**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 30 June 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 (30 June 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 30 June 2011

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FRS as at**  **30/6/2011**  **RM’000** | **Reclassifications**  **RM’000** | **MFRS as at**  **30/6/2011**  **RM’000** |
|  | |  |  |  |
| Non-current assets | | 1,401,637 | - | 1,401,637 |
| Current assets | | 1,565,328 | - | 1,565,328 |
| **Total assets** | | 2,966,965 | - | 2,966,965 |
|  | |  |  |  |
| Current liabilities | | 1,342,919 | - | 1,342,919 |
| Non-current liabilities | | 602,265 | - | 602,265 |
| **Total liabilities** | | 1,945,184 | - | 1,945,184 |
|  | |  |  |  |
| **Equity** | |  |  |  |
| Share capital | | 570,050 | - | 570,050 |
| Equity portion of RCSLS | | 68,707 | - | 68,707 |
| Foreign currency translation reserves | | (2,683) | 43,459 | 40,776 |
| Capital reserves | | 4,084 | - | 4,084 |
| Asset revaluation reserves | | 239,493 | - | 239,493 |
| Retained earnings | | 118,417 | (43,459) | 74,958 |
| **Equity attributable to owners of the parent** | | 998,068 | - | 998,068 |
| Non-controlling interests | | 23,713 | - | 23,713 |
| **Total equity** | | 1,021,781 | - | 1,021,781 |
| **Total equity and liabilities** | | 2,966,965 | - | 2,966,965 |

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 Discontinued operation**

Consequent to the proposed disposal of MBF Cards (M’sia) Sdn Bhd (“MBF Cards”) as elaborated in Note A12(b), for the current period under review, the assets and liabilities related to MBF Cards have been presented in the statement of financial position as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale”, and its results accordingly presented separately on the statement of comprehensive income as “Profit from discontinued operation, net of tax”.

Statement of financial position disclosures

The major classes of assets and liabilities related to MBF Cards classified as held for sale and the reserves as at 30 June 2012 are as follows:

|  |  |
| --- | --- |
| **Assets:** | **Group**  **RM’000** |
| Property, plant and equipment | 13,939 |
| Intangible assets | 25,222 |
| Investment in associate | 14,269 |
| Investment securities | 16,254 |
| Deferred tax assets | 204 |
| Inventories | 450 |
| Trade and other receivables | 607,422 |
| Cash and bank balances | 156,323 |
| **Assets of disposal group classified as held for sale** | **834,083** |
|  |  |
| **Liabilities:** |  |
| Loans and borrowings | 597,156 |
| Deferred tax liabilities | 912 |
| Trade and other payables | 108,880 |
| Income tax payable | 3,681 |
| **Liabilities directly associated with disposal group classified as held for sale** | **710,629** |
|  |  |
| **Net assets directly associated with disposal group classified as held for sale** | **123,454** |
|  |  |
| **Reserves:** |  |
| Accumulated profits | **212,637** |

Statement of comprehensive income disclosures

The results of MBF Cards for the period ended 30 June are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
|  |  |  |  |  |
| Revenue | **61,332** | 59,122 | **118,841** | 116,550 |
| Operating expenses | **(44,849)** | (45,239) | **(86,589)** | (86,359) |
| Other income | **8,723** | 7,473 | **16,682** | 13,416 |
| Profit before finance costs | **25,206** | 21,356 | **48,934** | 43,607 |
| Finance costs | **(8,550)** | (8,221) | **(17,162)** | (16,201) |
| Share of results of associate | **777** | 746 | **1,840** | 1,319 |
| Profit before tax | **17,433** | 13,881 | **33,612** | 28,725 |
| Taxation | **(4,064)** | (3,735) | **(7,576)** | (7,247) |
| Rehklhhklh Profit after tax | **13,369** | 10,146 | **26,036** | 21,478 |
| Intercompany elimination | **(1,200)** | (1,189) | **(2,364)** | (2,341) |
| Profit from discontinued  operation, net of tax | **12,169** | 8,957 | **23,672** | 19,137 |

A3 **A4** **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.

**A5** **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**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| i) | Provision for floods losses in Fiji – net of insurance claim | (1,645) | - | (5,606) | - |
| ii) | Loss on deconsolidation of subsidiaries | (77) | - | (77) | - |
|  |  | (1,722) | - | (5,683) | - |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| i) | Net gains from fair value adjustment of Investment Properties \* | - | 113,528 | - | 113,528 |
| ii) | Gain on disposal of property, plant and equipment | 5,459 | - | 5,459 | - |
|  |  | 5,459 | 113,528 | 5,459 | 113,528 |

\* Consequent to the completion of Sale and Purchase Agreement by a wholly owned subsidiary, Vintage Developers Sdn Bhd.

**A6** **Profit before tax**

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

1. **Continuing operations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| (a) | Interest income | (536) | (200) | (1,008) | (293) |
| (b) | Foreign exchange gain | (3,556) | (3,878) | (9,648) | (8,853) |
| (c) | Net gain on disposal of property, plant and equipment | (5,444) | (31) | (5,585) | (129) |
| (d) | Net gain from fair value adjustment of investment properties | - | (113,528) | - | (113,528) |
| (e) | Other income including investment income | (5,651) | (4,157) | (10,674) | (7,473) |
| (f) | Interest expense | 20,471 | 14,169 | 38,836 | 26,096 |
| (g) | Depreciation and amortization | 14,744 | 9,873 | 29,315 | 21,005 |
| (h) | Allowance for impairment of trade and other receivables | 1,819 | 1,350 | 3,235 | 2,455 |
| (i) | Write (back)/down of inventories | (27) | 1,003 | 439 | 1,003 |
| (j) | Foreign exchange loss | 1,664 | 2,052 | 6,293 | 4,632 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| (k) | Net fair value (gain)/loss on financial instruments:   * held for trading investment securities * derivatives * designated at fair value through profit or loss | (2)  (481)  3 | (445)  314  3 | 4  (569)  (91) | (1)  571  (445) |

1. **Discontinued operation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  |  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| (a) | Interest income | (1,070) | (1,044) | (2,256) | (1,967) |
| (b) | Foreign exchange gain | (59) | (11) | 42 | 74 |
| (c) | Net (gain)/loss on disposal of property, plant and equipment | (244) | 5 | (237) | 8 |
| (d) | Other income including investment income | (4,597) | (3,748) | (8,440) | (7,473) |
| (f) | Interest expense | 8,550 | 8,221 | 17,162 | 16,201 |
| (g) | Depreciation and amortization | 1,775 | 2,028 | 3,592 | 4,125 |
| (h) | Allowance for impairment of trade and other receivables | 10,524 | 12,228 | 21,003 | 21,747 |
| (i) | Write (back)/down of inventories | (10) | (6) | 50 | (6) |
| (j) | Net fair value gain on financial instruments:   * designated at fair value through profit or loss | (1,363) | (1,320) | (3,006) | (1,589) |

**A7 Changes in estimates**

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

**A8** **Pre-acquisition profits**

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

**A9** **Dividends paid**

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

**A10** **Debt and equity securities**

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

**A11** **Segment information**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| **Revenue** |  |  |  |  |
| **Continuing operations** |  |  |  |  |
| Papua New Guinea - Automotive | **234,236** | 113,818 | **423,900** | 243,141 |
| Papua New Guinea - Agriculture | **68,873** | 76,005 | **130,155** | 160,326 |
| Fiji - Retail and Wholesale | **102,202** | 92,062 | **210,978** | 175,253 |
| Fiji - Automotive | **65,136** | 59,485 | **124,243** | 111,978 |
| Fiji - Property | **4,994** | 6,605 | **9,917** | 12,800 |
| Shipping | **40,934** | 40,409 | **73,078** | 72,703 |
| Others \* | **138,961** | 123,306 | **265,625** | 236,211 |
| Adjustments and eliminations | **(15,579)** | (10,245) | **(23,465)** | (18,855) |
| Rehklhhklh Continuing operations | **639,757** | 501,445 | **1,214,431** | 993,557 |
| **Discontinued operation - Card** **and Payment Services** | **61,332** | 59,122 | **118,841** | 116,550 |
| **Total revenue** | **701,089** | 560,567 | **1,333,272** | 1,110,107 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| **Results**  **Continuing operations** |  |  |  |  |
| Papua New Guinea - Automotive | **36,273** | 4,744 | **58,918** | 10,148 |
| Papua New Guinea - Agriculture | **(8,295)** | (734) | **(23,522)** | 21,875 |
| Fiji - Retail and Wholesale | **(965)\*\*** | (7,347) | **(4,647)\*\*** | (11,314) |
| Fiji – Automotive | **2,241** | 1,002 | **3,315** | 1,436 |
| Fiji – Property | **2,237** | 3,624 | **4,249** | 6,859 |
| Shipping | **(5)** | (9,040) | **(12,537)** | (20,734) |
| Others \* | **(5,539)** | 124,601\*\* | **(4,973)** | 125,173\*\* |
| Adjustments and eliminations \*\*\* | **(21,753)** | (14,983) | **(40,169)** | (26,073) |
| Profit from operations | **4,194** | 101,867 | **(19,366)** | 107,370 |
| Share of results of associates | **(78)** | (198) | **122** | (267) |
| Profit/(loss) before tax | **4,116** | 101,669 | **(19,244)** | 107,103 |
| **Discontinued operation – Card**  **and Payment Services** |  |  |  |  |
| Profit before interest and tax | **24,006** | 20,167 | **46,570** | 41,266 |
| Finance costs | **(8,550)** | (8,221) | **(17,162)** | (16,201) |
|  | **15,456** | 11,946 | **29,408** | 25,065 |
| Share of result of associate | **777** | 746 | **1,840** | 1,319 |
| Profit before tax | **16,233** | 12,692 | **31,248** | 26,384 |
| **Total profit before tax** | **20,349** | 114,361 | **12,004** | 133,487 |

\* Others include 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 in Note A5.

\*\*\*Includes finance costs, profit from inter-segment sales and share of results of associates.

**A12** **Subsequent events**

1. On 9 July 2012, Onglory Holdings Limited, a wholly owned subsidiary gave notice for the redemption in cash of the entire outstanding Class B Redeemable Convertible Secured Loan Stock (“RCSLS-B”) issued pursuant to the Scheme of Arrangement of MBfH in June 2003. The outstanding RCSLS-B currently stands at USD5,665,323.28 and all remaining outstanding RCSLS-B will be redeemed on 10 September 2012.
2. On 10 July 2012 the Company together with its wholly owned subsidiaries, Atox Cards Sdn Bhd  and Jastura Sdn Bhd entered into a conditional share sale agreement with AMMB Holdings Berhad for the proposed disposal of 100% equity interest held by them in MBF Cards for a total cash consideration of RM623.40 million (subject to adjustment on completion).

As at the date of this report, the proposed disposal has yet to be completed.

1. On 17 July 2012, the Company disposed off its wholly owned subsidiary, MBf Protection Services Sdn Bhd to Mohd Dahili Bin Mansor and Raj Kumar A/L Gurusawmi for a total cash consideration of RM20.00. MBf Protection Services Sdn Bhd’s principal activity was the provision of security services to the MBfH Group of companies and had ceased business in 2008.
2. On 26 July 2012 and 6 August 2012, 50 warrants each were converted to an equal number of ordinary shares of RM1.00 each.

As at the date of this report, the number of listed securities in issue of the Company is as follows:-

|  |  |
| --- | --- |
| Ordinary Shares of RM1.00 each - | 570,050,134 |
| Warrants - | 265,063,496 |

**A13** **Changes in composition of the Group**

On 13 June 2012, in line with the rationalisation plan of the Group’s shipping operations, the following wholly-owned subsidiaries of the Company were placed under voluntary liquidation in their respective countries :-

|  |  |  |
| --- | --- | --- |
| **Name of Subsidiaries** | **Country of Incorporation** | **Nature of Liquidation** |
| MBf Carpenters Shipping Agency Pty Ltd | Australia | Voluntary deregistration |
| MBf Carpenters Shipping (NZ) Ltd | New Zealand | Members’ voluntary winding-up |

**A14** **Commitments**

As at 30 June 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 | 1,528  24,492 |
|  |  | **26,020** |
|  | Authorised but not contracted for:   * Purchase of property, plant and equipment | **1,763** |
|  |  |  |
| b) | Operating expenditure: |  |
|  | Not later than one year | 34,845 |
|  | Later than one year and not later than two years | 12,439 |
|  | Later than two years and not later than five years | 7,215 |
|  | Later than 5 years | 54,144 |
|  |  | **108,643** |

**A15** **Contingent liabilities**

The contingent liabilities as at 30 June 2012 were:-

|  |  |  |
| --- | --- | --- |
|  |  | **RM’000** |
| a) | Guarantees extended in support of banking and other credit facilities  granted to an associate – (secured) | 2,099 |
|  |  |  |
| b) | Others – unsecured | 6,022 |
|  |  | **8,121** |

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

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

Quarter ended 30 June 2012

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **Revenue** | Q2 2012 | Q2 2011 | Increase | |
|  | RM’mil | RM’mil | RM’mil | % |
| Continuing operations | 639.76 | 501.45 | 138.31 | 28 |
| Discontinued operation | 61.33 | 59.12 | 2.21 | 4 |
| Total | 701.09 | 560.57 | 140.52 | 25 |

The increased revenue was principally attributed to the higher contributions from the South Pacific operations:-

* Papua New Guinea (RM120.33 million) - mainly from its Automotive segment (RM120.42 million) and boosted by the stronger Kina relative to Malaysian Ringgit of 23% (Kina 1: RM1.2291 in Q2 2011 vs. Kina1: RM1.5129 in Q2 2012); and
* Fiji (RM17.94 million) – from its Retail & Wholesale segment (RM10.14 million) where all its businesses reported higher revenue.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **Results** | Q2 2012 | Q2 2011 | Increase/(Decrease) | |
|  | RM’mil | RM’mil | RM’mil | % |
| **Profit before tax & non-recurring items** |  |  |  |  |
| - Continuing operations | 0.38 | (11.86) | 12.24 | 103 |
| - Discontinued operation | 16.23 | 12.69 | 3.54 | 28 |
| **Group’s operating profits before tax** | 16.61 | 0.83 | 15.78 | 1901 |
| Non- recurring items | 3.74 | 113.53 | (109.79) | (96) |
| Taxation | (13.59) | (17.45) | 3.86 | 22 |
| **Profit, net of tax** | 6.76 | 96.91 | (90.15) | (93) |

The much improved operating profit before tax of RM16.61 million compared to RM0.83 million in the corresponding quarter of 2011was due principally:-

* the increased revenue as explained above; and
* the reduced loss in the Shipping segment (RM1.96 million vs. RM10.39 million in Q2 2011) as a result of reduced operating overheads on smaller fleet size (from 4 chartered vessels to 2) and cessation of its agency companies set up in New Zealand and Australia;
* which improvements were offset by the poor performance in the PNG-Agriculture segment attributed to the depressed commodities prices.

The non-recurring items for the quarter under review with net gains of RM3.74 million comprised the gain on disposal of property of RM5.46 million less additional provision for flood losses by WR Carpenter (South Pacific) Limited of RM1.65 million (Q1 2012: RM3.96 million, Q1 2011 – Nil)) due to the floods in the months of January and March/April whereas included in last year’s corresponding quarter was RM113.53 million of net gain from fair value adjustment of investment properties as disclosed in Note A5.

The Group’s profit, net of tax for the quarter ended 30 June 2012 comprised:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Q2 2012 | Q2 2011 | Increase/(Decrease) | |
|  | RM’mil | RM’mil | RM’mil | % |
| - Continuing operations | (5.41) | 87.95 | (93.36) | (106) |
| - Discontinued operation | 12.17 | 8.96 | 3.21 | 36 |
| Profit, net of tax | 6.76 | 96.91 | (90.15) | (93) |

Period ended 30 June 2012

For the period ended 30 June 2012, the Group’s performance is as below:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **Revenue** | Year to date  Q2 2012 | Year to date  Q2 2011 | Increase | |
|  | RM’mil | RM’mil | RM’mil | % |
| Continuing operations | 1,214.43 | 993.56 | 220.87 | 22 |
| Discontinued operation | 118.84 | 116.55 | 2.29 | 2 |
| Total | 1,333.27 | 1,110.11 | 223.16 | 20 |

As with the current quarter, the increased revenue for the first six months ended 30 June 2012 was principally attributed to the higher contributions from the South Pacific operations - Papua New Guinea (RM173.77 million) mainly from its Automotive segment (RM180.76 million) boosted by the stronger Kina relative to Malaysian Ringgit and from Fiji (RM51.61 million) contributed by its Retail & Wholesale and Automotive segments.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **Results** | Year to date  Q2 2012 | Year to date  Q2 2011 | Increase/(Decrease) | |
|  | RM’mil | RM’mil | RM’mil | % |
| **Profit before tax & non-recurring items** |  |  |  |  |
| - Continuing operations | (19.02) | (6.42) | (12.60) | (196) |
| - Discontinued operation | 31.24 | 26.38 | 4.86 | 18 |
| **Group’s operating profits before tax** | 12.22 | 19.96 | (7.74) | (39) |
| Non- recurring items | (0.22) | 113.53 | (113.75) | (100) |
| Taxation | (15.97) | (28.24) | 12.27 | 43 |
| **(Loss)/Profit, net of tax** | (3.97) | 105.25 | (109.22) | (104) |

The Group’s (loss)/profit, net of tax for the period ended 30 June 2012 is analysed as :-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Year to date  Q2 2012 | Year to date  Q2 2011 | Increase/(Decrease) | |
|  | RM’mil | RM’mil | RM’mil | % |
| - Continuing operations | (27.64) | 86.11 | (113.75) | (132) |
| - Discontinued operation | 23.67 | 19.14 | 4.53 | 24 |
| **(Loss)/Profit, net of tax** | (3.97) | 105.25 | (109.22) | (104) |

**Operations Review for the Second Quarter Ended 30 June 2012**

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, reporting increased revenue of RM61.33 million , RM2.21 million or 4% higher than 2011’s corresponding quarter of RM59.12 million. Its profit before tax was RM16.66 million, RM3.52 million or 27% higher than the previous year’s corresponding quarter of RM13.14 million principally due to higher revenue, particularly interest income from the increased receivables, lower credit loss provision consequence of improved collections and lower operating costs arising from the various cost cutting measures undertaken.

1. **Papua New Guinea – Automotive**

This segment which comprises the operations in Papua New Guinea, Vanuatu and Solomon Islands, registered higher revenue of approximately Kina62.85 million (RM120.42 million) or 105% based on the average exchange rate of Kina1: RM1.5129 (2011; Kina1:RM1.2291), due to strong vehicle demand boosted by the LNG projects in PNG and the strengthening of the Kina (23% increase on currency conversion to RM).

The total number of vehicles sold in the second quarter of 2012 was 904 versus 538 in the previous year’s corresponding quarter, an increase of 366 units or 68% contributed mainly by Boroko Motors and the successful launching by Carpenters Motors Ltd to market new brands - Land Rover and Kia including the various makes of re-conditioned cars.

The profit before tax for the current quarter of Kina21.65 million (RM33.26 million) was 911% higher than the Kina2.14 million (RM2.79 million) reported for Q2 2011 as a result of 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 Kina44.53 million (RM68.87 million), a decrease of Kina14.89 million (RM7.13million) or 25% compared to 2011’s of Kina59.42 million (RM76.00 million).The reduction in revenue was offset by the strengthening of the Kina currency conversion to RM.

The lower revenue was due principally to the lower coconut oil (“CNO”) prices which fell from an average of Kina4,148/MT in the corresponding quarter of last year to Kina2,824/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 3,037 MT or 42% (4,165 MT vs 7,202 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 17% between the corresponding periods. The lower revenue was mitigated by higher export of copra by Kina10.99 million or 8,571 MT (Kina16.15 million vs Kina5.16 million) (10,822 MT vs 2,251 MT).

Consequently the lower revenue resulted in a loss before tax of Kina9.54 million (RM14.94 million) compared to the previous year’s corresponding quarter’s loss of Kina4.55 million (RM4.90 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 FJD59.24 million (RM102.20 million), exceeding the preceding year’s corresponding quarter by FJD5.46 million (RM10.14 million) or 11% due to improved sales in all businesses.

The improved revenue resulted in the segment turning around with an operating profit before tax and before non-recurring item of FJD0.32 million (RM0.55million) compared to the previous year’s corresponding quarter of a loss of FJD4.38 million (RM7.46 million). This segment provided for additional losses of FJD0.95 million (RM1.64 million) consequent to the floods in January and March/April and this resulted in the current quarter reporting a loss before tax of FJD0.63 million (RM1.10 million).

1. **Fiji – Automotive**

Total revenue for the current quarter was FJD37.76 million (RM65.14 million) compared to the previous year’s corresponding quarter of FJD34.76 million (RM59.48 million), higher by FJD3.00 million (RM5.65 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 FJD1.28 million (RM2.21 million) was FJD0.71 million (RM1.24 million) or 125% higher than the previous year’s corresponding quarter of FJD0.57 million (RM0.96 million). This division was the market leader for the distribution of new vehicles in Fiji with a 33% market share.

1. **Fiji – Property**

This segment recorded revenue for the quarter of FJD2.90 million (RM4.99 million) compared to FJD3.86 million (RM6.61 million) in the corresponding quarter of 2011, a decrease of FJD0.96 or 25% 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 FJD 0.33 million (RM0.56 million) or 72% lower than the preceding year’s corresponding quarter of FJD1.16 million (RM1.98 million).

1. **Shipping**

The second quarter of the year picked up from the first quarter which was 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 RM40.93 million, up on corresponding quarter of 2011 of RM40.41 million.

The pretax loss for the current quarter was RM1.96 million, RM8.43 million or 81% lower than the previous year’s corresponding quarter loss of RM10.39 million. Operating costs in the current quarter reduced in line with the reduced number of vessels and savings in operational costs from the ceasing of operations of its agency companies set up in New Zealand and Australia following the change in voyage routes.

1. **Others**

The revenue of others increased by RM15.66 million or 13% to RM138.96 million from last year’s corresponding quarter of RM123.31 million principally due to the strengthening of the Kina currency against the Malaysian Ringgit.

Included in the results of others are non recurring items totaling RM5.38 million (2011: RM113.53 million) as disclosed in Note A5. Excluding the non-recurring items, the result would be a loss of RM22.28 million instead of a profit before tax of RM4.49 million. The losses were primarily due to increased losses in PNG of RM7.75 million, increased interest costs of RM2.61 million (RM5.60 million for Q2 2011 versus RM8.20 million for the current year quarter) consequent to the increased borrowings and strengthening of the Kina against the RM.

**Operations Review For The Six Months Period Ended 30 June 2012**

1. **Cards and Payment Services**

MBF Cards registered revenue of RM118.84 million for the first half of 2012, an increase of RM2.29 million or 2% from the same period of last year of RM116.55 million. Its PBT was RM31.77 million, RM4.36 million or 16% higher than the RM27.41 million achieved in the corresponding period of 2011. This was due to reasons stated in the second quarter review above.

1. **Papua New Guinea – Automotive**

This segment registered an increase of 74% in revenue boosted by the strengthening of the Kina currency. The Malaysian Ringgit had depreciated 23% against the Kina in 2011. The total number of vehicles sold in the first half of 2012 was 1,702 versus 1,211 in the corresponding period of 2011, an increase of 491 units or 41 % due to the normalisation of supply which had been disrupted following the tsunami in Japan and the floods in Bangkok. The stock supply improved since the last quarter of 2011 and sales were picking up since.

The profit before tax was a Kina35.14 million (RM53.16 million), 584% higher than the Kina5.14 million (RM6.31 million) reported for the corresponding period in 2011 consequent to the increased revenue.

1. **Papua New Guinea – Agriculture**

The lower revenue was due principally to the decrease in coconut oil prices from an average price of Kina4,346 per MT to Kina 2,694 per MT, partially offset by the higher export copra sales (Kina 17.7 million or 12,931 MT). Total tonnage of coconut oil sold was lower than previous year by 9,613 MT or 53%.

Consequently this segment reported a loss of Kina23.47 million (RM35.50 million) versus a profit of Kina11.97 million (RM14.72 million) for the corresponding period in 2011.

1. **Fiji – Retail and Wholesale**

Total revenue for the current period increased by FJD18.76 million (RM35.73million) or 18% compared to previous year despite a flat economy and fierce competition. Improved revenue and controlled expenses were the attributes for the segment turning around with a nominal operating profit of FJD0.39 million (RM0.68 million) from the previous year’s loss of FJD6.82 million (RM11.53 million). The current period’s loss before tax including the non-recurring flood loss of FJD3.25 million (RM5.61 million), was FJD2.86 million (RM4.93 million) compared to the corresponding period in 2011 of FJD6.82 million (RM11.53 million).

1. **Fiji – Automotive**

Total revenue for the period under review was FJD72.07 million (RM124.24 million) compared to the corresponding period in 2011 of FJD66.22 million (RM111.98 million), higher by FJD5.86 million (RM12.26 million) or 9% because of the generally higher sales volume for in both the new and used vehicles, autoparts and car rental business. Profit before tax of FJD1.89 million (RM3.24 million) was FJD1.09 million (RM1.89 million) or 136% higher than the previous year’s corresponding period of FJD0.80 million (RM1.35 million).

1. **Fiji – Property**

This segment recorded revenue of FJD5.75 million (RM9.12 million) for the first half of 2012 compared to FJD7.57 million (RM12.80 million) in the preceding year’s corresponding period, a decrease of FJD1.82 or 24% primarily due to lower rental rates.

Its profit before tax for the current period was FJD0.52 million (RM0.89 million) or 76% lower than FY2011’s corresponding period of FJD 2.13 million (RM3.59 million) due generally to the decrease in revenue.

1. **Shipping**

Total revenue for the Shipping segment was RM73.08 million compared to RM72.70 million in 2011. Losses from the main line reduced by RM10.05 million compared to same period 2011 to RM16.92 million. 76% of the current period loss for the main line related to Q1 and 24% to Q2, reflecting the improving trend on the international shipping service. The increased losses from PNG agency and set up costs of the PNG coastal service (of RM 4.4 Million) resulted in the overall pretax loss of RM16.09 million for the first half of 2012 compared to RM23.26 million for the corresponding period in 2011, an overall improvement for all shipping divisions of RM7.17 million or 30% improvement.

1. **Others**

Included in the results of others are non recurring items totaling RM5.46 million (2011: RM113.53 million) as disclosed in Note A5.

“Others” include 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 holdings, none of which are of a significant size to be reported separately. While revenue of others increased by RM29.41 million or 12% to RM265.63 million from last year’s corresponding period of RM236.21 million, net losses from these operations (excluding the non-recurring items) increased from RM1.76 million to RM31.63 million primarily due to :-

* Higher losses reported by operations in PNG (by RM11.63 million), a consequence of higher write down of inventories and impairment allowance for trade receivables;
* Additional expenses (RM7.29 million) incurred by Vintage Developers Sdn Bhd for quit rent and interest payable following the completion of the purchase for the land in Kulim, Kedah.
* Adverse performance (by RM3.78 million) reported by the subsidiary in China, Hangzhou Xinma Elevator Company Limited which reported a loss of RM2.73 million versus a profit before tax of RM1.06 million for the corresponding period of 2011 due to extremely keen competition from the other more established foreign brands; and
* Higher interest expenses incurred by the Group (of RM5.67 million) for the higher borrowings and banking facilities for its operations.

**B2 Variation of results against preceding quarter**

The current quarter’s pre-tax profit including MBF Cards of RM20.35 million was RM12.00 million or 144% higher than the preceding quarter’s pre-tax loss of RM8.35 million. Disregarding the non–recurring items of net gains of RM3.74 million in the current quarter and the net loss of RM3.96 million in the preceding quarter’s results, the operating profit for the current quarter would be RM16.61 million compared to the preceding quarter operating loss of RM4.39 million. The improvement was due to improved performances by the PNG operations, particularly its Automotive segment and lower losses from Shipping segment.

**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 continuing operations.

* 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 is expected to remain relatively quiet but the Group is optimistic that its operations should perform better than the previous year.
* 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 planned revenue enhancements and cost efficiencies achieved and with the charter rate trending down these should augur well for the prospect of the shipping operation. 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.  On the international service the key focus will be growth of Northbound volumes to improve overall results. With the PNG coastal service now operational and all ships in service after various drydockings, this service should start to improve through the remainder of the year.

The Company’s focus for 2012 remains the same which are to achieve greater group synergies, 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**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011**  **RM’000** | **CURRENT**  **YEAR TO DATE**  **30/6/2012**  **RM’000** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011**  **RM’000** |
| Current income tax |  |  |  |  |
| - Malaysian | **4,779** | 3,187 | **8,150** | 6,413 |
| - Foreign | **9,655** | 3,160 | **17,272** | 10,884 |
| - (Over)/Under provision in  prior year | **(104)** | 111 | **(104)** | 111 |
|  | **14,330** | 6,458 | **25,318** | 17,408 |
| Deferred taxation | **(736)** | 10,993 | **(9,349)** | 10,831 |
|  | **13,594** | 17,451 | **15,969** | 28,239 |
| Attributable to:- |  |  |  |  |
| - Continuing operations | **9,530** | 13,716 | **8,393** | 20,992 |
| - Discontinued operation | **4,064** | 3,735 | **7,576** | 7,247 |
|  | **13,594** | 17,451 | **15,969** | 28,239 |

In Q4 2011 the 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 (prior to Decree No. 6 of 2012). Arising therefrom provision for deferred taxation of RM8.61 million was reversed in the first quarter of 2012.

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 30 June 2012 were as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Quoted in**  **Malaysia**  **RM’000** | **Quoted outside Malaysia**  **RM’000** |
| (i) | Cost  Provision for diminution in value | 29  (14) | 6,427  - |
| (ii) | Net book value | 15 | 6,427 |
| (iii) | Market value | 15 | 6,427 |

**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 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) | 61,394 |
| RCSLS B (USD5,665,323) \* | 18,081 |
| Total RCSLS | 79,475 |
| Less : Equity portion of RCSLS | (75,878) |
| **Net RCSLS** | **3,597** |
| **Secured Bonds (USD12,700,000)** | **40,532** |
|  | **44,129** |

\* Notice for redemption of RCSLS B was served on 9 July 2012 for the redemption to be made on

10 September 2012.

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 0.19% p.a. for

the period ended 30 June 2012.

1. **Long term loans and borrowings**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Continuing**  **operations**  **RM’000** | | **Discontinued**  **operation**  **RM’000** | | | **Total**  **RM’000** | |  |
| **Secured** |  | |  |  | |
| - Hire purchase and lease payable | 26,418 | | - | 26,418 | |
| - Term loans | 374,487 | | - | 374,487 | |
| - Medium term notes | - | | 20,000 | 20,000 | |
|  | 400,905 | | 20,000 | 420,905 | |

1. **Short term loans and borrowings**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Continuing**  **operations**  **RM’000** | **Discontinued**  **operation**  **RM’000** | **Total**  **RM’000** |
| **Secured** |  |  |  |
| - Bank overdrafts | 413,199 | - | 413,199 |
| - Revolving credits | 24,358 | 206,315 | 230,673 |
| - Trust receipts and bankers' acceptances | 20,407 | - | 20,407 |
| - Hire purchase and lease payable | 17,857 | 122 | 17,979 |
| - Term loans | 53,038 | 1,500 | 54,538 |
| - Medium term notes | - | 52,100 | 52,100 |
| - Commercial papers | - | 317,119 | 317,119 |
|  | 528,859 | 577,156 | 1,106,015 |
|  |  |  |  |
| **Total loans and borrowings** | 929,764 | 597,156 | 1,526,920 |

Loans and borrowings denominated in foreign currencies are as follows:-

|  |  |
| --- | --- |
|  | Foreign  Currency  ’000 |
| Fijian Dollar | 118,320 |
| Papua New Guinea Kina | 332,252 |
| United States Dollar  Vanuatu Vatu  Solomon Dollar | 37,602  567,647  26,248 |

**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 | 18,312 | 633 | (42) |
|  |  |  |  |
|  | **18,312** | **633** | **(42)** |

During the current financial quarter, the Group recognized a gain of RM0.48 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 subsequently 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 is now fixed for further continued hearing on 20 September 2012.

Houng Hai Kong's application for assessment of damages fixed for hearing on 10 July 2012 was vacated and rescheduled to 20 September 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.

On 1 June 2012, the Plaintiffs filed an application to amend the Writ and the Re-Amended Statement of Claim [“the Amendment Application”] which was allowed by the Court at the hearing on 25 June 2012. In the Amendment Application, the Plaintiffs sought leave to cite additional defendants, to plead their involvement in the subject matter of the Plaintiffs’ claim and to amend the reliefs claimed as necessitated by the inclusion of additional defendants whom are Tan Sri Dato’ Mohd Ibrahim Bin Mohd Zain, Shaikh Mohd Bin Mohd Zain, Syed Abdul Rashad Bin Syed Ali, Wonderful Sunrise Sdn Bhd and Total Binary Sdn Bhd. The matter is fixed for case management on 6 September 2012.

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 appeals. The said appeals were heard on 15 February 2012 and dismissed by the Court of Appeal.

The matter is fixed for full trial from 5 to 9 November 2012, 3 to 7 December 2012 and 14 to 18 January 2013.

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**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011** | **CURRENT**  **YEAR TO DATE**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011** |
| RM’000 |  |  |  |  |
| Net (loss)/profit | **6,876** | 96,686 | **(3,690)** | 104,511 |
| Less: Profit from discontinued operation, net of tax | **(12,169)** | (8,957) | **(23,672)** | (19,137) |
| Net (loss)/profit from continuing operations | **(5,293)** | 87,729 | **(27,362)** | 85,374 |
|  |  |  |  |  |
| Weighted average number of ordinary shares in issue ('000) | **570,050** | 570,050 | **570,050** | 570,050 |
|  |  |  |  |  |
| Basic EPS/(LPS) (sen) |  |  |  |  |
| * attributable to owners of the parent | **1.21** | 16.96 | **(0.65)** | 18.33 |
| * from continuing operations | **(0.92)** | 15.39 | **(4.80)** | 14.97 |
| * from discontinued operations | **2.13** | 1.57 | **4.15** | 3.36 |

**(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**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011** | **CURRENT**  **YEAR TO DATE**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011** |
|  |  |  |  |  |
| RM’000  Net profit/(loss) | **6,876** | 96,686 | **(3,690)** | 104,511 |
| Net adjustment for  effects of RCSLS  conversion | **(470)** | (379) | **(910)** | (790) |
| Adjusted net (loss)/profit | **6,406** | 96,307 | **(4,600)** | 103,721 |
| Less: Profit from discontinued operation, net of tax | **(12,169)** | (8,957) | **(23,672)** | (19,137) |
| Adjusted net (loss)/profit from continuing operations | **(5,763)** | 87,350 | **(28,272)** | 84,584 |
|  |  |  |  |  |
|  | **INDIVIDUAL QUARTER** | | **CUMULATIVE QUARTER** | |
|  | **CURRENT**  **YEAR**  **QUARTER**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **QUARTER**  **30/6/2011** | **CURRENT**  **YEAR TO DATE**  **30/6/2012** | **PRECEDING YEAR**  **CORRESPONDING**  **PERIOD**  **30/6/2011** |
|  |  |  |  |  |
| Number of ordinary shares in issue ('000) | **570,050** | 570,050 | **570,050** | 570,050 |
|  |  |  |  |  |
| On full conversion of RCSLS (’000): | **78,877** | 76,835 | **78,877** | 76,835 |
| 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)\* |  |  |  |  |
| * attributable to owners of the parent | **0.99** | 14.89 | **(0.71)** | 16.03 |
| * from continuing operations | **(0.89)** | 13.51 | **(4.36)** | 13.07 |
| * from discontinued operation | **1.88** | 1.38 | **3.65** | 2.96 |

\* The conversion of warrants (conversion price pre-determined at RM1.00 per ordinary share) into ordinary shares is anti-dilutive, and hence excluded in the calculation of diluted earnings per share.

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

|  |  |  |
| --- | --- | --- |
|  | **AS AT 30/6/2012**  **RM’000** | **AS AT 31/12/2011**  **RM’000** |
|  |  |  |
| Total retained profits of MBfH and its subsidiaries |  |  |
| * Realised | **(53,314)** | (47,880) |
| * Unrealised | **69,547** | 71,921 |
|  | **16,233** | 24,041 |
|  |  |  |
| Total share of retained profits from associated companies: |  |  |
| * Realised | **5,703** | 3,741 |
| Total Group retained profits | **21,936** | 27,782 |
| Analysed as: |  |  |
| Continuing operations retained profits/accumulated losses | **(190,701)** | 27,782 |
| Reserve of disposal group classified as held for sale | **212,637** | - |
|  | **21,936** | 27,782 |

By Order Of The Board

**MBf HOLDINGS BERHAD**

**Chong Siew Hoong (MIA 5062)**

**Ong Hua Meng (MIA 6346)**

**Company Secretaries**

**Date : 29 August 2012**