OPERATIONS REVIEW BY THE GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

FINANCIAL PERFORMANCE

The Group's revenue increased to RM2.04 billion, registering an increase of 8.35% or RM157.80 million over the previous year's RM1.89 billion. The increase was largely contributed by the WR Carpenter (PNG) Limited Group – principally from its Automotive Division and the Group's newly set-up Shipping business, offset by adverse variance from WR Carpenter (South Pacific) Limited's Retail and Wholesale operations.

However, for the year under review, profit before tax of the Group was RM85.82 million compared to RM137.24 million in 2009, a decrease of RM51.42 million or 37.47%. Accordingly the profit after tax was lower at RM50.82 million from RM109.62 million previously, a decrease of RM58.80 million or 53.64%.

Included in the profit before tax for 2010 were non-recurring items cumulating to a net gain of RM30.93 million which comprised principally net gains in fair value adjustments of investment properties (RM24.18 million), reversal of provision for liabilities (RM17.07 million) and the compensation payable to a related party (RM5.40 million) in connection with a legal settlement arrangement. Disregarding the non-recurring items, the Group's profit before taxation for the year 2010 was RM54.89 million, a decrease of RM40.07 million or 42.20% relative to last year's RM94.96 million. The reduction in profit before tax was due largely to the initial losses of the newly set up Shipping operations coupled with losses from the retail operations in Fiji which were offset by better performance from the operations in PNG.

OPERATIONS REVIEW

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

The PNG Group registered a revenue of Kina820.69 million (RM993.45 million), an increase of Kina182.70 million (RM159.60 million) or 28.64% compared to 2009's of Kina637.99 million (RM833.85 million). All divisions reported improved revenue with the Automotive and Agriculture Divisions contributing Kina145.67 million (RM132.77 million) of the increased revenue. Consequently, the PNG Group recorded a profit before tax of Kina21.72 million (RM26.30 million) in 2010, reversing the loss before tax of Kina0.19 million (RM0.25 million) experienced in 2009.

The respective divisional performances are as follows:

a) Automotive Division

This Division remained the largest contributor to the PNG Group's performance, registering a revenue of Kina413.35 million (RM500.36 million) and profit before tax of Kina32.60 million (RM39.46 million). Revenue increased by 38.95% while profit before tax increased by 73.31% from 2009. This growth was fuelled by the booming local economy consequent to the ongoing mega oil and gas projects.

b) Agriculture Division

The Agricultural Division comprise the plantation and farming operations and the Coconut Oil Mill. Revenue was Kina183.76 million (RM222.44 million) compared to Kina153.95 million (RM201.21 million) in 2009, an increase of Kina29.81 million (RM21.23 million) or 19.36%. The improved revenue reduced the previous year's loss before tax of Kina8.37 million (RM10.94 million) to a marginal loss of Kina0.35 million (RM0.42 million) only, an improvement of Kina8.02 million (RM10.52 million) or 95.81%.

The plantation and farming operations results continued to be dismal. The coffee harvest was poor with a cherry crop of only 19,211 tons compared to 25,944 tons in 2009 due significantly to the poor rainfalls. The impairment allowance for the cattle farm in Australia amounting to Kina3.88 million (RM4.70 million) compounded the loss in the plantation and farming operations.

Crude Coconut Oil ("CNO") prices however increased in the 3rd and 4th quarter of the year, enabling the coconut oil mill to record a revenue of Kina89.19 million (RM107.97 million) compared to the previous year's Kina60.13 million (RM78.59 million). Global price increases for CNO and increase in buying depots for copra, contributed to this operation making a profit before tax of Kina7.74 million (RM9.37 million).

The improved result of the Oil Mill operation was nevertheless insufficient to set-off the losses from the plantation and farming operations.

c) IT Division

This division recorded a revenue of Kina93.08 million (RM112.67 million) compared to Kina95.87 million (RM125.30 million) in 2009, a drop of Kina2.79 million or 2.91%. This was due to the reduction in internet tariff and the reduced contribution from its Fiji operation due to the depressed local economy. The division recorded a loss before tax of Kina0.24 million (RM0.29 million), compared to the profit before tax of Kina1.52 million (RM1.99 million) in 2009.

d) Retail Division

PNG Group's Retail Division comprising the merchandise, hardware businesses and the Courts operations, recorded a revenue of Kina92.53 million (RM112.00 million) compared to a revenue of Kina55.39 million (RM72.40 million) in 2009, a growth of Kina37.14 million (RM39.60 million) or 67.05%. Despite the higher revenue, this division recorded a loss of Kina10.56 million (RM12.78 million) compared to a loss of Kina2.45 million (RM3.20 million) for 2009, a worse off variance of Kina8.11 million (RM9.58 million). The weak performance of this division was due to the clearance of the slow moving and obsolete stocks with the increase in provisioning for doubtful debts.

e) Cannery Division

The Cannery Division reported a revenue for the year of Kina37.76 million (RM45.71 million) compared to Kina35.29 million (RM46.12 million) for 2009. Profit before tax was Kina0.56 million (RM0.68 million) compared to a loss of Kina6.49 million (RM8.49 million) in 2009. This improvement was mainly due to better margins. Included in the previous year's loss was a one-time provision for impairment on plant and equipment of Kina2.02 million (RM2.64 million) as well as a write-off of doubtful debts of Kina0.96 million (RM1.25 million).

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

The Fiji Group reported revenue of FJD363.10 million (RM609.72 million) for the year 2010, lower than 2009's FJD373.95 (RM675.13 million), a fall by FJD10.85 million (RM65.41 million) or 2.90%. The dismal performance of the Fiji Group was due to its stagnant economy which significantly affected the retail sector, compounded by the increased operating costs, reduced margins and higher provisioning for doubtful debts, further aggravated by the weakening Fijian Dollar against the Ringgit.

The performance of the respective divisions during the year are as follows:

a) Retail and Wholesale Division

Fiji's retail and wholesale division comprise Morris Hedstrom and Hardware operation.

(i) Morris Hedstrom ("MH")

Revenue registered at FJD175.49 million (RM294.68 million) for the year, a marginal decline of FJD1.48 million (RM24.82 million) or 0.84% compared to FJD176.97 million (RM319.50 million) in 2009. Loss before tax was FJD17.58 million (RM29.52 million), double of last year's FJD8.62 million (RM15.56 million).

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Sluggish economic conditions continued throughout 2010 which resulted in a below par performance by MH. Majority of the major selling food lines fell under Commerce Commissioners controlled price in 2010, further affecting margins and profitability.

(ii) Hardware Operation

Revenue for the year was FJD19.98 million (RM33.55 million), a reduction of FJD9.56 million (RM19.78 million) or 32.36% from the preceding year's FJD29.54 million (RM53.33 million). The Hardware operations performed below expectation mainly due to the decline in the construction industry and the slowdown in tourism related projects. During the year, four non-performing branches were closed. Due to these factors, the operations incurred an operating loss before tax of FJD3.19 million (RM5.36 million), a decrease by 878.05% or FJD3.60 million (RM6.10 million) as compared to preceding year's profit before tax of FJD0.41 million (RM0.74 million).

On the whole, the Division reported a decreased revenue of FJD11.04 million (RM44.61 million) or 5.35% from 2009 while loss before tax was higher by FJD12.20 million (RM19.41 million) or 142.36% from FJD8.57 million (RM15.47 million).

b) Motor Division

The revenue for this Division had a growth of 0.92% or FJD1.32 million, to FJD144.57 million in 2010 compared to 2009's of FJD143.25 million. The weakening of the FJD against the Ringgit however reflected a lower revenue in Ringgit, from RM258.62 million in 2009 to RM242.76 million in 2010. The profit before tax for the year of FJD5.24 million (RM8.80 million) was 20.85% lower than FJD6.62 million (RM11.95 million) in 2009.

The total new vehicle market shrunk by 14.38% to 1,220 units for the year, principally due to high import duties, although there was some reprieve in Fiji's National budget for 2011 where reductions were granted on import duties in all but the truck segment.

The Carpenters Lubricants business performed exceptionally well and was the second major segment of the Division generating FJD95.28 million (RM159.99 million) in revenue, an increase of FJD14.22 million (RM13.64 million) or 17.54% over 2009.

c) Carpenters Finance Division

The total revenue for the year saw a decrease of FJD0.88 million or 10.37% over the preceding year to end at FJD7.61 million (RM12.78 million). Profit before tax for the year was FJD4.44 million (RM7.46 million) an increase of FJD0.64 million (RM0.60 million) or 16.84% over the preceding year's FJD3.80 million (RM6.86 million). Strong performances were recorded in Hire Purchase and MoneyLink (in-house credit card) sectors of the business.

d) Property Division

Carpenters Properties registered revenue of FJD14.84 million (RM24.92 million) for 2010, slightly higher than 2009 by FJD0.13 million (decrease by RM1.63 million due to weakening of the Fijian Dollar against the Ringgit) or 0.88%. Programmed on-going repairs and maintenance continued throughout the year. Profit before tax contributed by this Division was FJD5.80 million (RM9.74 million), a commendable increase of 19.34% from 2009 of FJD4.86 million (RM8.77 million).

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

MBF Cards reported a revenue of RM235.36 million for 2010, a marginal reduction of RM6.90 million or 2.85% from the previous year of RM242.26 million. Its pre-tax operating profit was RM76.47 million, RM10.24 million or 11.81% lower than the RM86.71 million achieved in 2009. This was due to the lower card fee and interest income consequence of the intense competition and higher operating costs to protect the company's market share.

With the competition in the credit card business remaining intense and to ride on the improving economic situation in year 2010, MBF Cards re-activated its card acquisition programs and grew its LOC receivables. Initiatives undertaken included relevant Marketing Campaigns to increase card number and receivables such as the Power Balance Transfer Program launched since December 2009, Power Credit card acquisition program and MBF EasyPay (flexi EPP) Program launched in mid-2010.

Despite the weaker performance in the year 2010, all the key performance indicators of MBF Cards had improved except for its cards-in-circulation number which in tandem with the industry, dipped from 387,000 in 2009 to 295,000 attributed principally to the government service tax on the annual card fees implemented on 1 January 2010.

MBf PRINTING INDUSTRY SDN BHD ("MBf Printing")

For the year 2010, MBf Printing achieved a turnover of RM60.52 million, 25.66% higher than the previous financial year's of RM48.16 million, turning in a profit before tax of RM1.52 million versus 2009's of RM13.11 million. Included in 2009's results was RM10.57 million, comprising the write-back of interest and loan waived by the lender consequent to a legal settlement arrangement.

The turnover was higher than budgeted considering the much challenged economic situation. The export sector continued to enjoy high growth volume, increasing by 31.08% over the previous financial year especially in food packaging products. This continues a trend that has been apparent in recent years, which saw an increasing demand for food packaging boxes. However, the incremental volume translated into higher capacity utilisation, contributing higher overhead cost in the production plant and adversely impacting the bottom line.

The year 2010 had experienced higher raw material prices and as an exporter, unfavourable USD currency against Ringgit had huge influence to lower company's profitability.

CROW WOOD TERRACE ASSOCIATES, L.P. (Georgia, USA)

Georgia's economy grew by a sluggish 1% in 2010 and its unemployment rate was higher than the nation's, which averaged 9.9%.

The rental revenue for 2010 of USD3.30 million (RM10.60 million) was marginally higher than the previous year's USD3.28 million (RM11.54 million, due to the weakened USD) on increased occupancy rate from 86% to 92% due to higher concessions which negated the increase in occupancy and the one-off compensation from renewal of cable/ TV agreement of USD0.12 million (RM0.38 million). Higher concessions, which were factors outside the company's control were needed to compete with the surrounding rental rates and the sluggish economy.

The company's operating profit at USD0.44 million (RM1.41 million) improved compared to USD0.22 million (RM0.78 million) in the previous year, as a result of the one–off compensation mentioned above.

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MBf BANK LIMITED (“MBf Bank”)

Total gross revenue stood at T$5.92 million (RM9.91 million), supported by overall improvements in all areas of banking operations namely loan interest and processing fees. Compared against 2009, 2010 marked a 14.95% growth or T$0.77 million (RM0.78 million) surplus over 2009’s of T$5.15 million (RM9.13 million).

Following from the higher level of gross revenue, operational profits was at a record high of T$2.61 million (RM 4.36 million). This incremental reflected a year-on-year growth rate of 25.48% (T$0.53 million) over T$2.08 million (RM3.68 million) booked in 2009.

Sustained up trend in profits over the years had strengthened MBf Bank’s overall standing to outperform even the bigger banks in Tonga. Nevertheless, the ongoing global economic uncertainties will continue to pose a challenge for Tonga where the economy is over dependent on imports.

MBf FACTORS (THAILAND) LTD (“MBf Factors”)

MBf Factors had a turnover of Baht15.37 million (RM1.51 million), an increase of Baht2.83 million (RM0.26 million) or 22.57% against last year’s Baht12.54 million (RM1.25 million). The favourable performance was in line with the increase in manufacturing output especially from the automotive and electronic sectors in Thailand.

Operating profit before foreign exchange gain for the year was Baht3.70 million (RM0.36 million) compared to a loss of Baht1.12 million (RM0.11 million) in 2009. The favourable performance relative to the previous year was due to higher turnover and bad debts recovery. Its profit before tax for the year was Baht22.18 million (RM2.19 million) consequent to an unrealised exchange gain of Baht18.48 million (RM1.82 million) on an inter-company loan, arising from a weakening USD.

HANGZHOU XINMA ELEVATOR CO LTD

In line with the modest growth of 10.3% in the Chinese economy in 2010, the company reported a revenue of RMB158.54 million (RM75.31 million), an increase of RMB34.33 million (RM11.14 million) or 27.64% against last year’s RMB124.21 million (RM64.17 million). The significantly higher margins further resulted in a sharply increased profit before tax of RMB20.75 million (RM9.86 million) compared to RMB9.30 million (RM4.81 million) in 2009.

SHIPPING DIVISION

This division used to comprise the shipping agency, ship repairs and marine engineering services operating in Fiji. During the year, the Group embarked on the liner shipping business. The liner shipping business operates under a wholly-owned subsidiary, MBf Carpenters Shipping Ltd, which commenced in March 2010, deploying four vessels in a service framework covering the Asia-Pacific. The internalisation and growth of group cargoes, coupled with a range of open market support, provided the base revenue stream for the business. This new business was undertaken to complement the existing shipping agency and ship repairs and marine engineering services/businesses. Various refinements to coverage and key cargoes have been made during the year to derive the most efficient and profitable framework. Strong economic growth in PNG has provided the line with access to a wide range of cargo support, and the line has built a strong reputation for reliability and client focus in its short existence. Revenue of USD23.03 million (RM74.00 million) was achieved by the division but delivered a loss of USD13.02 million (RM41.83 million), reflecting the start-up and development costs associated with the new liner shipping business.

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PROSPECTS FOR 2011

The overall prospects of the Group's operations are expected to remain challenging in 2011. The credit card operation in Malaysia will continue to be demanding with challenges faced to retain cardmember loyalty in light of new Bank Negara guidelines on credit card issuance and the intense competition for market share. The government of Fiji is actively promoting the economy and we anticipate a resurgence of growth in the coming years. PNG continues to maintain its good performance with its improving economy fuelled by the oil and gas investments in the country. The shipping business will however continue to drag performance for its initial start up years.

TAN SRI DATUK DR NINIAN MOGAN LOURDENADIN
Group Chief Executive Officer
6 June 2011

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