

## FINANCIAL PERFORMANCE

The MBf Group's revenue for the year 2008 grew 18.26% or RM0.32 billion to RM2.06 billion from RM1.74 billion in the previous year. The improvement over last year was largely contributed by the operations in the South Pacific Islands, namely the W.R. Carpenter (PNG) Limited and W.R. Carpenter (South Pacific) Limited Groups of Companies.

For the year under review, the profit before tax of the MBf Group was RM131.31 million compared to last year of RM138.68 million, a reduction of RM7.37 million or 5.31%. The performance of the MBf Group towards the end of the year was affected by the global economic crisis. In tandem with the lower profit before tax, the consolidated profit after tax of the MBf Group was also lower at RM95.63 million from last year's of RM104.74 million, a decrease of RM9.11 million or 8.70%.

## OPERATIONS REVIEW

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

The PNG Group experienced another year of significant growth with revenue of Kina 696.05 million (RM879.11 million), an improvement of Kina 145.84 million (RM230.25 million) or 26.51 % compared to 2007 of Kina 550.21 million (RM648.86 million). All Divisions reported improved revenue with the coconut oil mill and the retail businesses collectively contributing more than Kina 79.34 million (RM109.86 million) or 54.40% of the increased revenue and the balance was from the newly acquired companies, namely the cannery and information technology related businesses having higher revenue of Kina 49.33 million (RM67.99 million) or 33.83% of the increase.

Consequently the PNG Group recorded an improvement in profit before tax of Kina 12.23 million (RM18.78 million) or 30.67% to Kina 52.10 million (RM65.80 million) in 2008 from Kina 39.87 million (RM 47.02 million) in 2007. Included in the current year results was gain on disposal of quoted investment in Ramu Agri-Industries Limited of Kina 15.42 million (RM19.04 million).

The divisional performance of the PNG Group is as follows:

#### a) Automotive Division

This Division registered a profit before tax of Kina 28.47 million (RM35.96 million) on a revenue of Kina 292.90 million (RM369.93 million), marginal increase of Kina 0.67 million (RM0.85 million) or 2.41% and Kina 4.11 million (RM5.19 million) or 1.42% respectively from 2007. The Automotive Division remained the largest contributor to the PNG Group's performance, contributing 42.08% and 54.64% of the revenue and profit before tax respectively.

The encouraging sales also prompted the expansion of the automotive business to the neighboring Vanuatu Islands with the purchase of a local company having an Isuzu vehicle franchise. The PNG Group's automotive operation began to experience the effects of the economic slowdown in the last quarter of 2008 where its declining performance was substantially cushioned by the strong performance in the early period of the year.

#### b) Coconut Oil Mill Division

This Division had a year of mixed fortunes as the earlier part of the year saw the crude coconut oil soaring at record high prices in tandem with the rise of crude oil prices. The crude coconut oil price as with other commodities plummeted towards the end of 2008. As a result the coconut oil mill recorded a commendable performance with revenue of Kina 140.22 million (RM177.10 million) compared to Kina 86.17 million (RM101.62 million) in 2007, an increase of Kina 54.05 million (RM75.48 million) or 62.72%. Profit before tax of Kina 21.42million (RM27.05 million) was Kina 6.40 million (RM9.34 million) or 42.61% above the previous year of Kina 15.02 million (RM17.71 million).

#### c) Agriculture Division

As with the Coconut Oil Mill Division, the Agriculture Division comprising plantation and farming operations similarly experienced a year of mixed fortunes. Coffee prices held firm for most part of the year and the previously stagnant tea markets improved slightly during the year. The Division as a whole recorded a profit before tax of Kina 2.69 million (RM3.40 million) on a revenue of Kina 91.33 million (RM115.35 million), an improvement relative to a loss of Kina 1.40 million (RM1.65 million) in 2007 on a revenue of Kina 78.28 million (RM92.32 million).

The packaging plant for tea products had major capital improvements during the year which saw tea production of the MBf in-house brands increased by 10.27% in 2008 (or 72.34 metric tonnes to 79.77 metric tonnes) and the target for 2009 is to achieve 24% own tea production. This will reduce the PNG Group's reliance on the world commodity pricing for tea.

#### d) Information Technology ("IT") Division

This Division recorded a revenue of Kina 80.69 million (RM101.91 million) a growth of about 20.58% or Kina 13.77 million (RM22.99 million) compared to previous year of Kina 66.92 million (RM78.92 million). Notwithstanding the improved revenue, the profit before tax was Kina 0.91 million (RM1.15 million), a decline of Kina 0.63 million (RM0.67 million) or 40.91% due principally to the set up costs of branches in PNG, the Solomon Island and Fiji.

The IT Division expanded across the Pacific Region by re-enforcing its presence in Fiji in mid 2008 with the acquisition of a local company, Computech Electronics Limited and into Vanuatu with the acquisition of Carpenters Vanuatu Holdings Limited Group in December 2008 which has an IT arm called Daltron (Vanuatu) Limited.

#### e) Retail Division

PNG Group's Retail Division comprising the merchandising and hardware businesses and Courts operations opened four new branches throughout the country. The Division turned in a commendable performance, registering a revenue of Kina 54.45 million (RM68.77 million) which was Kina 25.29 million (RM34.38 million) or 86.73% higher than the previous year of Kina 29.16 million (RM34.38 million) while the profit before tax at Kina 1.43 million (RM1.81 million) was Kina 0.16 million (RM0.07 million) or 10.06% lower. The adverse profit before tax was attributed by the set up costs of the new branches.

## f) Cannery Division

This Division comprised the James Barnes group of companies acquired in November 2007 which is involved in the food processing and canning business having a food canning plant located in Madang, Papua New Guinea. The Cannery Division reported a loss of Kina 2.12 million (RM2.68 million) compared to a loss registered in 2007 of Kina 0.19 million (RM0.22 million) for the two (2) months after its acquisition. The revenue for the year was Kina 36.46 million (RM46.05 million), short of expectation but the higher revenue registered in the last quarter of 2008 was an encouraging indication. The loss was due to the slow growth in sales and financing cost of the acquisition.

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

The Fiji economy was forecast to grow by 0.2% in 2008, after contracting 6.6% in the preceding year. Sanctions and restrictions on aid and grants imposed by Fiji's major trading partners and international institutions also contributed to low investment levels and sluggish economic activity. All this resulted in an adverse trading environment with much reduced consumer spending in the economy.

Despite the challenging trading conditions, the Fiji Group turned in a satisfactory performance with revenue at FJD387.46 million (RM814.68 million), an increase of FJD56.78 million (RM107.60 million) or 17.17% over the preceding year of FJD330.68 million (RM707.08 million) and a profit before tax of FJD9.72 million (RM20.44 million), a decrease of FJD0.72 million or 6.90% over last year of FJD10.44 million (RM22.32 million). The decrease in the profit before tax was due to a significant increase in the interest costs of FJD2.67 million (RM5.46 million) over the previous year on the increased borrowings taken for property acquisition, construction and business expansion projects. The inclusion of the first full year rental income from the MHCC shopping complex which was commissioned in mid December 2007 however mitigated the higher interest costs.

The divisional performance of the Fiji Group is as follows:-

### a) Morris Hedstrom Division

Due to the heightened competition for the consumer dollar, Morris Hedstrom had a challenging year with revenue of FJD182.68 million (RM384.10 million) an increase of FJD35.47 million (RM69.34 million) or 24.09%. The revenue included the first full year sales from outlets in the new MHCC complex of FJD25.04 million (RM52.65 million). Profit before tax was FJD0.84 million (RM1.77 million) compared to the FJD2.91 million (RM6.22 million) in the preceding year.

### b) Motor Division

Overall the new vehicles market increased by 9% to 2,069 units with the Division's market share at 31.2%, equivalent to 645 units sold compared to 642 in the previous year.

Revenue for this Division (including Service Stations) increased to FJD153.11 million (RM321.93 million), an increase of FJD18.84 million (RM34.83 million) or 14.03% which was mainly due to higher fuel prices. Operating profit for the year at FJD5.20 million (RM10.94 million) was an increase of FJD0.83 million (RM1.60 million) or 19.08%, which was boosted by the operating results of the new Mobil Lubricants distribution business which commenced in the middle of the year.

## c) Hardware Division

The Hardware Division did not perform to expectation mainly due to reduced consumer spending, significant decline in the construction industry and slow down in major tourism related projects. Revenue at FJD30.86 million (RM64.89 million) was an increase of FJD2.47 million (RM4.19 million) or 8.70% over the preceding year of FJD28.39 million (RM60.70 million) and profit before tax was FJD0.76 million (RM1.60 million), an increase of FJD0.31 million (RM0.64 million) or 68.89% compared to FJD0.45 million (RM0.96 million) in the preceding year.

## d) Shipping Division

Business volumes were short of expectation due to the significant reduction in the importation of used cars into the country and large scale projects not getting off the ground. Despite so, the revenue for the year was FJD8.31 million (RM17.47 million), an increase of FJD0.66 million (RM1.12 million) or 8.63% over the preceding year and profit before tax of FJD3.12 million (RM6.56 million) was an increase of FJD0.52 million (RM1.00 million) or 20.00%.

## e) Finance Division

The profitability was overall impacted due to more cautious lending in anticipation of rising default rates, higher provision for doubtful debts and significant decline in the sales and financing of used cars in Carpenters Motors. Revenue for this year at FJD6.79 million (RM14.28 million), was a decrease of FJD1.01 million (RM2.40 million) or 12.95% from the preceding year and profit before tax at FJD4.14 million (RM8.70 million) was a decrease of FJD1.13 million (RM2.57 million) or 21.44%.

## f) Industrial and Marine Engineering Limited

Profitability of the company was affected due to less than expected volumes from the ship repair segment, because of fishing fleets based in the Pacific returning to home ports due to uneconomical rise in fuel prices. Revenue for the year at FJD2.99 million (RM6.29 million) was a marginal increase of FJD0.01 million (RM0.02 million) or 0.34% and profit before tax was FJD0.33 million (RM0.69 million) compared to a loss of FJD0.23 million (RM0.49 million) in the previous year, an improvement of FJD0.56 million (RM1.18 million) or 241.74%.

## g) Group Property Companies

Group property companies' (comprising Carpenters Properties Limited, Properties Trust (Fiji) Limited and Hunter Investments Limited) operating results included the first full year rental income from the newly constructed MHCC complex which was opened for business in mid December 2007. Rental and other revenue was FJD14.40 million (RM30.28 million) compared to FJD5.80 million (RM12.40 million) in the previous year, an improvement of FJD8.60 million (RM17.88 million) or 148.28% and the profit before tax at FJD5.28 million (RM11.10 million) compared to FJD2.02 million (RM4.32 million) in the previous year was higher by FJD3.26 million (RM6.78 million) or 161.39%.

### 3. MBF CARDS (M'SIA) SDN BHD AND SUBSIDIARIES ("MBF Cards")

The principal activities of the MBF Cards Group are the credit card operations and the letting of office premises by its wholly owned subsidiary MBf Building Technology Sdn Bhd, most of which are intended for use by MBF Cards.

During the year under review, MBF Cards in addition to its "Got 5" Acquisition cum Spending campaign, had introduced various initiatives for its cardmembers which included amongst others - the Xtreme Deals Program offering aspirational products such as LCD TVs and other electronic products at much discounted rate; smart tie-up with insurance companies to provide insurance coverage; and promoted the Utilities Bill Payment Conveniences via GIRO/Call 'n Pay/Click 'n Pay by increasing the number of service providers. As a customer focused card issuer, all of MBF Cards' marketing initiatives are driven to enrich its cardmembers' lives as evidenced by the launching of the Lady Platinum Card in September 2008 offering comprehensive benefits and privileges for this segment and the World Card in December 2008, a prestige above the Platinum card.

The revenue for the year of RM255.79 million was RM28.88 million or 10.15% lower than 2007 of RM284.67 million. The lower revenue was principally due to the reduced consumer spending in light of the economic downturn.

Notwithstanding the lower revenue, the MBF Cards Group reported a profit before tax of RM84.49 million over previous year of RM75.56 million, an improvement of RM8.93 million or 11.82%. The main attributes to the increased profits included lower card acquisition cost and savings in operational expenses on lower number of cards issued.

Shareholders' funds stood at RM197.73 million, a 21.86% growth from the previous year of RM162.26 million. Rating Agency Malaysia had re-affirmed the credit rating of MBF Cards in October 2008 as P1 and A2 for short and long term respectively.

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

MBf Printing had returned to profitability in 2008 reporting a maiden operating profit of RM0.11 million compared to a loss of RM2.06 million last year. It had a good year with revenue of RM33.48 million compared to the previous year of RM28.27 million. The RM5.21 million or 18.43% increase in revenue was attributed by the higher export sales volume to Japan and penetration into higher end-markets and ability to command better profit margins with its proven capabilities.

### 5. MBf MEDIA SDN BHD

The company's revenue was RM10.28 million compared to RM11.74 million in 2007, a decrease of RM1.46 million or 12.43%. The decrease was principally due to the reduced intra-group sales of RM1.05 million or 27.42% (RM2.78 million versus RM3.83 million) as a result of MBF Cards curbing its advertising expenditure in light of the global economic slow down. Pretax profit of RM0.10 million was 87.65% lower than the RM0.81 million achieved in 2007.

### 6. CROW WOOD TERRACE ASSOCIATES, L.P.

With more units to let having rebuilt the 24 units destroyed in a 2007 fire and aided by the slightly improved occupancy rate (86% vs 85%) caused by the subprime issue, revenue for the year was USD3.27 million (RM10.88 million) improved by USD0.25 million (RM0.56 million) or 8.28%. Despite so, the company suffered a higher operating loss at USD1.28 million (RM4.25 million) compared to USD0.84 million (RM2.87 million) in the previous year as a result of higher capital expenditure incurred amounting to USD0.86 million (RM2.87 million) for the general upgrade and upkeep of the common area and facilities.

### 7. MBf BANK LIMITED ("MBf Bank")

Notwithstanding the challenging financial and economic backgrounds which had manifested over the past two years which started with the riot and political unrest in November 2006, MBf Bank for the year 2008 recorded overall improvements in all areas of operations. MBf Bank recorded revenue of T\$4.05 million (RM6.56 million) versus T\$3.28 million (RM5.47 million) in 2007, a 23.36% or T\$0.77 million (RM1.09 million) increase.

Profit before tax stood at T\$1.30 million (RM2.10 million), T\$0.23 million (RM0.32 million) or 21.21% higher than 2007's achievement of T\$1.07 million (RM1.79 million).

### 8. MBf FACTORS (THAILAND) LIMITED

MBf Factors (Thailand) Limited had a turnover of Baht 15.38 million (RM1.53 million), an increase of Baht 1.38 million (RM0.05 million) or 9.86% against last year of Baht 14.00 million (RM1.47 million).

Operating profit before foreign exchange loss for the year was Baht 4.63 million (RM0.46 million) compared to a loss of Baht 1.15 million (RM0.12 million) in 2007. The favourable performance was principally due to recovery of doubtful debts.

### 9. HANGZHOU XINMA ELEVATOR CO LTD

With the Chinese economy dipping at the end of 2008, the company reported a revenue of RMB115.71 million (RM55.75 million) a decrease of RMB9.98 million (RM1.09 million) or 7.94% against last year's of RMB125.69 million (RM56.84 million) and a lower profit before tax of RMB1.84 million (RM0.89 million) for 2008 compared to RMB8.35 million (RM3.78 million) in 2007. The adverse performance was due principally to lower margins and higher operating costs.

## PROSPECTS

Against the current economic backdrop, it is expected that 2009 will see a contraction in all economies therefore reducing consumption of goods and services globally. In the financial sector, non-performing loans and the mounting pressure to reduce the cost of funds especially in the local market will be a concern.

We are confident that the MBf Group will be able to handle the unprecedented challenges by improving productivity and efficiency at all levels.

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5 June 2009

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