudited Condensed Consolidated Cash Flow Statements
For the 12-month period ended 31 December 2008

	31.12.2008	31.12.2007
	RM'000	RM'000
Profit before tax	74,876	95,739
Adjustments for non-cash flow	6,856	9,394
- Non-cash items	4,935	(2,116)
- Non-operating items		
Operating profit before changes in working capital	86,667	103,017
Changes in working capital	(11,830)	10,207
- Net change in current assets	(3,576)	1,101
- Net change in current liabilities		
Cash generated from operations	71,261	114,325
Income tax paid	(11,974)	(22,222)
Net cash from operating activities	59,287	92,103
Cash flows from/(for) investing activities		
Interest received	2,847	2,693
Dividend received	170	190
Cash returned	-	213
Decrease in land held for property development	3,117	2,163
Increase in investment properties	(33)	(33)
Net cash inflow from deconsolidation of a foreign subsidiary	2,985	3,657
Net cash inflow from disposal of subsidiaries	51	-
Net cash outflow from acquisition of subsidiaries	-	(8,917)
Proceeds from disposal of property, plant and equipment	838	1,192
Purchase of property, plant and equipment	(7,727)	(19,401)
Proceeds from disposal of quoted investments	-	9,603
Purchase of quoted investments	-	(7,123)
Net cash from/(for) investing activities	2,248	(15,763)
Cash flows for financing activities		
Interest paid	(5,567)	(6,887)
Dividends paid to minority shareholders	(26,403)	(26,657)
Dividends paid to shareholders	(9,568)	(8,678)
Repayment from a subsidiary	(126)	-
Increase/(Decrease) in:		
Short-term borrowings, excluding bank overdrafts and long-term borrowings due within 12 months	231	(3,145)
Hire purchase payables	(66)	(898)
Proceeds from issue of shares pursuant to ESOS	71	3,212
Purchase of treasury shares	(2,519)	(3,893)
Proceeds from term loans	14,397	9,356
Repayment of terms loans	(1,794)	(4,133)
Repayment of bonds	(7,000)	(8,000)
Net cash for financing activities	(38,344)	(49,723)
Net increase in cash and cash equivalents	23,191	26,617
Cash and cash equivalents at beginning of the period	114,463	88,621
Effect of exchange differences	3,849	(775)
Cash and cash equivalents at end of the period	141,503	114,463

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report.

Notes to the interim financial report

A EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.

The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

- (a) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segments

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

- (b) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4 Insurance Contracts
FRS 7 Financial Instruments : Disclosures
FRS 139 Financial Instruments : Recognition and Measurement

FRS 4 is not relevant to the Group’s operations. The possible impacts of applying FRS 7 and FRS 139 upon their initial application are exempted by virtue of the exemptions given in these standards.

- (c) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 10 Interim Financial Reporting and Impairment

A1. Basis of preparation (Cont'd)

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

Other than as disclosed in the foregoing paragraph, the accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those in the financial statements for the financial year ended 31 December 2007.

A2. Qualification of financial statement

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2007 was not subject to any qualification other than a qualified report on the ability of one of its foreign subsidiary, Bloxwich Industries (Proprietary) Limited ("BIPL"), to continue its operations as a going concern.

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 are 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 financial years/periods that have a material effect in the current quarter and financial year ended 31 December 2008.

A6. Debt and equity securities

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
As at 1.1.2008	239,212	2,661	239,212	(3,893)
Issue of shares pursuant to ESOS	71	-	71	-
	239,283	2,661	239,283	(3,893)
Purchase of treasury shares	-	2,249	-	(2,519)
As at 31.12.2008	239,283	4,910	239,283	(6,412)

6.1 Share options exercised

During the financial year, 71,000 ordinary shares of RM1 each were issued at par pursuant to the exercise of options under the Company's Employee Share Option Scheme. As at 31 December 2008, options over 2,969,000 (2007 : 2,245,000) unissued ordinary shares remained outstanding.

6.2 Treasury Shares

During the financial year, the Company purchased 2,249,000 of its issued ordinary shares from the open market at an average price of RM1.112 per share for a total consideration of RM2,518,705 comprising purchase price of RM2,499,833 and total transaction cost of RM18,872. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 239,283,000 (2007 : 239,212,000) issued and fully paid ordinary shares as at 31 December 2008, 4,909,800 ordinary shares (2007 : 2,660,800) were held as treasury shares by the Company. As at 31 December 2008, the number of outstanding ordinary shares in issue and fully paid amounted to 234,373,200 (2007 : 236,551,200).

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

A7. Dividend paid

A final dividend of 3.5% less income tax of 26% amounting to RM6,093,190 for the financial year ended 31 December 2007 was approved by the shareholders at the Annual General Meeting held on 22 May 2008 and paid on 11 July 2008.

An interim dividend of 2.0% less income tax of 26% amounting to RM4,695,758 for the financial year ended 31 December 2008 (2007 : interim dividend of 2.0% less income tax of 27%) was paid on 16 October 2008.

A8. Segment information for the financial year ended 31 December 2008

	Revenue RM'000	Profit/(Loss) Before Tax RM'000
By Activity		
<u>Continuing operations:</u>		
Build, own and operate power plants	393,294	43,128
Property development and investment	34,453	32,483
Quarrying of limestone, manufacturing and trading of calcium carbonate powder, lime based products and calcium silicate bricks	63,475	7,876
Engineering, designing and manufacturing of automotive and transportation components	9,563	(1,806)
Investment holding and others	104	(7,070)
Associate	-	265
	<u>500,889</u>	<u>74,876</u>

A9. Valuation of property, plant and equipment

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

A10. Events subsequent to the balance sheet date

- (a) On 7 January 2009, the Company disposed two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Mega First Online Sdn. Bhd. ("MFO"), a dormant company, for a total cash consideration of RM2.00.

A10. Events subsequent to the balance sheet date (Cont'd)

- (b) On 19 January 2009, BIPL, a wholly-owned subsidiary of Bloxwich International Sdn. Bhd. (“BISB”) which in turn is a wholly-owned subsidiary of the Company, was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL.

Other than as disclosed above, there was no material event subsequent to the end of the period reported up to 19 February 2009, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

A11. Changes in composition of the Group

- (a) On 27 June 2008, Mega First Power (HK) Limited (“MFPL”) was incorporated in Hong Kong. MFPL is a wholly-owned subsidiary of Mega First Power Industries Sdn. Bhd. (“MFPI”) which in turn is a wholly-owned subsidiary of the Company. MFPL has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Its issued and paid-up share capital is HK\$10 divided into 10 fully paid ordinary shares of HK\$1 each.

On 12 November 2008, MFPL completed its acquisition of 60% equity interest in Shaoxing Mega Heat and Power Co., Limited from MFPI for the purchase consideration of RMB112.2 million pursuant to an internal rationalisation exercise involving the said wholly-owned subsidiaries of the Group.

- (b) On 4 July 2008, Don Sahong Power Company Limited (“DSPCL”) was incorporated in the British Virgin Islands as a private limited company with an authorised share capital of 300,000,000 shares of USD1.00 each. It has an initial issued and paid-up share capital of 10,000 shares of USD1.00 each. DSPCL is a 70%-owned subsidiary of the Company with IJM Corporation Berhad holding the remaining 30% equity interest.

DSPCL is a special purpose vehicle to hold, together with the Government of the Lao People’s Democratic Republic (“GOL”) and other investors, the shares in a project company that will be undertaking the development and operation of the hydroelectric power project in Don Sahong, Khong District, Champasak Province, GOL.

- (c) On 4 November 2008, BISB entered into an agreement with Crescendo Group (Pty) Ltd (“Purchaser”) for the disposal of BISB’s entire equity interest in BIPL for the total cash consideration of R10,000,000 (South African Rand) (equivalent to approximately RM3.4 million). The agreement was subsequently cancelled and the deposit paid was forfeited due to a material breach of the agreement by the Purchaser.

On 19 January 2009, BIPL was placed under liquidation pursuant to a winding-up Order granted by the High Court of South Africa in Durban, Republic of South Africa upon the voluntary petition of BIPL.

- (d) On 26 December 2008, Mega First Industries Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Grassum Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.

A11. Changes in composition of the Group (Cont'd)

- (e) On 26 December 2008, Mamut Copper Mining Sdn. Bhd., a wholly-owned subsidiary of the Company, disposed two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of MCM Nurseries Sdn. Bhd., a dormant company, for a total cash consideration of RM2.00.
- (f) On 7 January 2009, the Company disposed two (2) fully paid ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of MFO for a total cash consideration of RM2.00.

Other than as disclosed above, there was no material change in the composition of the Group for the financial year ended 31 December 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12. Changes in contingent liabilities and assets

- (a) Contingent liabilities

The Group has the following contingent liability as at 19 February 2009, the latest practical date which is not earlier than seven days from the date of issue of these financial statements:

	<u>RM'000</u>
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah	<u>7,871</u>

- (b) Contingent assets

The Group has no contingent asset as at 19 February 2009, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

(a) Current quarter

For the current quarter under review, the Group's revenue of RM123.4 million was 0.5% higher than the corresponding period last year of RM122.8 million. However, pre-tax profit decreased by 51.0% to RM9.5 million.

The lower pre-tax profit was largely attributable to lower contribution from the Power, Property and Limestone Divisions, partially offset by lower loss in the Engineering Division.

(b) For the financial year ended 31 December 2008

For the financial year ended 31 December 2008, the Group's revenue of RM500.9 million was 6.2% higher than the corresponding period last year of RM471.8 million. However, pre-tax profit decreased by 21.8% to RM74.9 million.

The lower pre-tax profit was largely attributable to lower contribution from the Power Division and the Limestone Division, partially offset by higher contribution from the Property Division and lower loss in the Engineering Division.

B2. Variation of results against preceding quarter

The Group's revenue and pre-tax profit for the current quarter decreased by 12.2% and 23.9%, respectively, as compared to the preceding quarter. The Power Division and the Property Division respectively recorded a pre-tax profit of RM9.3 million and RM4.5 million. However, the Limestone and Engineering Divisions recorded losses of RM325,000 and RM848,000, respectively.

B3. Prospects

The Board is cautiously optimistic that the financial results will continue to be satisfactory in 2009 in the face of prevailing uncertainties in the global financial economy.

B4. Profit forecast

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

B5. Tax expense

	Current Quarter ended 31.12.2008 RM'000	Current Year ended 31.12.2008 RM'000
Current tax expense:		
Malaysian	(364)	3,576
Overseas	2,022	5,490
	<u>1,658</u>	<u>9,066</u>

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2008 was lower than the statutory tax rate due mainly to the fair value gain adjustment of the Group's investment property, which is non-taxable, and the income earned in China which is taxed at a rate of 18 per cent.

B6. Unquoted investments and properties

There was no material sale or purchase of unquoted investment or property during the current quarter and financial year ended 31 December 2008.

B7. Quoted investment

- (a) There was no sale or purchase of quoted investment during the current quarter and financial year ended 31 December 2008.
- (b) Investments in quoted securities as at 31 December 2008

	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	<u>10,564</u>	<u>5,478</u>	<u>5,478</u>

B8. Status of corporate proposal

On 6 March 2007, RCI announced that the company was proposing to establish an Employees' Share Option Scheme ("ESOS") for the benefit of the eligible Executive Directors and employees of RCI and its subsidiaries. The ESOS was approved by the shareholders of RCI on 25 April 2007 and has yet to become effective.

Other than as disclosed above, there was no corporate proposal announced but not completed as at 19 February 2009, the latest practical date which is not earlier than seven days from the date of issue of these financial statements.

B9. Borrowing and debt securities

Group borrowings as at 31 December 2008:

	<u>RM'000</u>
<u>Short term borrowings</u>	
<i>Secured Denominated in :</i>	
Renminbi (RMB37,000,000)	19,240
Ringgit Malaysia	12,763
	<u>32,003</u>
<i>Unsecured Denominated in :</i>	
Renminbi (RMB63,000,000)	32,760
Ringgit Malaysia	3,000
	67,763
<u>Long term borrowings</u>	
<i>Secured Denominated in :</i>	
Ringgit Malaysia	<u>12,665</u>
	<u><u>80,428</u></u>

B10. Off balance sheet financial instruments

There was no financial instrument with off balance sheet risk as at 19 February 2009, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B11. Changes in material litigation

There was no pending material litigation as at 19 February 2009, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B12. Capital commitments

As at 31 December 2008, the Group has the following commitments:

	<u>RM'000</u>
Property, plant and equipment and investment	
Authorised and contracted but not provided for	498
Authorised but not contracted for	<u>49,403</u>
	<u><u>49,901</u></u>

B13. Dividend

The Board is pleased to propose a final dividend of 3.5% less income tax of 25% for the financial year ended 31 December 2008 (2007 : 3.5% less income tax of 26%). 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 book closure and payment dates will be determined later.

B14. Earnings per share

	Quarter ended		Period ended	
	31 December		31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Profit for the period attributable to ordinary equity holders of the Company	5,857	7,795	40,504	50,463
Weighted average number of ordinary shares in issue ('000)	235,145	237,724	235,145	237,724
Basic earnings per share (sen)	2.49	3.28	17.23	21.23
Diluted earnings per share				
Profit for the period attributable to ordinary equity holders of the Company	5,857	7,795	40,504	50,463
Dilutive effects of outstanding employees' share options	48	21	153	180
Diluted earnings	5,905	7,816	40,657	50,643
Weighted average number of ordinary shares in issue ('000)	235,145	237,724	235,145	237,724
Adjustment for share options ('000)	2,969	2,245	2,969	2,245
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	238,114	239,969	238,114	239,969
Diluted earnings per share (sen)	2.48	3.26	17.07	21.10

B15. Significant related party transaction

- (a) The details of the transactions with subsidiaries and key management personnel are as follows:

	<u>RM'000</u>
Subsidiaries	
Management fee from a foreign subsidiary which has been put into liquidation	989
Key management personnel	
Directors' fee	173
Salary, bonus and other remuneration, including benefits-in-kind (gross)	<u>2,897</u>

- (b) The movement in share options of key management personnel is as follows:

	<u>RM'000</u>
As at 1.1.2008	1,520
Granted	<u>850</u>
As at 31.12.2008	<u><u>2,370</u></u>

Other than as disclosed above, there was no significant related party transaction during the financial year ended 31 December 2008.

BY ORDER OF THE BOARD

Yong Lai Sim
Ghee Yoke Ping
Secretaries

Kuala Lumpur
26 February 2009