FINANCIAL PERFORMANCE

The Group managed another commendable performance in 2009 despite the depressed global economy. Group revenue came in at RM1.89 billion, registering a decline of 8.25% or RM0.17 billion over the previous year's RM2.06 billion. The South Pacific Islands economies where our major subsidiaries, namely W.R. Carpenter (PNG) Limited and W.R. Carpenter (South Pacific) Limited operate were especially hard hit by the global recession, with both companies accounting for 94.94 % of the decline in the Group's revenue. The decline in revenue was compounded by the devaluation of the Fijian Dollar by 20% (on 15 April 2009) by the Reserve Bank of Fiji.

For the year under review, profit before tax of the Group was RM140.28 million compared to RM131.31 million in 2008, an increase of RM8.97 million or 6.83%. Profit after tax also increased in tandem with the profit before tax, to RM109.81 million from RM95.63 million previously, an increase of RM14.18 million or 14.83%.

Included in profit before tax was non-operating profits which was non-recurring in nature, of RM48.36 million against RM46.29 million last year. These comprised principally of waiver of debts and interest and reversal of provision for liabilities arising from a legal settlement (RM61.26 million) and a gain on deconsolidation of a subsidiary (RM4.45 million) which were partially set-off against provision for liabilities (RM10.34 million), impairment of property, plant and equipment (RM4.59 million) and losses from a flood in Fiji (RM2.54 million).

The Group's operating profits before tax was RM91.92 million, higher than the previous year's by RM6.90 million (2008: RM85.02 million) or 8.11%. This was due mainly to the improved contribution by the Group's Card and Payment Services subsidiary, MBF Cards (M'sia) Sdn Bhd, which registered a profit before tax of RM87.31 million principally due to lower card acquisition costs and savings in operational expenses on lower number of cards issued and coupled with the interest savings from the settlement of a legal suit by MBfH.

OPERATIONS REVIEW

1. W.R. CARPENTER (PNG) LIMITED AND SUBSIDIARIES ("PNG Group")

The PNG Group registered a revenue of Kina637.99 million (RM833.85 million), a decrease of Kina58.06 million (RM45.26 million) or 8.34% compared to Kina696.05 million (RM879.11 million) in 2008. The Agriculture, IT, Merchandise and Hardware Divisions recorded a positive revenue growth, while the coconut oil mill experienced a loss of Kina2.77 million (RM3.62 million) due to declining global prices of coconut oil and lower production at the mill. The Retail and Cannery Divisions registered marginal declines in revenue.

Consequently the PNG Group recorded a loss before tax of Kina0.19 million (RM0.25 million) in 2009 from a profit before tax of Kina52.10 million (RM65.80 million) in 2008. However, it must be noted that the profits achieved in the previous year also comprised gains from the disposal of quoted investments and impairment of goodwill resulting in a net gain of Kina13.31 million (RM16.38 million) which were non-recurring in nature.

The individual divisional performances are as follows:

a) Automotive Division

This Division remained the largest contributor to the PNG Group's profit before tax and revenue, registering profit before tax of Kina18.81 million (RM24.58 million) on the back of a revenue of Kina297.49 million (RM388.82 million). Revenue increased by 1.57% while profit before tax declined by 33.93%, as compared to the previous year, attributed to the global economic recession as margins squeezed and operating costs increased. The results were nonetheless commendable in a difficult year.

b) IT Division

This Division recorded a revenue of Kina95.87 million (RM125.30 million) reflecting a growth of 18.81 % or Kina15.18 million (RM23.39 million) compared to Kina 80.69 million (RM101.91 million) in 2008. However, the profit before tax was Kina1.52 million (RM1.99 million), an improvement of Kina0.61 million (RM0.84 million) or 67.03% due principally to contributions from the branches set up in the previous year.

The IT Division continued to strengthen its presence in the Pacific Region during the year.

c) Agriculture Division

The Agriculture Division comprising plantation and farming operations experienced a year of mixed fortunes.

Coffee prices fell during the year as the New York Commodities (NYC) dropped by nearly 30% compared to the previous year. In addition, coffee production decreased as supply from the outgrowers was lower compared to 2008. The world tea markets improved slightly during the last quarter of 2009. However, prices were generally low for the Division's tea production, which registered a further decline due to erratic weather patterns and pest attack. Copra prices were substantially low during 2009 due to the drop in crude coconut oil price in the world. Cocoa operations registered a decline of 72% due to reduced yields during 2009 compared to the previous year which is a cyclical feature of this crop. New operations were introduced during the later half of the year namely Balsa Mill which had a negative return being in the gestation stage but expected to contribute substantial positive returns in 2010.

The Division as a whole recorded a loss before tax of Kina5.60 million (RM7.32 million) on a higher revenue of Kina93.82 million (RM122.62 million), a sharp decrease compared to a profit before tax of Kina2.69 million (RM3.40 million) in 2008 on a revenue of Kina 91.33 million (RM115.35 million). The loss was also partially due to the impairment of the prawn farming plant and equipment of Kina1.50 million (RM1.96 million) and writedown of obsolete equipment spares parts of Kina0.24 million (RM0.31 million).

d) Coconut Oil Mill Division

Crude coconut oil ("CNO") prices which started declining from the second half of 2008 stabilized during the year, but fell sharply by December 2009. The coconut oil mill recorded a reversal of fortunes after the previous year's sterling performance, recording a revenue of Kina60.13 million (RM78.59 million) compared to Kina140.22 million (RM177.10 million) in 2008, a decrease of Kina80.09 million (RM98.51 million) or 57.12% due mainly to declining global oil prices after a spike in 2008, as well as lower production at the mill. CNO annual average price for 2007, 2008 and 2009 was USD919 (Kina2,666), USD1,224 (Kina3,230) and USD725 (Kina1,954) per metric tonne respectively. This resulted in a loss before tax of Kina2.77 million (RM3.62 million) as compared to the previous year's profit before tax of Kina21.42 million (RM27.05 million), resulting in a negative variance of Kina24.19 million (RM30.67 million).

To put this Division's performance in perspective, the value of copra and copra oil exported by the nation of PNG in the 3rd Quarter 2009 declined by 45.3% and 19.1% respectively, against the corresponding period in 2008. This was primarily due to rising costs of production of copra on the back of higher fuel and freight costs which forced most producers to cultivate alternative cash crops, which in turn resulted in lower volumes of copra being purchased by the two domestic copra oil mills for processing and exporting due to the rising costs of raw materials. The average export price of copra and CNO also declined to Kina904 per tonne, and Kina1,904 per tonne from Kina1,463 per tonne and Kina3,578 per tonne, or 38.21% and 46.79% respectively, against the previous year's corresponding quarter. This was mainly due to higher production and exports by Philippines, the world's major producer.

e) **Retail Division**

PNG Group's Retail Division comprising merchandise & hardware business and Courts operations registered a revenue of Kina55.39 million (RM72.40 million) which was marginally higher than Kina54.45 million (RM68.77 million) in the previous year. However, the Division recorded a loss before tax of Kina2.45 million (RM3.20 million) against a combined profit before tax of Kina1.43 million (RM1.80 million) in 2008 due principally to the slowdown in the economy and the writedown of value of inventories.

f) **Cannery Division**

The Cannery Division reported a revenue for the year at Kina35.29 million (RM46.12 million), marginally lower than Kina36.46 million (RM46.05 million) recorded in 2008. The Division recorded a higher loss of Kina6.49 million (RM8.49 million) compared to a loss of Kina2.12 million (RM2.68 million) in 2008. Included in the current year's loss is a one-time provision for impairment on plant and equipment of Kina2.02 million (RM2.64 million) as well as write-off of doubtful debts of Kina0.96 million (RM1.25 million).

The PNG Group will continue to review its performance with a view to improving all areas of its business operations in 2010.

2. W.R. CARPENTER (SOUTH PACIFIC) LIMITED AND SUBSIDIAIRIES ("Fiji Group")

The Fiji economy recorded three consecutive years of negative growth, with an estimated contraction of 2.2% in 2009.

All sectors of the economy other than tourism, continued to under-perform. The economy also faced structural imbalances. Early in the year, the country's trade deficit ballooned to alarming levels due to an under-performing export sector and increasing imports mainly driven by the import of high-priced petroleum products. Inward remittances, which are a significant foreign exchange earner for the country, also dropped sharply due to the global financial crisis and its impact on host countries. This resulted in a drop in the country's foreign exchange reserves to sharply low levels which in turn prompted international rating agencies to downgrade Fiji's credit rating from Stable to Negative. In an effort to address the situation, the Reserve Bank of Fiji devalued the Fiji dollar by 20% in April 2009. This resulted in an improvement in the reserve levels, but gave rise to inflationary pressures in the economy, which persist today.

In addition, the present political situation has slowed down investments and economic activities in the country. The country also faced major natural calamities during the year, resulting in major losses across most sectors. In January, parts of the country experienced unprecedented heavy rains and floods and in December, the country was hit by Cyclone Mike.

As a result of these poor economic conditions, consumer spending has been adversely affected.

These events, particularly the currency devaluation and floods, caused heavy losses to some operations within the Fiji Group and resulted in the Fiji Group performing below expectations in 2009 with revenue of FJD373.95 million (RM675.13 million) which is a decrease of 3.48% over the preceding year and a profit before tax of FJD2.30 million (RM4.15 million), a decrease of 76.34%, compared to FJD9.72 million (RM20.44 million) in the preceding year. Included in the current results was the flood loss of FJD1.41 million (RM2.55 million).

The business unit performances in the year are as follows:

a) **Morris Hedstrom Division**

Due to the reduced consumer demand and heightened competition in retail trade, sales in Morris Hedstrom was less than expected in the first half of the year. To counter this trend and to increase market share in a declining market, Morris Hedstrom embarked on an aggressive strategy in June 2009 which included aggressive pricing initiatives, opening of new stores, parallel imports and development of several home brands in key categories. This strategy impacted margins in the short term but the expectation was to leverage on the increased market share to increase profitability in 2010. Revenue registered at FJD176.97 million (RM319.51 million) for the year, a marginal decline of 3.13% compared to FJD182.68 million (RM384.10 million) in 2008. Profitability was impacted due to exchange losses on devaluation, lower margins on pricing initiatives and losses suffered during the January floods. The Division also suffered a major set-back, when a key Supermarket and Homemaker store in Labasa was destroyed by a fire in February 2009.

b) **Hardware Division**

The Hardware Division performed below expectation mainly due to the decline in the construction industry and the slow-down in tourism-related projects. Revenue for the year was FJD27.88 million (RM50.33 million), a reduction of 9.66% over the preceding year of FJD30.86 million (RM64.89 million). During the year, the Division ventured into manufacturing of chain link fencing and steel mesh, which will provide new revenue streams. The profit before tax of FJD0.78 million (RM1.41 million) was an increase of 2.63% compared to the preceding year.

c) **Motor Division**

The new vehicle market shrunk by 31% to 1,425 units for the year. Despite this, the Division was able to increase market share to 35.1% from 31.2%, mainly due to holding of multi franchises appealing to most sub segments in the market. The Carpenters Lubricants business performed well during the year. Investments were made in the workshops to modernise equipment and introduce new services. Revenue for the year was FJD143.19 million (RM258.52 million), a decline of 6.48% which was mainly due to a drop in dollar value sales in the Service Station operations resulting from the significant decrease in fuel prices compared to the preceding year. The profit before tax for the year of FJD6.62 million (RM11.95 million) was increase of 27.13% compared to the preceding year.

d) **Shipping Division**

Business volumes were impacted due to a decline in the country's export and import volumes. This was mitigated somewhat by expansion in the road haulage and commercial waste disposal segments. Revenue for the year was recorded at FJD8.12 million (RM14.66 million), a marginal reduction of 2.29% over the preceding year of FJD8.31 million (RM17.47 million). Strict costs control resulted in the division posting a strong performance with a profit before tax of FJD3.37 million (RM6.08 million), an increase of 8.01% over the preceding year.

e) **Carpenters Finance Division**

The profitability of this Division was adversely impacted overall due to more cautionary lending policies in the face of rising default rates, high provisioning for doubtful debts and decline in new lending business due to a significant reduction in sales of durable goods and used cars. The Division registered a profit before tax for the year of FJD3.80 million (RM6.86 million) on a revenue of FJD8.49 million (RM15.33million), a reduction by 8.21% and 5.77% respectively from 2008.

f) Industrial and Marine Engineering Limited

The company turned in a strong performance in 2009, with revenue of FJD4.28 million (RM7.73 million), an increase of 43.14% over the preceding year, and profit before tax of FJD0.95 million (RM1.72 million) an increase of 187.88%. The improved performance was mainly due to the higher utilisation of the floating dry dock operated by the company.

g) Property Companies

The Property Companies of the Group, namely Carpenters Properties Limited, Properties Trust (Fiji) Limited and Hunter Investments Limited performed up to expectations. In line with the Fiji Group's strategy to increase its property portfolio, two fully-completed commercial properties were acquired during the year. Profit before tax contributed by this segment was FJD4.86 million (RM8.77 million) or decline of 7.95% which was mainly due to taking up of the building depreciation cost of the newly built MHCC complex for the first time in the Carpenters Properties Limited accounts.

3. MBF CARDS (M'SIA) SDN BHD ("MBF CARDS")

For the year 2009, despite the competitive operating environment in the face of weak consumer spending in a depressed economy, operating profit before tax and exceptional items of the Cards and Payment Services subsidiary was RM86.71 million for 2009. This was an improvement of RM28.41 million or 48.73% over the previous year's achievement of RM58.30 million, due primarily to lower card acquisition costs and savings in operational expenses on lower number of new cards issued. Profit before tax was RM87.31 million against RM84.49 million the previous year which included exceptional items comprising non-recurring gain of RM0.60 million from the disposal of MasterCard Inc. shares in 2009 (2008: RM26.19 million from disposal of MasterCard Inc. and Visa Inc. shares).

MBF Cards had taken a conscious decision not to aggressively issue new cards in fiscal year 2009 nor grow its cardmember receivables in the light of the global economic slowdown. The company also embarked on concerted cost cutting measures. Despite the consolidation efforts, revenue was recorded at RM247.62 million, which was marginally lower than the previous financial year of RM255.79 million.

Shareholders' funds at end of 2009 was RM216.45 million against RM197.73 million in 2008.

In 2009, the intense competition in the market reduced the company's market share. To sustain its performance, the company continued with marketing and other initiatives which included the "Got Score & Saturday Got 5 Fever" acquisition cum spending campaigns, Cardmember rewards programmes and offer of new, attractive and aspirational products directly to cardmembers under Xtreme Deals, at highly discounted prices, as well as attractive insurance coverage and holiday packages to MBF cardmembers via the Smart Partnership Programmes.

Significant milestones for MBF Cards in year 2009 included:-

- Reaffirmation of its short and long term ratings of P1 and A2 by RAM Ratings, with a Stable outlook.
- The "Saturday Got 5 Fever Campaign" emerged as the Winner for "The Best Cardholder Promotion Category Award" in the inaugural MasterCard Hall of Fame Awards for South East Asia and South Asia held in Singapore.

The RM50 per annum service tax on credit cards announced by the Government in October 2009 will pose a challenge as attrition rates increase with cardmembers seeking to consolidate their cards and spending. Moving forward, with the competition in the credit card business remaining intense, MBF Cards will continue to undertake initiatives to address the various challenges in the industry. With the improved global and local economic outlook, the company is re-activating its card acquisition programmes in 2010 to grow its card member receivables. Relevant marketing campaigns, benefits and rewards are being introduced to increase card numbers and to ensure continuous cardmember spending and retention.

4. MBf PRINTING INDUSTRY SDN BHD ("MBf Printing")

MBf Printing continued to be profitable for the second consecutive year, reporting an operating profit of RM2.54 million compared to RM0.11 million last year, a huge improvement of RM2.43 million or 2,209.09%. It recorded a revenue of RM48.16 million in 2009 compared to the previous year of RM33.48 million.

The substantial increase was attributed mainly to the higher exports of fast food packaging products. With business focus in niche paper packaging in the last three years, the company has started to improve its bottom-line during the year. The waiver of its inter-company loan of RM10.57 million arising from a rationalisation exercise improved its pre-tax profit of RM2.54 million to RM13.11 million.

During the year, the company invested in new equipment to meet business growth in the fast-food industry in Japan, Malaysia and Singapore. The company won accolades from McDonalds in Asia Pacific and Japan, for its packaging, flexibility and services extended to meet their demands.

To further grow the business, MBf Printing will be expanding into Australia, US and the Middle East.

5. MBf MEDIA SDN BHD

The company registered a revenue of RM8.79 million in 2009, compared to RM10.28 million in 2008, a decrease of RM1.49 million or 14.49%. The decrease was due to the sharply reduced sales to Group companies of RM1.62 million or 58.27% (RM1.16 million vs RM2.78 million in 2008) as a result of the Group curbing expenditure in light of the global economic slow-down. Profit before tax dropped to RM0.02 million, 80.00% lower than the RM0.10 million achieved in 2008.

In the last quarter of the year, the company ventured into magazine publication and launched its first issue of the bi-monthly female lifestyle magazine called "Gorgeous" in January 2010.

6. CROW WOOD TERRACE ASSOCIATES, L.P.

The average occupancy rates of the apartment complex in Georgia, USA was maintained at 86% during 2009 resulting in revenue for the year of USD3.28 million (RM11.54 million), or a marginal increase of USD0.01 million (RM0.65 million) or 0.31% over the previous year. The company's operating loss at USD0.48 million (RM1.69 million) improved compared to USD1.28 million (RM4.26 million) in the previous year, as a result of lower financing cost and lower capital expenditure incurred amounting to USD0.36 million (RM1.27 million) compared to USD0.86 million (RM2.87 million) in 2008.

7. MBf BANK LIMITED ("MBf Bank")

Despite the severe implications of the knock-on effects of the global financial crisis still being strongly felt in Tonga as evidenced in the continuing weak domestic demand and slow economic activity, MBf Bank achieved overall improvements in all areas of operations in 2009. Revenue came in at T$5.15 million (RM9.13 million) vs T$4.05 million (RM6.56 million) in 2008, a significant increase of 27.16% or T$1.10 million.

Profit before tax stood at T$2.08 million (RM3.68 million), which was a T$0.78 million (RM1.58 million) or 60% growth over 2008's achievement of T$1.30 million (RM2.10 million).

MBf Bank continued to strengthen its position as the low cost leader in personal banking in Tonga, while industry leaders suffered losses for the second consecutive year.

8. MBf FACTORS (THAILAND) LTD

MBf Factors (Thailand) Ltd recorded a turnover of Baht12.54 million (RM1.25 million) in 2009, representing a decrease of Baht2.84 million (RM0.28 million) or 18.47% against Baht15.38 million (RM1.53 million) last year. The fall-out from the financial crisis that started in the USA greatly affected the manufacturing and export sectors of the economy in Thailand.

Operating loss before foreign exchange gain for the year was Baht1.12 million (RM0.11 million) compared to a gain of Baht4.63 million (RM0.46 million) in 2008. The unfavorable performance relative to the previous year was due to lower turnover.

However, due to the weakening US Dollar, the Thai Baht was substantially strengthened against the US Dollar. As the company has US Dollar inter-company borrowings from its parent company, MBf Asia Capital Corporation Holding Limited, it took a credit of unrealized foreign exchange gains of Baht8.92 million (RM0.89 million), which resulted in an increase in profit before tax for the year to Baht7.80 million (RM0.78 million), compared to Baht1.05 million (RM0.10 million) in 2008.

9. HANGZHOU XINMA ELEVATOR CO LTD

In line with the modest growth of up to 8.7% in the Chinese economy in 2009, the company reported a revenue of RMB124.21 million (RM64.17 million), an increase of RMB8.50 million (RM8.42 million) or 7.35% against last year's RMB115.71 million (RM55.75 million). This further resulted in a sharply increased profit before tax of RMB9.30 million (RM4.81 million) compared to RMB1.84 million (RM0.88 million) in 2008, as a result of significantly higher margins as a consequence of lower cost of steel, manufacturing costs, tighter cost cutting measures, improved operations from increased research and development efforts and investment in human resources.

PROSPECTS FOR 2010

Most subsidiaries within the Group continued to experience the whiplash of the global financial and economic crisis in 2009. The gradual turn-around in the second half of the year was a welcome relief signalling a more promising 2010. With moderate prospects expected in the economies of Malaysia, PNG and Fiji for this year, the Group will focus on improving productivity and efficiency of its various operating divisions, as well as grow market share in order to deliver value to our stakeholders.

TAN SRI DATUK DR NINIAN MOGAN LOURDENADIN
Group Chief Executive Officer
7 June 2010

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