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

A1 **A1** **First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)**

These condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the period up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transaction from FRS to MFRS is described in Note A2 below.

**A2** **Significant accounting policies**

**2.1 Application of MFRS 1**

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing this condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

***Foreign currency translation reserve***

Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency transition differences of RM43,459,000 (31 March 2011: RM43,459,000; 31 December 2011: RM43,459,000) were adjusted to retained earnings.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and the date of transition under MFRS are provided below:

 Reconciliation of equity as at 1 January 2011

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FRS as at****1/1/2011****RM’000** | **Reclassifications****RM’000** | **MFRS as at** **1/1/2011****RM’000** |
|  |  |  |  |
| Non-current assets |  1,113,604 | - |  1,113,604 |
| Current assets |  1,581,334 | - |  1,581,334 |
| **Total assets** |  2,694,938 | - |  2,694,938 |
|  |  |  |  |
| Current liabilities |  1,269,085 | - |  1,269,085 |
| Non-current liabilities |  548,793 | - |  548,793 |
| **Total liabilities** |  1,817,878 | - |  1,817,878 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital |  570,050 | - |  570,050 |
| Equity portion of RCSLS | 68,655 | - |  68,655 |
| Foreign currency translation reserves | (43,459) | 43,459 | - |
| Capital reserves |  4,084 | - |  4,084 |
| Asset revaluation reserves |  239,493 | - |  239,493 |
| Retained earnings | 15,381 | (43,459) |  (28,078) |
| **Equity attributable to owners of the parent** |  854,204 | - |  854,204 |
| Non-controlling interests | 22,856 | - |  22,856 |
| **Total equity** |  877,060 | - |  877,060 |
| **Total equity and liabilities** |  2,694,938 | - |  2,694,938 |

Reconciliation of equity as at 31 March 2011

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FRS as at****31/3/2011****RM’000** | **Reclassifications****RM’000** | **MFRS as at** **31/3/2011****RM’000** |
|  |  |  |  |
| Non-current assets |  1,094,602 | - |  1,094,602 |
| Current assets |  1,531,949 | - |  1,531,949 |
| **Total assets** |  2,626,551 | - |  2,626,551 |
|  |  |  |  |
| Current liabilities |  1,224,937 | - |  1,224,937 |
| Non-current liabilities |  533,216 | - |  533,216 |
| **Total liabilities** |  1,758,153 | - |  1,758,153 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital |  570,050 | - |  570,050 |
| Equity portion of RCSLS | 68,003 | - |  68,003 |
| Foreign currency translation reserves | (58,708) | 43,459 |  (15,249) |
| Capital reserves |  4,084 | - |  4,084 |
| Asset revaluation reserves |  239,493 | - |  239,493 |
| Retained earnings | 22,462 | (43,459) |  (20,997) |
| **Equity attributable to owners of the parent** |  845,384 | - |  845,384 |
| Non-controlling interests | 23,014 | - |  23,014 |
| **Total equity** |  868,398 | - |  868,398 |
| **Total equity and liabilities** |  2,626,551 | - |  2,626,551 |

Reconciliation of equity as at 31 December 2011

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FRS as at****31/12/2011****RM’000** | **Reclassifications****RM’000** | **MFRS as at** **31/12/2011****RM’000** |
|  |  |  |  |
| Non-current assets |  1,512,037 | - |  1,512,037 |
| Current assets |  1,682,104 | - |  1,682,104 |
| **Total assets** |  3,194,141 | - |  3,194,141 |
|  |  |  |  |
| Current liabilities |  1,564,814 | - |  1,564,814 |
| Non-current liabilities |  595,718 | - |  595,718 |
| **Total liabilities** |  2,160,532 | - |  2,160,532 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital |  570,050 | - |  570,050 |
| Equity portion of RCSLS | 73,574 | - |  73,574 |
| Foreign currency translation reserves | 45,191 | 43,459 |  88,650 |
| Capital reserves |  4,084 | - |  4,084 |
| Asset revaluation reserves |  244,345 | - |  244,345 |
| Retained earnings | 71,241 | (43,459) |  27,782 |
| **Equity attributable to owners of the parent** |  1,008,485 | - |  1,008,485 |
| Non-controlling interests | 25,124 | - |  25,124 |
| **Total equity** |  1,033,609 | - |  1,033,609 |
| **Total equity and liabilities** |  3,194,141 | - |  3,194,141 |

The transition from FRS to MFRS has not had a material impact on the statements of financial position, statements of comprehensive income and statements of cash flows.

**2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective**

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

|  |  |
| --- | --- |
| **MFRSs, Amendments to MFRSs and IC Interpretation** | **Effective for annual periods beginning on or after** |
|  |  |  |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) | 1 January 2015 |
| MFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 | Joint Arrangements | 1 January 2013 |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 | Fair Value Measurement | 1 January 2013 |
| MFRS 119 | Employee Benefits | 1 January 2013 |
| MFRS 127 | Separate Financial Statements | 1 January 2013 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| Amendments to MFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| **MFRSs, Amendments to MFRSs and IC Interpretation** | **Effective for annual periods beginning on or after** |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities  | 1 January 2014 |
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
|  |  |  |

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 is the following:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  |  | **CURRENT****YEAR****QUARTER****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
|  | Provision for floods losses in Fiji – net of insurance claim | (3,961) |  - | (3,961) | - |
|  |  | (3,961) |  - | (3,961) |  - |

**A5** **Profit before tax**

 The following have been included in arriving at profit before tax:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  |  | **CURRENT****YEAR****QUARTER****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
| (a) | Interest income | (1,658) | (2,286) | (1,658) | (2,286) |
| (b) | Foreign exchange gain | (5,991) | (4,890) | (5,991) | (4,890) |
| (c) | Net gain on disposal of property, plant and equipment |  (134) |  (95) |  (134) |  (95) |
| (d) | Other income including investment income  | (8,866) |  (6,846) | (8,866) |  (6,846) |
| (e) | Interest expense |  26,977 | 19,907 |  26,977 | 19,907 |
| (f) | Depreciation and amortization |  16,388 | 13,229 |  16,388 | 13,229 |
| (g) | Allowance for impairment on trade and other receivables |  11,895 | 10,624 |  11,895 | 10,624 |
|  |  |  |  |
|  |  |  |  |
|  |  |  **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  |  | **CURRENT****YEAR****QUARTER****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
| (h) | Write down of inventories  |  526 | - |  526 | - |
| (i) | Foreign exchange loss | 4,629 | 2,580 | 4,629 | 2,580 |
| (k) | Net fair value (gain)/loss on financial instruments:* derivatives
* designated at fair value through profit or loss
 |  (88) (1,730) |  257 (273) |  (88) (1,730) |  257 (273) |
|  |  |  |  |  |  |

**A6 Changes in estimates**

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

**A7** **Pre-acquisition profits**

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

**A8** **Dividends paid**

There was no dividend paid, proposed or declared during the quarter under review.

**A9** **Debt and equity securities**

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

**A10** **Segment information**

|  |  |  |
| --- | --- | --- |
|   | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
| **Revenue** |  |  |  |  |
| Card and Payment Services |  **57,699** | 58,986 |  **57,699** | 58,986 |
| Papua New Guinea - Automotive | **189,664** |  129,323 | **189,664** |  129,323 |
| Papua New Guinea - Agriculture |  **61,282** |  84,321 |  **61,282** |  84,321 |
| Fiji - Retail and Wholesale | **108,776** |  83,191 | **108,776** |  83,191 |
| Fiji - Automotive |  **59,107** |  52,493 |  **59,107** |  52,493 |
| Fiji - Property |  **4,923** |  6,195 |  **4,923** |  6,195 |
| Shipping |  **32,144** |  32,294 |  **32,144** |  32,294 |
| Other segments \* |  **126,474** | 112,712 |  **126,474** | 112,712 |
| Adjustments and eliminations  |  **(7,886)** |  (8,610) |  **(7,886)** |  (8,610) |
|  |  **632,183** | 550,905 |  **632,183** | 550,905 |

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
| **Results** |  |  |  |  |
| Card and Payment Services |  **23,985** |  22,531 |  **23,985** |  22,531 |
| Papua New Guinea - Automotive |  **22,645** |  5,404 |  **22,645** |  5,404 |
| Papua New Guinea - Agriculture |  **(15,227)** |  22,609 |  **(15,227)** |  22,609 |
| Fiji - Retail and Wholesale \*\* |  **(3,682)** |  (3,967) |  **(3,682)** |  (3,967) |
| Fiji - Automotive |  **1,074** |  434 |  **1,074** |  434 |
| Fiji - Property |  **2,012** |  3,235 |  **2,012** |  3,235 |
| Shipping |  **(12,532)** |  (11,694) |  **(12,532)** |  (11,694) |
| Other segments \* |  **(635)** |  (669) |  **(635)** |  (669) |
| Adjustments and eliminations  |  **(27,249)** | (19,261) |  **(27,249)** | (19,261) |
| Profit from operations |  **(9,609)** | 18,622 |  **(9,609)** | 18,622 |
| Share of results of associates |  **1,263** |  504 |  **1,263** |  504 |
| Profit before tax |  **(8,346)** |  19,126 |  **(8,346)** |  19,126 |

\* Includes provision of support services for information systems and office equipment, printing of packaging boxes, manufacturing and distribution of tinned food, provision of financial services and investment holding, none of which are of a significant size to be reported separately.

**\*\*** Includes unusual item as elaborated in Note A4.

 **A11** **Subsequent event**

There were no material events subsequent to the quarter under review.

 **A12** **Changes in composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**A13** **Commitments**

 As at 31 March 2012 the commitments were:-

|  |  |  |
| --- | --- | --- |
|  |  | **RM’000** |
| a) | Capital commitments |  |
|  | Authorised and contracted for:* Purchase of property, plant and equipment
* Purchase of investment in unquoted shares
 |  21,859 23,564 |
|  |  |  **45,423** |
|  | Authorised but not contracted for:* Purchase of property, plant and equipment
 |  **1,936** |
|  |  |  |
| b) | Operating expenditure: |  |
|  | Not later than one year |  34,249 |
|  | Later than one year and not later than two years |  14,199 |
|  | Later than two years and not later than five years |  8,733 |
|  | Later than 5 years |  18,082 |
|  |  |  **75,263** |

**A14** **Contingent liabilities**

 The contingent liabilities as at 31 March 2012 were:-

|  |  |  |
| --- | --- | --- |
|  |  |  **RM’000** |
|  a) |  Guarantees extended in support of banking and other credit facilities granted to an associate – (secured) |   2,357 |
|  |  |  |
| b) | Others – unsecured |  5,716 |
|  |  |  **8,073** |

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

**B1** **Review of performance**

For the current quarter, the Group recorded revenue of RM632.18 million, an increase of RM81.27 million or 15% over last year’s corresponding quarter of RM550.91 million. The increased revenue was principally attributed to the higher contributions from the South Pacific operations, namely from Fiji (RM33.00 million) and Papua New Guinea (RM54.30 million), which the latter arose principally from the strengthening of the Kina against the Malaysian Ringgit by 24% (from Kina1: RM1.1873 in Q1 2011 to Kina1: RM1.4767 in the current quarter). In real terms, the revenue from Papua New Guinea had reduced by 5% over the previous year’s corresponding period.

The Group’s loss before tax was RM8.35 million for the current quarter versus last year’s corresponding quarter of a profit before tax of RM19.13 million, an adverse performance by RM27.48 million or 144%. Included therein was a non-recurring item of provision for losses suffered by WR Carpenter (South Pacific) Limited amounting to RM3.96 million (2011 – nil) due to the floods in the months of January and March/April.

Disregarding the non-recurring item the Group would be reporting an operating loss before tax of RM4.39 million (2011: profit of RM19.13 million) due principally to the unfavourable performance of the Papua New Guinea operations, namely its Agriculture segment due to the depressed commodities prices, Shipping and the lift manufacturing operation in China.

The taxation charge for the current quarter was RM2.38 million versus RM10.79 million for the corresponding quarter of 2011. Included in the current quarter’s taxation was a reversal of provision for deferred taxation of RM8.61 million which arose from the recognition as deferred tax assets the unused tax losses incurred prior to 1 January 2012 which is further explained in Note B5.

With the above the Group’s loss after tax for the quarter ended 31 March 2012 was RM10.72 million versus the previous year’s corresponding period of a profit after tax of RM8.34 million.

**Operations Review**

1. **Cards and Payment Services**

The performance of this segment for the current quarter was better than that of the previous year’s corresponding period. Despite reporting marginally lower revenue of RM57.70 million, RM1.29 million or 2% lower than 2011’s corresponding quarter of RM58.99 million, its profit before tax was RM15.02 million, RM0.75 million or 5% higher than the previous year’s corresponding quarter of RM14.27 million.

The company’s key performance indicators had improved this quarter relative to the corresponding quarter of 2011:-

* acquiring volume by 8%;
* billings by 2.2%;
* merchant base increased by 5%.
1. **Papua New Guinea – Automotive**

This segment which comprises the operations in Papua New Guinea, Vanuatu and Solomon Islands, registered higher revenue of approximately Kina19.52 million (RM28.83 million) based on average exchange rate of Kina1: RM1.4767, boosted by strong vehicle demand related to the LNG projects and the strengthening of the Kina (18% real increase and 29% increase on currency conversion to RM).

The total number of vehicles sold in the first quarter of 2012 was 828 versus 703 in the previous year’s corresponding quarter, an increase of 125 units or 18%.

The profit before tax for the current quarter of Kina13.48 million (RM19.91 million) was 351% higher than the Kina2.99 million (RM3.55 million) reported for Q1 2011 as a result of the strengthening of the Kina and the ability of the dealership management team to hold onto the gross profit margins.

1. **Papua New Guinea – Agriculture**

This segment comprises the plantation and farming operations including the coconut oil mill. In the current quarter, the operations recorded a combined revenue of Kina41.50 million (RM61.28 million), a decrease of Kina29.52 million (RM23.04 million) or 42% compared to Q1 2011’s of Kina71.02 million (RM 84.32 million).

The lower revenue was due principally to the lower coconut oil (“CNO”) prices which fell from an average of Kina4,868/MT in the corresponding quarter of last year to Kina2,564/MT in the current quarter, aggravated further by the declining tea and coffee prices. Total tonnage of CNO sold was also lower than the previous year’s corresponding quarter by 5,716 MT or 57% (4,194 MT vs 9,910 MT). The debt crisis in Europe, where the CNO is exported resulted in declining demand which was aggravated further by the appreciation of the Kina exchange rate against US Dollar by more than 24% between the corresponding periods. The lower revenue was mitigated by higher export copra sales (Kina6.83 million or 4,360 MT).

Consequently the lower revenue resulted in a loss before tax of Kina13.95 million (RM20.60 million) compared to the previous year’s corresponding quarter of a profit of Kina16.52 million (RM19.62 million).

1. **Fiji – Retail and Wholesale**

The Fiji Retail and Wholesale segment comprises the operations of Morris Hedstrom (“MH”) - the supermarket and homemaker operator and the Hardware businesses.

This segment reported sales of FJD63.15 million (RM108.78 million), exceeding the preceding year’s corresponding quarter by FJD13.30 million (RM25.59 million) or 27% due to improved sales in all businesses.

The improved revenue resulted in the segment turning around with a modest profit before tax and non recurring item of FJD0.08 million (RM0.13 million) compared to the previous year’s corresponding quarter of a loss of FJD2.44 million (RM4.07 million). This segment provided for losses of FJD2.30 million (RM3.96 million) consequent to the floods in January and March/April and this resulted in the current quarter reporting a loss before tax FJD2.22 million (RM3.83 million).

1. **Fiji – Automotive**

Total revenue for the current quarter was FJD34.32 million (RM59.11 million) compared to the previous year’s corresponding quarter of FJD31.46 million (RM52.49 million), higher by FJD2.86 million (RM6.61 million) or 9% driven by higher sales volumes – in both the new and used vehicles, auto parts and car rental business.

Profit before tax of FJD0.60 million (RM1.03 million) was FJD0.37 million (RM0.64 million) or 161% higher than the previous year’s corresponding quarter of FJD0.23 million (RM0.39 million). New vehicle market in Fiji has grown by 30% and the company by 50%, being the number 2 distributor in Fiji with a 29% market share.

1. **Fiji – Property**

The segment comprises the operations of Carpenters Properties Limited, Properties Trust (Fiji) Limited and Hunter Investments Limited which recorded cumulative revenue of FJD2.86 million (RM4.92 million) compared to FJD3.71 million (RM6.20 million) in the corresponding quarter of 2011, a decrease of FJD0.85 or 23% primarily due to lower rental income on reduced rates.

Consequently, the segment’s operating profit before tax decreased in tandem with the reduction in revenue to FJD0.19 million (RM0.33 million), FJD0.78 million (RM1.29 million) or 80% lower than the preceding year’s corresponding quarter of FJD0.97 million (RM1.62 million) aggravated further by the increased operating costs.

1. **Shipping**

The first quarter of the year is typically the off peak period for both Northbound and Southbound services. Despite the fleet size being reduced from four (4) vessels to two (2), total revenue of the Shipping segment for the current quarter was RM32.38 million, almost the same as the corresponding quarter of 2011 of RM32.41 million.

The pretax loss for the current quarter was RM14.14 million, RM1.27 million or 10% higher than the previous year’s corresponding quarter of RM12.87 million. Operating costs in the current quarter remained high due to high vessel time charter rates, delays in ports and a surge in the price of bunker fuel*.* The recently launched Carpenters Coastal Shipping Service to complement the main line also contributed to the current quarter’s loss, primarily due to its setup costs.

1. **Others**

Despite the revenue of this segment having increased by RM13.76 million or 12% to RM126.47 million from last year’s corresponding quarter of RM112.71 million, net losses from operations also increased from RM5.97 million to RM8.99 million. The higher losses were primarily due to increased interest costs of RM3.05 million (RM5.30 million for Q1 2011 versus RM8.35 million for the current quarter) consequent to the increased borrowings and strengthening of the Kina against the RM.

**B2 Variation of results against preceding quarter**

The current quarter’s pre-tax loss of RM8.35 million was RM16.37 million or 66% lower than the preceding quarter’s of RM24.72 million. Disregarding the non–recurring item of RM3.96 million losses consequence of the floods in Fiji in the current quarter and the net gains of RM13.91 million in the preceding quarter’s results, the operating loss for the current quarter would be RM4.39 million compared to the preceding quarter of RM38.63 million. The lower loss was due to better performances by the PNG operations, namely its Automotive segment and lower losses from its Trading businesses.

 **B3** **Prospects for 2012**

With continuing uncertainties in the global economy stemming from the possible backlash of the European and US economies and signs of overheating in the East Asian economies, particularly in China and India, the Group anticipates an increasingly challenging outlook for its operations.

* Card & Payment Services – The Group remains hopeful that the Government will be balanced in its support for domestic spending on one end and its move to moderate household debt consumption on the other.
* PNG Operations – The PNG economy remains strong spurred by its internal/government capital expenditure and this augurs well for the Group’s operations particularly its Automotive segment. However, its Agriculture segment, is expected to be affected by uncertain global demand, high import inflation and the appreciating PNG currency which may stifle foreign demand.
* Fiji Operations – Fiji’s growth outlook for 2012 is no different from 2011 and is expected to remain relatively quiet. We are cautiously optimistic that prospects may improve in the second half of the year with the aftermath of the recent flood having been absorbed.
* Shipping – The Group having re-organised its fleet size and voyage routes is seeing some profits from the South Bound voyages and will strive to reduce the losses of its North Bound voyages. The oversupply of capacity globally and the anticipated reduced global exports coupled with increasing fuel costs are concerns which have to be overcome by cost and efficiency management. The outlook for the PNG economy looks positive, as confirmed by the import volumes into PNG over the past months. Trade between Asia, Solomons and Vanuatu is expected to remain stable with modest growth. The increasing in-house northbound cargoes and the transshipment arrangements entered into with other liners should improve prospects for the Shipping segment in 2012.

The Company’s focus for 2012 will be on achieving greater group synergies and managing costs and production efficiency. Efforts shall include expanding its existing operations to increase market share and venturing into businesses which complement its shipping and retail operations.

**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****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011****RM’000** | **CURRENT****YEAR TO DATE****31/3/2012****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011****RM’000** |
| Current income tax |  |  |  |  |
| - Malaysian  | **3,371** | 3,227 | **3,371** | 3,227 |
| - Foreign  | **7,617** | 7,724 | **7,617** | 7,724 |
|  |  **10,988** | 10,951 |  **10,988** | 10,951 |
| Deferred taxation | **(8,613)** |  (163) | **(8,613)** |  (163) |
|  | **2,375** | 10,788 | **2,375** | 10,788 |

 In the previous quarter (Q4 2011) unused tax losses incurred prior to 1 January 2011 was de-recognised as deferred assets following the amendment of Income Tax (Amendment) Decree 2012 (Decree No 6 of 2012) in Fiji wherein all carrying forward of income tax losses ceased to continue from 1 January 2012. Thereafter on 24 April 2012 the Fiji Revenue & Customs Authority amended the ruling to permit the carrying forward of such losses for up to four (4) years from the year of loss instead of eight (8) years previously. Arising therefrom provision for deferred taxation of RM8.61 was reversed in the current quarter.

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 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 March 2012 were as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Quoted in** **Malaysia****RM’000** | **Quoted outside Malaysia****RM’000** |
| (i) | Cost Provision for diminution in value  |  29 (11) | 20,968 - |
| (ii) | Net book value |  18 | 20,968 |
| (iii) | Market value |  18 | 20,968 |

**B8** **Status of corporate proposals**

A wholly owned subsidiary, Carpenters Properties Limited had entered into a Sale and Purchase Agreementto acquire the 100% share interest in Watson Brothers Limited, a property holding company from Messrs Robin Watson and David Zundel on 7th January 2006. The matter fell into dispute due to an income tax implication to the vendors from this transaction and as a result the matter was referred to Arbitration as provided in the Sale and Purchase Agreement. On 4th September 2009, the Arbitrator ruled for specific performance of the Sale and Purchase Agreement in favour of Carpenters Properties Limited. The matter is still before the Arbitrator and is currently pending further directions and continuation of hearing.

**B9** **Group borrowings**

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

|  |  |
| --- | --- |
|  | **RM’000** |
| RCSLS A (USD19,236,664) |  58,931 |
| RCSLS B (USD5,665,323) |  17,356 |
| Total RCSLS |  76,287 |
| Less : Equity portion of RCSLS |  (71,996) |
| **Net RCSLS** |  **4,291** |
| **Secured Bonds (USD12,700,000)** |  **38,906** |
|  |  **43,197** |

 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 0.15% p.a. for

 the year ended 31 March 2012.

1. **Long term borrowings**

|  |  |
| --- | --- |
|  |  **RM’000** |
| **Secured** |  |
|  - Hire purchase and lease payable |  31,024 |
|  - Term loans |  341,983 |
|  - Medium term notes |  30,000 |
|   |  403,007 |
|  |  |

1. **Short term borrowings**

|  |  |
| --- | --- |
|  | **RM’000** |
| **Secured** |  |
|  - Bank overdrafts |  407,366 |
|  - Revolving credits |  185,531 |
|  - Trust receipts and bankers' acceptances |  21,456 |
|  - Hire purchase and lease payable  |  16,862 |
|  - Term loans |  71,405 |
|  - Medium term notes |  105,600 |
|  - Commercial papers |  248,699 |
|  Sub-total |  1,056,919 |

|  |  |
| --- | --- |
|  **Total**  | 1,459,926 |

 Borrowings denominated in foreign currencies are as follows:-

|  |  |
| --- | --- |
|  | Foreign Currency’000 |
| Fijian Dollar | 122,654 |
| Papua New Guinea Kina | 325,023 |
| United States DollarVanuatu VatuSolomon Dollar |  37,602607,798 12,197 |

**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/NotionalAmount(RM’000) |  Assets(RM’000) | Liabilities (RM’000) |
| **Non-hedging derivatives:** |  |  |  |
| **Current (Less than 1 year)** |  |  |  |
| Forward currency contracts | 9,970 | 96 | (8) |
|  |  |  |  |
|  | **9,970** | **96** | **(8)** |

 During the current financial quarter, the Group recognized a gain of RM0.09 million, 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**

 The material litigation as at the date of this announcement are as follows:-

1. 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 for rescission, assessment of value of the goods supplied by GrandTech for a credit card campaign and damages for misrepresentation, attrition and loss of customers.

The subsequent GrandTech Action for approximately RM6.4 million was filed for the goods delivered, anticipated profit from the remaining undelivered goods and related expenses.

GrandTech had filed an application for summary relief and interim payment for about RM4.0 million which application was dismissed. Its appeal to the Court of Appeal against the said order was withdrawn.

Both the actions have been consolidated. The full trial of the consolidated matters scheduled for 26 and 27 March 2012 was postponed and the parties now await trial dates before a new judge.

1. 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 allegations of impropriety or irregularity or illegality of whatever nature against the Plaintiffs or any of their respective subsidiaries or affiliates.

In 1996, Wee Choo Keong’s and Houng Hai Kong’s application to set aside the ex-parte injunction was refused by the High Court. However their appeal against the order was allowed by the Court of Appeal in April 2007.

The Defendants obtained an order to assess damages based on the Plaintiffs’ undertaking given when the ex-parte injunction was granted. Pursuant thereto, Wee Choo Keong filed an application for assessment of damages for approximately RM40 million which is part heard and will continue on a date to be fixed by the Court.

Houng Hai Kong's application for assessment of damages fixed for hearing on 16 May 2012 was vacated and rescheduled to 10 July 2012.

It is not possible to ascertain the quantum of damages payable by the Plaintiffs to Wee Choo Keong at this juncture and the Board is 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.

1. MBf Holdings Berhad (“MBfH”) & MBf Education Group Sdn Bhd (“MEG”) [collectively called “the Plaintiffs”] Vs Dato' Loy Teik Ngan, Datin Chong Kwei Kee, Puan Sri Datin Ling Mah Lee, Tan Sri Dato' Lim Cheng Pow, Taylor’s Education Bhd, Taylor’s College Sdn Bhd, Educrest Sdn Bhd, Lim Tian Huat & Chew Cheng Leong [collectively called “the Defendants”]

The claim is to recover the Plaintiffs’ assets which were disposed of by the directors of MBfH & MEG at the material time. The assets in question are MBfH’s 66.67% equity interest in MBf Taylors Sdn Bhd [now known as Taylor’s Education Sdn Bhd] & a parcel of land in Subang on which Taylor’s College is constructed. These assets are presently registered under companies owned and/or controlled by the Loy Family.

The 8th and 9th Defendants, Lim Tian Huat's and Chew Cheng Leong’s application to strike off the suit against themselves were dismissed on 7 July 2011. Thereafter the matter was stayed by the Court of Appeal pending disposal of their Appeal. The said Appeal was heard on 15 February 2012 and dismissed by the Court of Appeal.

The matter is fixed for final case management on 22 October 2012 and the hearing to commence on 5 November 2012.

The Board believes that if the Plaintiffs succeed in their claim, it would have a positive impact on the Group’s financials.

**B12** **Dividend**

 No dividend was declared during the quarter under review.

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

1. **Basic**

 Basic EPS or loss per share (“LPS”) is calculated by dividing the net profit or loss 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****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011** | **CURRENT****YEAR TO DATE****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011** |
|  |  |  |  |  |
| Net (loss)/profit (RM’000) |  **(10,566)** |  7,825 |  **(10,566)** |  7,825 |
|  |  |  |  |  |
| Weighted average number of ordinary shares in issue ('000) |  **570,050** |  570,050 |  **570,050** |  570,050 |
|  |  |  |  |  |
| Basic (LPS)/EPS (sen) |  **(1.85)** | 1.37 |  **(1.85)** | 1.37 |

 **(b) Diluted**

 For the purpose of calculating the diluted earnings or loss 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.

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011** | **CURRENT****YEAR TO DATE****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011** |
|  |  |  |  |  |
| Net profit/(loss) (RM’000) |  **(10,566)** |  7,825 |  **(10,566)** |  7,825 |
|  |  |  |  |  |
| Adjustment for after tax effects of interest savingson: |  |  |  |  |
| - USD RCSLS |  **(440)** |  (401) |  **(440)** |  (401) |
| - Warrants |  **-** |  - |  **-** |  - |
| Adjusted net (loss)/profit |  **(11,006)** |  7,424 |  **(11,006)** |  7,424 |
|  |  |  |  |  |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2011** | **CURRENT****YEAR TO DATE****31/3/2012** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2011** |
|  |  |  |  |  |
| 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 |  **78,877** |  76,835 |  **78,877** |  76,835 |
| * - Warrants
 | - | - | - | - |
| Weighted average number of ordinary shares in issue and to be issued on conversion of RCSLS (’000) | **648,927** | 646,885 | **648,927** | 646,885 |
| Diluted (LPS)/EPS (sen)  | **(1.70)** | 1.15 | **(1.70)** | 1.15 |

**B14** **Realised and Unrealised Profits/Losses**

|  |  |  |
| --- | --- | --- |
|   | **AS AT 31/3/2012****RM’000** | **AS AT 31/12/2011****RM’000** |
|  |  |  |
| Total retained profits of MBfH and its subsidiaries |  |  |
| * Realised
 |  **(67,906)** |  (47,880) |
| * Unrealised
 |  **79,288** |  71,921 |
|  |  **11,382** |  24,041 |
|  |  |  |
| Total share of retained profits from associated companies: |  |  |
| * Realised
 |  **5,004** |  3,741 |
| Total Group retained profits |  **16,386** |  27,782 |

 By Order Of The Board

 **MBf HOLDINGS BERHAD**

 **Chong Siew Hoong (MIA 5062)**

 **Ong Hua Meng (MIA 6346)**

 **Company Secretaries**

 **Date : 30 May 2012**