**PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134: INTERIM FINANCIAL REPORTING ISSUED BY THE MALAYSIAN ACCOUNTING STANDARDS BOARD**

A1 A1 **Basis of preparation**

The quarterly report has been prepared on a going concern basis and in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This report should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes. The explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

A2 **(I) Changes in accounting policies arising from the adoption of new/revised Financial Reporting Standards (“FRS”)**

The accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new FRSs, Amendments to FRSs and Interpretations with effect from 1 January 2010:-

* FRS 7: Financial Instruments: Disclosures
* FRS 8: Operating Segments
* FRS 101: Presentation of Financial Statements (Revised)
* FRS 123: Borrowing Costs
* FRS 139: Financial Instruments: Recognition and Measurement
* Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
* Amendments to FRS 117: Leases
* Amendments to FRS 132: Financial Instruments: Presentation
* Amendments to FRS 139: Financial Instruments: Recognition and Measurement,

FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

* Amendments to FRSs ‘Improvements to FRSs (2009)’
* IC Interpretation 10: Interim Financial Reporting and Impairment

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except as disclosed below:-

(a) FRS 8: Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group’s segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. The adoption of this standard does not have any impact on the financial position and results of the Group.

(b) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 separates owner and non-owner changes in equity. As a result the income statement of the Group for the comparative financial period ended 31 December 2009 has been represented as two separate statements, ie. an Income Statement displaying components of profit or loss and a Statement of Comprehensive Income. Therefore, the statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line in the Statement of Comprehensive Income. The adoption of this revised FRS does not have any impact on the financial position and results of the Group.

(c) Amendments to FRS 117: Leases

The amendments to FRS 117 require entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Previously**  **stated**  **RM’000** | **Effects of**  **changes in accounting policy**  **RM’000** | **As**  **restated**  **RM’000** |
| **Assets** |  |  |  |
| Property, plant and equipment | 457,699 | 48,385 | 506,084 |
| Investment properties | 100,061 | 866 | 100,927 |
| Prepaid land lease payments | 49,251 | (49,251) | - |
|  |  |  |  |

(d) FRS 139 Financial Instruments: Recognition and Measurement, Amendments to FRS 139 Financial Instruments: Recognition and Measurement and FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

FRS 139 sets out the new requirements for the recognition and measurement of financial instruments. The Group’s financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as of transitional date on 1 January 2010.

**Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss, held to maturity investments, loans and receivables, available for sale (“AFS”) investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

1. Financial assets at fair value through profit or loss

Prior to 1 January 2010, financial assets such as investment in quoted shares were stated at cost less impairment loss. Upon the adoption of FRS 139, these financial assets are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

1. Held to maturity investments

Prior to 1 January 2010, held to maturity investments were stated at cost less impairment loss. Under FRS 139, held to maturity investments are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the held to maturity investments, EIR amortisation and impairment losses are recognised in profit or loss.

1. Loan and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate EIR method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in profit or loss.

1. AFS investments

AFS investments are those not classified in any of the three preceding categories. Prior to 1 January 2010, AFS investments were accounted for at cost less impairment loss. Under FRS 139, AFS investments are measured at fair value initially and subsequently with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss and removed from the AFS reserve. With the exception to the above are equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are still measured at cost less impairment loss until such time, if ever, a reliable fair value becomes available.

**Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

**Impact on opening balances**

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Previously**  **stated**  **RM’000** | **Effects of**  **FRS 139**  **RM’000** | **As**  **restated**  **RM’000** |
| **Assets** |  |  |  |
| Other investments | 10,687 | 6,401 | 17,088 |
| Trade receivables | 676,937 | (4,320) | 672,617 |
|  |  |  |  |
| **Liabilities** |  |  |  |
| Income tax payable | 19,075 | (1,395) | 17,680 |
| Other payables | 121,215 | (621) | 120,594 |
|  |  |  |  |
| **Equity** |  |  |  |
| Accumulated losses | (28,251) | 4,097 | (24,154) |

**(II) Change in accounting policy for property, plant and equipment and investment properties**

For the period ended 31 December 2010, the Group changed its accounting policy from the cost method to the fair value method for its land and buildings in accordance with FRS 116 - Property, Plant and Equipment (“PPE”) and 140 - Investment Properties (“IP”).

The Group decided to adopt the new accounting policy as it believes the new policy will provide more relevant and reliable information about the carrying amount of these assets. The property market in the countries that the Group is operating has been growing steadily and hence using the revalued amounts will reflect more accurately the true values of the assets.

Concurrently the directors re-assessed the development plans on the land held for development in Fiji and decided to abort the development plans in light of the current local economic climate. Consequently these properties were reclassified from Land Held For Development to IP.

The effects of adopting the change in accounting policy are as follows:-

**(i)** **Property, plant and equipment**

The fair value of the land and buildings as at 31 December 2010 of RM664.59 million was performed by independent registered valuers based on the market values of similar properties in the same vicinity, where applicable. This resulted in a net revaluation surplus of RM237.55 million (inclusive of the share of an associate’s revaluation surplus amounting to RM2.41 million) of which RM242.19 million was recognized in Other Comprehensive Income and accumulated in equity under the Asset Revaluation Reserve:-

|  |  |  |  |
| --- | --- | --- | --- |
|  | Revaluation  surplus | Impairment | Total |
|  | RM’000 | RM’000 | RM’000 |
| Market value | 643,912 | 20,676 | 664,588 |
| Net book value | 317,950 | 25,905 | 343,855 |
| **Revaluation surplus** | **325,962** | **(5,229)** | **320,733** |
| Deferred tax liabilities | 85,590 | - | 85,590 |
| **Net revaluation surplus**  Share of associate’s revaluationsurplus | **240,372**  2,405 | **(5,229)**  **-** | **235,143**  2,405 |
| **Net revaluation surplus** | **242,777** | **(5,229)** | **237,548** |
| **Reflected in the 2010 Income Statement/Balance Sheet as follows**:- | | | |
| Income statement – Profit After Tax | 590 | (4,925) | (4,335) |
| Other Comprehensive Income- Asset  Revaluation Reserve  Exchange Fluctuation Reserve | 242,187  - | -  (304) | 242,187  (304) |
| **Net revaluation surplus** | **242,777** | **(5,229)** | **237,548** |
|  | | | |
| **Attributable to :** | | | |
| **Equity holders of the Company** | **240,819** | **(5,229)** | **235,590** |
| **Minority Interest** | **1,958** | **-** | **1,958** |
| **Net revaluation surplus** | **242,777** | **(5,229)** | **237,548** |

**(ii) Investment properties**

The fair value of the land and buildings as at 31 December 2010 of RM163.97 million was performed by independent registered valuers based on the market values of similar properties in the same vicinity, where applicable (2009 : RM114.98 million which included an investment property valued by an independent valuer at RM82.19 million while the remaining properties were estimated by the directors with reference to market evidence of transaction prices of similar properties aggregating RM32.79 million). The adoption of the fair value method is applied retrospectively as disclosed below with certain comparatives being restated.

The financial effects of the adoption of fair value method are as follows:-

|  |  |
| --- | --- |
|  | RM’000 |
| Market value | 163,971 |
| Net book value | 128,003 |
| **Revaluation surplus** | **35,968** |
| Deferred tax liabilities | 12,470 |
| **Net revaluation surplus** | **23,498** |

|  |  |
| --- | --- |
| **Net revaluation surplus is dealt with as follows:-**  Income statement – Profit Before Tax | 26,961\* |
| Income statement- Taxation | (4,731) |
| Income statement – Profit After Tax | 22,230 |
| Retained profits brought forward | 1,251 |
| Exchange fluctuation reserve- Balance Sheet | 17 |
| **Net revaluation surplus attributable to equity holders of the Company** | **23,498** |

\* Comprised increase in fair value for the period of RM24,179,000 and reversal of depreciation of RM2,782,000.

**(iii) Summary of effects of adopting the fair value method in the current quarter.**

**­ a) Effects on Condensed Consolidated Statement of Financial Position As At 31 December 2010**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Increase/ (Decrease ) | | | |
| PPE revaluation  surplus | IP revaluation  surplus | Reclassification | Net |
| RM’000 | RM’000 | RM’000 | RM’000 |
|  | | | | |
| Property , plant and equipment | **320,733** | - | - | **320,733** |
| Land held for development  Investment properties | -  - | -  **35,968** | (24,020)  24,020 | (24,020)  59,988 |
| Interest in associates | **2,405** | - | - | 2,405 |
| **Gross revaluation surplus** | **323,138** | **35,968** | - | 359,106 |
| Deferred tax liabilities | 85,590 | 12,470 | - | 98,060 |
| **Net revaluation surplus** | **237,548** | **23,498** | **-** | **261,046** |
| **Net revaluation surplus is dealt with as follows:-** |  |  |  |  |
| Income Statement – Profit After Tax | (4,335) | 22,230 | - | 17,895 |
| Retained profits brought forward | - | 1,251 | - | 1,251 |
| Exchange fluctuation reserve | (304) | 17 | - | (287) |
| Other Comprehensive Income  Other reserves- Asset  Revaluation Reserve | 242,187 | - | - | 242,187 |
|  | **237,548** | **23,498** | **-** | **261,046** |
| **Attributable to:** | | | | |
| Equity holders of the Company | 235,590 | 23,498 | - | 259,088 |
| Minority Interests | 1,958 | - | - | 1,958 |
|  | **237,548** | **23,498** | **-** | **261,046** |
|  |  |  |  |  |
| **Net assets (“NA”) per share attributable to equity holders of the parent** | | | | RM |
| **Increase in NA per share** | | | | **0.45** |
| **NA per share before revaluation** | | | | **1.05** |
| **NA per share after revaluation** | | | | **1.50** |

1. **Effects on Condensed Consolidated Income Statement for the Current Quarter ended 31**

**December 2010**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Increase/ (Decrease ) | | |
| PPE revaluation  surplus | IP revaluation  surplus | Total |
| RM’000 | RM’000 | RM’000 |
|  | | |  |
| Other income | 756 | 24,179 | 24,935 |
| Other expenses | (4,925) | 2,782 | (2,143) |
| Profit before tax | (4,169) | 26,961 | 22,792 |
| Taxation | (166) | (4,731) | (4,897) |
| Profit after tax | (4,335) | 22,230 | 17,895 |

**(iv) Restatement of comparatives**

**The following comparatives have been restated as a result of adopting the fair value method for Investment properties :**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Previously reported** | **Effect of revaluation** | **As restated** |
|  | **RM’000** | **RM’000** | **RM’000** |
| **Effects on Balance Sheet as at 31 December 2009** | | | |
| Investment properties | 100,927 | 14,051 | 114,978 |
| Deferred tax liabilities | (35,795) | (10,014) | (45,809) |
| Accumulated losses | (28,251) | 1,251 | (27,000) |
| Exchange fluctuation reserves | (20,999) | 2,786 | (18,213) |
|  |  |  |  |
|  |  |  |  |
| **Effects on Income Statement for the year ended 31 December 2009** | | | |
|  |  |  |  |
| Other expenses | (1,792,970) | (3,040) | ( 1,796,010) |
|  |  |  |  |
| Profit before tax | 140,278 | (3,040) | 137,238 |
| Taxation | (30,471) | 2,688 | (27,783) |
| Profit after tax | 109,807 | (352) | 109,455 |

A3 A3 **Seasonal or cyclical factors**

The operations of the Group were not materially affected by any seasonal or cyclical factors except for the Papua New Guinea Agriculture Segment.

A4 **Unusual items due to their nature, size or incidence**

Included in operating expenses are the following non-recurring items:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009**  **RM’000** |
| i) | Provision for commitment arising from a corporate guarantee issued by the Company for a loan still owing by a deconsolidated subsidiary \* | - | (437) | - | (10,170) |
| ii) | Compensation sum payable to related party for a settlement arrangement | - | - | (5,400) | - |
| iii) | Impairment losses:-   * goodwill on consolidation * investment in unquoted shares in Malaysia | - | -  (436) | - | (436) |
| iv) | Loss arising from flood in Fiji – net of insurance claim | - | 306 | - | (2,537) |
|  |  | - | (567) | (5,400) | (13,143) |

\* Is deemed a recurring item in current financial year.

Included in other income are the following non-recurring items:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009**  **RM’000** |
| i) | Gain on deconsolidation of a subsidiary | - | - | - | 4,446 |
| ii) | Gain on disposal of quoted shares outside Malaysia | - | - | - | 600 |
| iii) | Provision for liabilities no longer required \* | - | - | 17,011 | - |
| iv) | Write back of debts and interest arising from a legal settlement | - | 61,263 | - | 61,263 |
| v) | Net effects of fair value of Property, Plant & Equipment and Investment Properties | 22,792 | (3,041) | 22,792 | (3,041) |
|  |  | 22,792 | 58,222 | 39,803 | 63,268 |
|  |  |  |  |  |  |
| Net non-recurring items | | 22,792 | 57,655 | 34,403 | 50,125 |

\* Consequent to the resolution of litigation between MBf Holdings Berhad and AmBank (M) Berhad.

A5 **Changes in estimates**

There were no changes in estimates that had a material effect on the results of the quarter under review.

A6 **Pre-acquisition profits**

The above results did not comprise any pre-acquisition profit.

A7 **Dividends paid**

The Company had on 28 September 2010 paid an interim dividend of RM4.01 million for the financial year ended 31 December 2010. The said dividend was at 5 sen per share less taxation of 25% with the substantial shareholders having waived their entitlements. The substantial shareholders collectively own 462,996,991 MBfH shares representing 81.22% of the issued and paid up share capital in the Company.

A8 **Debt and equity securities**

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the quarter under review.

A9 **Segmental reporting**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009**  **RM’000** |
| **Segment Revenue** |  |  |  |  |
| Card and Payment Services | 58,614 | 58,327 | 240,449 | 247,624 |
| Papua New Guinea - Automotive | 128,113 | 130,962 | 500,687 | 382,141 |
| Papua New Guinea - Agriculture | 70,170 | 65,175 | 224,137 | 201,222 |
| Fiji - Retail and Wholesale | 95,543 | 116,964 | 328,974 | 372,839 |
| Fiji - Automotive | 58,764 | 59,095 | 247,262 | 258,619 |
| Fiji - Property | 6,629 | 6,632 | 25,698 | 26,552 |
| Shipping | 34,586 | 4,319 | 75,102 | 22,422 |
| Other segments | 111,758 | 130,343 | 433,454 | 401,181 |
| Adjustments and eliminations | (8,282) | (4,388) | (30,977) | (21,396) |
|  | 555,895 | 567,429 | 2,044,786 | 1,891,204 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009**  **RM’000** |
| **Segment Results** |  |  |  |  |
| Card and Payment Services | 19,450 | 16,695 | 74,725 | 85,529 |
| Papua New Guinea - Automotive | 6,815 | 6,726 | 38,425 | 25,139 |
| Papua New Guinea - Agriculture | 4,821 | (8,003) | 559 | (12,888) |
| Fiji - Retail and Wholesale | (15,488) | (9,093) | (33,544) | (15,473) |
| Fiji - Automotive | 1,209 | 2,919 | 8,754 | 11,959 |
| Fiji - Property | 11,542 | 2,309 | 18,244 | 8,759 |
| Shipping | (13,811) | 3,122 | (42,327) | 7,801 |
| Other segments | 7,969 | 48,495 | 24,334 | 24,047 |
| Adjustments and eliminations | (66) | (72) | (270) | (288) |
| Profit from operations | 22,441 | 63,098 | 88,900 | 134,585 |
| Share of results of associates | (124) | 2,472 | 1,916 | 2,653 |
| Profit before tax | 22,317 | 65,570 | 90,816 | 137,238 |

A10 **Subsequent event**

The Company and MBf Education Group Sdn Bhd, a wholly owned subsidiary had on 18 Jan 2011 effected service of the legal proceedings instituted at the Kuala Lumpur High Court to recover their assets which it alleged were wrongfully disposed of by the directors of these companies at the material time.

The assets in question are MBfH’s 66.67% equity interest in MBf Taylor’s Sdn Bhd and a parcel of land in Subang on which Taylor’s College was constructed and are presently registered under companies owned and/or controlled by the Loy family.

It is not possible to quantify the claim to this juncture and the Board is of the opinion that the claim if successful may have a material impact on the Group’s financial.

A11 **Changes in composition of the Group**

During the quarter under review, the Company had on 20 October 2010 incorporated a wholly owned subsidiary company, MBf Carpenters Shipping Agency Pty Ltd (“MBfCSA”) in Australia. The equity of MBfCSA is held through the following wholly owned subsidiary companies:-

1. MBf Carpenters Shipping (NZ) Limited, incorporated in New Zealand – 60%
2. MBf Carpenters Pty Limited, incorporated in Australia – 40%

MBfCSA has an issued and paid up share capital of AUD100 comprising 100 shares of AUD1.00 each. The principal activity of MBfCSA is that of a shipping agency to complement the shipping operation of the Group.

A12 **Commitments**

As at 31 December 2010 the commitments were:-

|  |  |  |
| --- | --- | --- |
|  |  | **RM’000** |
| a) | Capital commitments |  |
|  | Authorised and contracted for:   * Purchase of property, plant and equipment * Purchase of investment in unquoted shares | 106,254  23,337 |
|  |  |  |
|  | Authorised but not contracted for:   * Purchase of property, plant and equipment | 8,672 |
|  |  |  |
| b) | Operating expenditure: |  |
|  | Not later than one year | 33,892 |
|  | Later than one year and not later than two years | 4,889 |
|  | Later than two years and not later than five years | 6,420 |
|  | Later than 5 years | 18,515 |
|  |  |  |

A13 **Contingent liabilities**

The contingent liabilities as at 31 December 2010 were:-

|  |  |  |
| --- | --- | --- |
|  |  | **RM’000** |
| a) | Guarantees extended in support of banking and other credit facilities  granted to:- |  |
|  | Associate |  |
|  | - Secured | 3,167 |
|  |  |  |
| b) | Others – unsecured | 2,846 |
|  |  | 6,013 |

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1 **Review of performance**

The Group recorded revenue of RM555.90 million for the current quarter, a reduction of RM11.53 million or 2.03% compared to the preceding year’s corresponding quarter of RM567.43 million. The reduction was principally contributed by Fiji’s Retail and Wholesale operations and PNG’s Trading business which adverse variances were offset by the revenue from the newly set-up Shipping business.

The Group’s profit before tax was RM22.32 million for the current quarter compared to the previous year’s corresponding quarter of RM65.57 million, a reduction of RM43.25 million or 65.96%. Disregarding the non-recurring items as disclosed in Note A4 (RM22.79 million for the current quarter and RM57.66 million in the previous year’s corresponding quarter) the current quarter suffered a loss before taxation of RM0.47 million whereas the previous year’s corresponding quarter was a profit before taxation of RM7.91 million. The adverse performance of RM8.38 million or 105.94% was attributed principally to the initial losses of the newly set up shipping operation and losses from the operations in Fiji.

For the year ended 31 December 2010, the Group recorded revenue of RM2.045 billion compared to the previous year’s of RM1.891 billion, an increase of RM0.154 billion or 8.14%. Disregarding the non-recurring items, the Group’s profit before taxation for the year was RM56.41 million, a decrease of RM30.70 million or 35.24% relative to last year’s of RM87.11 million. The reduction is due principally to the initial losses of the newly set up shipping operations, losses from the operations in Fiji which were offset by better results from the operations in PNG.

B2 **Variation of results against preceding quarter**

The current quarter’s pre-tax profit was RM22.32 million compared to the preceding quarter’s of RM7.42 million, a favourable performance of RM14.90 million or 200.81% which included revaluation surplus of RM22.79 million arising principally from Investment Properties.

B3 **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 the light of GST implementation on cardmembers and the intense competition for market share. The operations in Fiji are anticipated to remain stagnant amidst the local political instability and global uncertainties, whilst PNG should maintain its good performance with the improving economy fuelled by the oil and gas investments in the country. The shipping business will continue to drag performance for its initial start up years.

B4 **Variance of actual profit from forecast profit**

The Company has not provided any forecast or profit guarantee for the period under review.

B5 **Taxation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **31/12/2010**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009**  **RM’000** |
| Taxation based on profits for the period |  |  |  |  |
| - Malaysian income tax | 5,784 | 699 | 18,821 | 17,414 |
| - Foreign tax | 5,532 | (2,558) | 19,592 | 7,041 |
| - Under provision in prior  years | 1,016 | 116 | 1,012 | 113 |
|  | 12,332 | (1,743) | 39,425 | 24,568 |
| Deferred taxation | 1,668 | 4,651 | (625) | 3,215 |
|  | 14,000 | 2,908 | 38,800 | 27,783 |

Excluding the non-recurring items, the Group’s effective tax rate was higher than the statutory rates as the tax losses suffered by certain subsidiaries were not available as group relief.

B6 **Profits/(losses) on sale of unquoted investment and properties**

There were no sales of unquoted investment or properties during the current financial quarter under review.

B7 **Quoted securities**

There were no dealings in quoted securities for the current financial quarter.

Total investments in quoted securities as at 31 December 2010 were as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Quoted in**  **Malaysia**  **RM’000** | **Quoted outside Malaysia**  **RM’000** |
| (i) | Cost  Provision for diminution in value | 29  (10) | 10,287  - |
| (ii) | Net book value | 19 | 10,287 |
| (iii) | Market value | 19 | 10,287 |

B8 **Status of corporate proposals**

A wholly owned subsidiary, Carpenters Properties Limited had entered into an agreement to acquire the 100% equity interest in Watson Brothers Limited, a property holding company from Messrs Robin Watson and David Zundel on 7 January 2006. The matter fell into dispute and was referred to Arbitration where the Arbitrator on 4 September 2009 ruled for specific performance of the Sale and Purchase Agreement in favour of Carpenters Properties Limited, leaving the date of settlement to be agreed between the parties. The hearing date to determine the date of settlement has been deferred pending certain submissions to be made by the vendor as required by the Arbitrator.

B9 **Group borrowings**

1. **Redeemable Convertible Secured Loan Stocks ("RCSLS") And Secured Bonds**

|  |  |
| --- | --- |
|  | **RM’000** |
| RCSLS A (USD19,236,664) | 59,355 |
| RCSLS B (USD5,665,323) | 17,480 |
| Total RCSLS | 76,835 |
| Less : Equity portion of RCSLS | (67,310) |
| **Net RCSLS** | **9,525** |
| **Secured Bonds (USD12,700,000)** | **39,186** |
|  | **48,711** |

The salient terms of the RCSLS and Secured Bonds are as follows:

Nominal value Tenure Maturity Date Coupon Rate

a) RCSLS A-2003/2013 USD1 each 10 years 30.6.2013 } LIBOR + 1.5% p.a.

b) RCSLS B-2003/2013 USD1 each 10 years 30.6.2013 } LIBOR + 1.5% p.a.

c) Secured Bonds USD1 each 25 years 5.12.2020 } Weekly floating rate as

determined by the Remarketing

Agent – averaging 0.32% p.a. for

the year ended 31 December 2010.

1. **Long term borrowings**

|  |  |
| --- | --- |
|  | **RM’000** |
| **Secured** |  |
| - Term loans | 204,618 |
| - Hire purchase and lease payable due after one year | 26,424 |
| Sub-total | 231,042 |
|  |  |
| **Unsecured** |  |
| - Term loans | 3,000 |
| - Medium term notes | 105,600 |
|  | 108,600 |
| **Total** | **339,642** |

1. **Short term borrowings**

|  |  |
| --- | --- |
|  | **RM’000** |
| **Secured** |  |
| - Bank overdrafts | 255,830 |
| - Revolving credits | 126,778 |
| - Trust receipts and bankers' acceptances | 6,929 |
| - Hire purchase and lease payable due within one year | 18,329 |
| - Term loans | 80,638 |
| - Portion of long term loans payable within one year | 3,028 |
| - Commercial papers | 275,652 |
| Sub-total | 767,184 |

|  |  |
| --- | --- |
| **Unsecured** |  |
| - Portion of long term loans payable within one year | 4,250 |
| **Total** | 771,434 |

Borrowings denominated in foreign currencies are as follows:-

|  |  |
| --- | --- |
|  | Foreign  Currency  ’000 |
| Fijian Dollar | 108,476 |
| Kina | 287,869 |
| US Dollar | 37,602 |

B10 **Derivative financial instruments**

The forward currency contracts used to hedge the Group’s sales and purchases denominated in various foreign currencies are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | <-------------- Fair Value -------------> | |
|  | Contract/  Notional  Amount  (RM’000) | Assets  (RM’000) | Liabilities (RM’000) |
| **Non-hedging derivatives:** |  |  |  |
| **Current (Less than 1 year)** |  |  |  |
| Forward currency contracts | 17,007 | 583 | (44) |
|  |  |  |  |
|  | 17,007 | 583 | (44) |

During the current financial quarter and year, the Group recognized a gain of RM0.60 million and RM0.53 million respectively, arising from fair value changes in derivative assets and liabilities. The fair value changes were attributable to the changes in foreign exchange spot and forward rates.

B11 **Material litigation**

In addition to the litigation reported in Note A10, the other material litigation as at the date of this announcement are as follows:-

a) MBF Cards (M’sia) Sdn Bhd (“MBF Cards”) Vs GrandTech Systems Sdn Bhd (“GrandTech”) (“MBF Cards Action”) and GrandTech Vs MBF Cards (“GrandTech Action”)

The MBF Cards Action is a claim for approximately RM13.6 million for the non-fulfillment of certain representations by GrandTech, the supplier for goods used in one of MBF Cards’ credit card marketing campaigns.

The GrandTech Action for approximately RM6.4 million was filed for the goods delivered, anticipated profit from the remaining undelivered goods and other related expenses. GrandTech had also filed an application for summary relief and interim payment for about RM4.0 million with the Kuala Lumpur High Court (“KLHC”). The KLHC had dismissed GrandTech’s summary relief application and its’ appeal against the said dismissal. GrandTech thereafter filed an appeal to the Court of Appeal against the order. At the hearing on 5 March 2010, GrandTech withdrew its appeal against the KLHC’s Order with no cost.

Both the actions had been consolidated and the full trial proceeded on 2, 5 and 6 August 2010 with continued hearing fixed on 16 and 17 December 2010. The hearing on 16 December 2010 was adjourned to 14 January 2011 but was not listed and thus re-fixed for mention on 17 January 2011which was vacated. Until now, no date has been fixed for a hearing.

b) MBf Holdings Bhd & MBf Finance Berhad (now AmBank (M) Berhad) (collectively called the “Plaintiffs”) Vs Wee Choo Keong, Loi Hean Sso and Houng Hai Kong (collectively called the “Defendants”)

The Plaintiffs had on 9 February 1993 obtained an ex-parte injunction to restrain the Defendants from printing, circulating, distributing or publishing in any manner any allegation of impropriety or irregularity or illegality of whatever nature against the Plaintiffs or any of their respective subsidiaries or affiliates.

Wee Choo Keong and Houng Hai Kong (collectively called the “Appellants”) applied to set aside the ex-parte injunction which was rejected by the High Court in 1996. However the Appellants’ appeal against the court order was allowed by the Court of Appeal in 2007.

Wee Choo Keong’s application to the High Court to review the taxation of costs was dismissed on 30 November 2007. Upon his appeal to the Court of Appeal, the costs were reduced from RM210,000 to RM50,000 which he had proceeded to appeal with no date being set yet. His application for assessment of damages amounting to approximately RM40 million was set for further continued hearing on 5 May 2011.

Houng Hai Kong had filed an application for taxation of costs and assessment of damages on 11 August 2010 which were fixed for mention on 27 December 2010 and 29 December 2010 respectively. The next mention for the taxation of costs application was fixed on 10 March 2011 whereas that for the assessment of damages was fixed on 16 February 2011 and its hearing on 5 April 2011.

It is not possible to ascertain the quantum of damages payable by the Plaintiffs at this juncture and the directors are of the view that the Company’s liability, if any, is not material and accordingly the Company had not provided for it in its book.

B12 **Dividend**

No dividend was declared during the quarter under review.

B13 **Earnings per share ("EPS")**

1. **Basic**

Basic EPS is calculated by dividing the net profit for the periods under review by the weighted average number of ordinary shares in issue during the same periods.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009** | **CURRENT**  **YEAR TO DATE**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009** |
|  |  |  |  |  |
| Net profit (RM’000) | 7,233 | 61,030 | 47,090 | 106,162 |
|  |  |  |  |  |
| Weighted average number of ordinary shares in issue ('000) | 570,050 | 570,050 | 570,050 | 570,050 |
|  |  |  |  |  |
| Basic EPS (sen) | 1.27 | 10.71 | 8.26 | 18.62 |

**(b) Diluted**

For the purpose of calculating the diluted earnings per share, the net profit for the periods under review and the weighted average number of ordinary shares in issue during the same periods have been adjusted for the dilutive effects of the potential issue of new ordinary shares on conversion of the RCSLS and Warrants.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009** | **CURRENT**  **YEAR TO DATE**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009** |
|  |  |  |  |  |
| Net profit (RM'000) Net profit (RM’000) | 7,233 | 61,030 | 47,090 | 106,162 |
|  |  |  |  |  |
| Adjustment for after tax effects of interest savings  on: |  |  |  |  |
| - USD RCSLS A | (249) | 197 | (1,000) | 1,241 |
| - USD RCSLS B | (73) | 57 | (294) | 364 |
| - Warrants | - | - | 14,910 | - |
| Adjusted net profit | 6,911 | 61,284 | 60,706 | 107,767 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **31/12/2009** | **CURRENT**  **YEAR TO DATE**  **31/12/2010** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **31/12/2009** |
|  |  |  |  |  |
| Number of ordinary shares in issue ('000) | 570,050 | 570,050 | 570,050 | 570,050 |
|  |  |  |  |  |
| Adjustment on assumption of the full conversion of (’000): |  |  |  |  |
| - USD RCSLS A | 65,876 | 66,761 | 65,876 | 66,761 |
| - USD RCSLS B | 19,401 | 19,662 | 19,401 | 19,662 |
| - Warrants \* | - | - | 265,064 | - |
| Weighted average number of ordinary shares in issue and to be issued on conversion of RCSLS (’000) | 655,327 | 656,473 | 920,391 | 656,473 |
| Diluted earnings per share (sen) | 1.05 | 9.34 | 6.60 | 16.42 |

\* The conversion of warrants into ordinary shares is anti-dilutive during the current quarter and the preceding period, hence has been excluded in the calculation of diluted earnings per share.

B14 **Realised and Unrealised Profits/Losses**

The breakdown of the retained profits of the Group, into realised and unrealised profits, pursuant to the directives issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:

|  |  |  |
| --- | --- | --- |
|  | **AS AT 31/12/2010**  **RM’000** | **AS AT 30/9/2010**  **RM’000** |
|  |  |  |
| Total retained profits/(accumulated losses) of MBfH and its subsidiaries |  |  |
| * Realised | 1,658 | 26,725 |
| * Unrealised | 14,242 | (20,306) |
|  | 15,900 | 6,419 |
|  |  |  |
| Total share of retained profits from associated companies: |  |  |
| * Realised | 1,388 | 1,512 |
| * Unrealised | - | - |
| Total Group retained profits | 17,288 | 7,931 |

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By Order Of The Board

**MBf HOLDINGS BERHAD**

**Chong Siew Hoong (MIA 5062)**

**Ong Hua Meng (MIA 6346)**

**Company Secretaries**

**Date : 25 February 2011**