

MBf CORPORATION BERHAD (575672 -X)
NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2006

Notes

A1 Basis of Preparation

The interim financial statements of the Group has been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the 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 2005.

A2 Changes in Accounting Policies – Financial Reporting Standards (“FRS”)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 5, 102, 108, 110, 121, 128, 131, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

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(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually. Any impairment loss is recognised in the profit and loss statement and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years. This change in accounting policy has been accounted for prospectively for business combination where the agreement date is on or after 1 January 2006.

The carrying amount of goodwill as at 1 January 2006 of RM42,940,000 ceased to be amortised. This has the effect of reducing the amortisation charges by RM473,600 in the current quarter ended 31 March 2006.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in the profit and loss statement. Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired. In such cases, it was recognised in profit or loss as those expected losses were incurred. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM862,000 was derecognised with a corresponding increase in retained earnings.

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually. Other intangible assets of the Group with finite useful lives continue to be stated at cost less accumulated amortisation and impairment losses.

(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets and liabilities of a discontinued operation (a disposal group) that are classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of all the assets and liabilities in the disposal group is measured in accordance with applicable FRSS. Then, on initial classification as held for sale, the disposal group is recognised at the lower of carrying amount and fair value less costs to sell.

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(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(d) FRS 140: Investment Property

The adoption of this new FRS has resulted in the reclassification of investment properties from property, plant and equipment and presented as a separate line item in non-current assets. Investment properties are now stated at depreciated cost less any impairment loss.

In accordance with the transitional provision of FRS 140, this change in accounting policy is applied retrospectively and the comparatives as at 31 December 2005.

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A3 Comparatives

The following comparative amounts have been restated due to the adoption of new FRS:

	Previously stated RM'000	<----- Adjustments ----->		Restated RM'000
		FRS 140 (NoteA2(d)) RM'000	FRS 101 (NoteA2(c)) RM'000	
At 31 December 2005				
Property, plant and equipment	131,981	(38,439)	-	93,542
Investment property	-	37,839	-	37,839
3 months ended 31 March 2005				
Loss before tax	(7,633)	(51)	(620)	(8,304)
Loss for the period	(8,181)	(51)	-	(8,232)

A4 Auditors' Report on preceding Annual Financial

The annual financial statements of MBf Corporation Berhad for the year ended 31 December 2005 was not qualified.

A5 Comments about Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A6 Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2006.

A7 Changes in Estimates

There were no changes in estimates of amounts reported in prior quarters of the current financial year or changes in estimates reported in prior financial year that have a material effect in the current quarter.

A8 Pre-acquisition Profits

No pre-acquisition profit has been included in the current quarter results.

A9 Debts and Equities Securities

There were no changes in the debts and equities securities in the current quarter under review.

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A10 Dividend Paid

No dividend has been paid, proposed or declared during the current period under review.

A11 Segmental Information

	3 months and year to-date ended	
	31.03.2006	31.03.2005
	RM'000	RM'000
Segment Revenue		
Property and Development	1,580	5,310
Leasing and Factoring	2,796	3,136
Credit cards	-	350
Leisure and Timeshare	4,934	3,662
Others	1	1
Total revenue	9,311	12,459
Segment Results		
Property and Development	(17)	(155)
Leasing and Factoring	(1,014)	(1,623)
Credit cards	-	(2,497)
Leisure and Timeshare	913	(846)
Others	(176)	(2,989)
	(260)	(8,110)
Finance cost, net	(2,009)	(1,783)
Share of results of associated companies	1,185	1,589
Share of results of jointly controlled entities	(1,114)	-
Loss before taxation	(2,198)	(8,304)
Taxation	12	72
Loss after taxation	(2,186)	(8,232)

A12 Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

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A13 Subsequent Events

In the opinion of the Directors, no item, transaction or event of a material nature has arisen during the period from the end of the reporting period to 31 May 2006 that is likely to affect substantially the results of the operations of the Group for the quarter ended 31 March 2006 except as stated in Note B8.

A14 Changes in Composition of the Group

During the quarter ended 31 March 2006, with the completion of the internal reorganisation of the financial services division, MBf Leasing Sdn Bhd formerly 100% owned by the Company, is now a 100% wholly-owned subsidiary of MIFC Credit and Leasing Sdn Bhd, which is a 100% wholly-owned subsidiary of the Company.

A15 Capital Commitments

There were no capital commitments for the financial quarter under review.

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EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Performance Review

The Group recorded a revenue of RM9.31 million for the current financial quarter and year to-date ended 31 March 2006 as compared to the previous year's corresponding quarter of RM12.46 million, a decrease of RM3.15 million or 25.28%. The adverse variance in revenue for the current financial quarter was mainly due to lower sales in the property development division. Revenue consisted of income derived from leasing, leisure and timeshare, and property development. The Group recorded a pre-tax loss of RM2.20 million for the current financial quarter ended 31 March 2006 as compared to the previous year's corresponding quarter loss of RM8.30 million. The favourable variance was attributed to lower provision for doubtful debts, and provision for liquidated ascertained damages and net guarantee return in leasing and property development division respectively.

B2 Comment on Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

For the current quarter ended 31 March 2006, the Group reported a pre-tax loss of RM2.20 million as compared to a pre-tax loss of RM249.32 million in the preceding quarter. The variance for the current quarter was attributed to provision for doubtful debts in leisure and timeshare division and the write off of intangible asset amounting to RM233.20 million in preceding quarter arising from the earlier adoption of FRS136 Impairment of Assets.

B3 Current Year Prospects

The Group will continue to focus on asset financing, factoring, confirming activities, property development, timeshare memberships and sales of buffet cards to improve the Group's performance.

B4 Variance of Actual Profit from Forecast Profit

Not applicable as the Company has not provided any forecast or profit guarantee in a public document.

B5 Income Tax Expenses

	3 months and year to-date ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Deferred Tax	12	72

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B6 Sale of Unquoted Investment and Properties

There were no sale of investment securities and properties during current quarter except for the disposal of unquoted shares as stated in Note B7 below.

B7 Quoted Securities

a) Details of purchases and disposals of quoted securities are as follows:

	RM'000
(i) Total purchases	NIL
(ii) Total disposals	1,281
(iii) Total profit on disposals	122

b) Investments in quoted shares as at 31 December 2005 are as follows :

	RM'000
(i) Total investment at cost Provision for diminution in value	4,604 (3,856)
(ii) Total investment at net book value	748
(iii) Total investment at market value at the end of reporting period	748

B8 Corporate Proposals

(a) Status of Corporate Proposals

- On 21 April 2006, the Company announced the proposed disposal of 1,670 units of car park bays and one commercial unit by its 70% subsidiary, Leisure Commerce Square Sdn Bhd to Atlantic Band (M) Sdn Bhd for a total cash consideration of RM18,579,480. The proposed disposal is not subject to any approval from the authorities or shareholders of the Company and it is expected to be completed by the 3rd quarter of 2006.
- On 9 May 2006, the Company announced the following proposed disposals :-
 - 50% equity interest in Nation Holdings Sdn Bhd to Hasrat Mulia Sdn Bhd for a cash consideration of RM9.0 million ("Proposed Disposal of Nation");
 - 40% equity interest in KIP Land Sdn Bhd to SJ Molek Sdn Bhd for a cash consideration of RM3.5 million ("Proposed Disposal of KIP"); and

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B8 Corporate Proposals (Con't)

- iii) 100% equity interest in MIFC Credit and Leasing Sdn Bhd to Permai Mas Sdn Bhd for a cash consideration of RM15,000 ("Proposed Disposal of MIFC")

The Proposed Disposal of MIFC is subject to approval of Foreign Investment Committee to be obtained by Purchaser and the approval of the shareholders of the Company. The Proposed Disposal of Nation and KIP are not subject to any approvals from the authorities. However, the Proposed Disposal of Nation, KIP and MIFC are expected to be completed by the 4th quarter of 2006.

- 3. On 9 May 2006, the Company announced that it is an Affected Listed Issuer pursuant to the Amended PN17 – Criteria and Obligations and pursuant to Paragraph 8.14C of Bursa Malaysia Securities Berhad's Listing Requirements. The Company is currently in the process of preparing the Regularisation Plan and upon completed, the requisite announcement outlining the Regularisation Plan shall be made to Bursa Malaysia accordingly.
- 4. On 22 May 2006, the Company announced that MBf Northern Nominees (Tempatan) Sdn Bhd ("MBfNT") has been placed under members' voluntary winding-up with the appointment of Messrs Tam & Associates Corporate Services Sdn Bhd as Liquidator. MBf Personal Care Sdn Bhd, a wholly-owned subsidiary of the Company, and MBf Northern Nominees (Asing) Sdn Bhd ("MBfNA") have been placed under creditors' voluntary winding-up with the appointment of Messrs Tam & Associates Corporate Services Sdn Bhd as the Provisional Liquidator. MBfNT and MBfNA are wholly-owned subsidiaries of MBf Northern Sdn Bhd – In Liquidation which in turn a wholly-owned subsidiary of the Company.

(c) Status of Utilisation of Proceeds

The total sales proceeds from the above proposed disposals will be utilised for MBf Corporation Berhad's working capital requirements

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B9 Borrowings

Group borrowings as at 31 March 2006 are as follows :

	RM'000
<u>Short term borrowings</u>	
Secured:	
Bank overdraft	1,503
Term loans	67,670
Syndicated term loans	14,164
	<u>83,337</u>
Unsecured:	
Hire purchase and lease obligation	650
Total short term borrowings	<u>83,987</u>
<u>Long term borrowings</u>	
Secured:	
Term loans	154,055
RCSLS	19,370
	<u>173,425</u>
Unsecured:	
Term loans	30,773
Hire purchase and lease obligation	726
	<u>31,499</u>
Total long term borrowings	<u>204,924</u>
Total borrowings	<u>288,911</u>

Included in the term loan is an amount of RM45,050,630 owing by a wholly owned subsidiary, MBf Leasing Sdn Bhd ("MBFL") to its Scheme B Creditors pursuant to its Scheme of Arrangement. MBFL was unable to repay an outstanding loan principal sum of RM24,478,317, which was due on 21 October 2005. As at 31 March 2006, the total loan repayment has been reduced to RM18,478,317. In addition, there was a shortfall of RM3,913,223 in interest repayment to all Scheme Creditors as at 31 March 2006. Scheme B Creditors are secured against assets comprising properties, investments and receivables ("Trust Assets") of MBFL.

MBf Corporation Bhd has provided a guarantee in respect of the Guaranteed Recovery Sum of RM40,000,000 owing by MBFL, due to be repaid to Scheme C Creditors by 22 October 2007 under the existing terms of the Scheme of Arrangement. On 30 November 2005, a repayment of RM9,226,555 was made, reducing the outstanding Guaranteed Recovery Sum payable to RM30,773,445 as at 31 March 2006.

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B9 Borrowings (con't)

The Scheme Creditors have not formally exercise their right to call an Event of Default as provided under the existing terms of the Scheme of Arrangement, as MBfL is currently in discussions with its Scheme Creditors to seek agreement on some proposed variations on the settlement of its outstanding repayments as well as a reduction on the interest rate.

B10 Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 31 March 2006.

B11 Changes in Material Litigation

Material litigations at the date of this announcement are as follows:-

- a) Two defamation suits amounting to RM90 million have been instituted by MBf Capital Berhad and its subsidiary, namely MBf Northern Sdn Bhd ("MBfN") for libel and slander in relation to an article published in the International Commercial Litigation Magazine. MBfN, the 2nd Plaintiff, which was placed under creditors voluntary winding-up at a creditors' meeting held on 9 March 2001, had filed a notice of discontinuance for both the cases. One of the cases fixed for mention on 29 April 2002 was postponed to 30 July 2002 and then to 17 September 2002, and subsequently to 12 December 2002. MBf Capital Berhad (1st plaintiff) also did not intend to pursue the case further, and it had on 15 October 2002 filed for discontinuance of this case.

The Defendant's application for security for costs against MBf Capital Berhad was first fixed for mention on 4 November 2003 and after six postponements, the last mention date was fixed on 13 December 2005. Both parties have now agreed to record an open court statement with no order as to costs. The Court has yet to fix a hearing date for this since it will be recorded together with 3 related cases involving the same Defendant.

- b) On 18 October 2004, MBf Corporation Berhad announced that its wholly-owned subsidiary, MBf Leasing Sdn Bhd ("MBfL"), was served with a writ issued by MBf Holdings Berhad, Alamanda Development Sdn Bhd, MBf Trading Sdn Bhd, MBf Automobile Sdn Bhd and MBf Printing Industry Sdn Bhd ("the plaintiffs") under Kuala Lumpur High Court Suit No. D3-22-1497-2004. Under this action, MBfL was also served with an application by the plaintiffs seeking interlocutory relief to restrain MBfL from proceeding with intended legal action to recover debts owed by the plaintiffs to MBfL.

The application for interlocutory relief by the plaintiffs was heard on 15 February 2005 and the Court granted the interlocutory relief to the plaintiffs. On 16 May 2005, MBfL obtained an order against the plaintiffs to provide MBfL with "further and better particulars" as to their claims. The plaintiffs had on 3 June 2005 provided MBfL with the "further and better particulars" sought in respect of the following :-

- i) the details of the Inter-Company Loans stated to be Void for Illegality; and
- ii) the details of the Inter-Company Loans stated to have been compromised at an Agreed Settlement Sum of RM18 million ("the Alleged Settlement").

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B11 Changes in Material Litigation (Con't)

MBfL had since filed an application pursuant to Order 14A and Order 18 of the Rules of the High Court 1980 seeking amongst others, Orders that parts of the plaintiffs' claim pertaining to the Alleged Settlement be struck out and that the plaintiffs be at liberty to challenge the validity and enforceability of the inter-company loans in the various separate suits filed against the respective plaintiffs. On 25 October 2005, the Court granted with costs MBfL's application pursuant to Orders 14A and 18. MBfL will now continue to pursue and prosecute its claims for payment of the inter-company loans from the respective plaintiffs in the respective courts. As to date, the claim is being set down for trial but the date has not been set for hearing.

B12 Dividend Payable

No interim ordinary dividend has been paid, proposed or declared for the financial period ended 31 March 2006.

B13 Earnings Per Share

(a) Basic

Basic earnings or loss per share amounts are calculated by dividing the net profit/(loss) for the period attributed to ordinary equity holders of the parent by weighted average number of ordinary shares in issue during the period.

	3 months and year to-date ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Net loss for the period	(2,156)	(7,329)
Weighted average number of ordinary shares in issue ('000)	281,819	281,522
Basic loss per share (sen)	(0.76)	(2.60)

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B13 Earnings Per Share (Con't)

(b) Diluted

For the purpose of calculating diluted earnings or loss per share, the net profit/(loss) for the period attributed to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period has been adjusted for the dilutive effects of the dilutive of all potential ordinary shares, i.e. Redeemable Convertible Secured Loan Stocks ("RCSLS").

	3 months and year to-date ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Net loss for the period	(2,156)	(7,329)
Adjustment for after tax effects on RCSLS	<u>292</u>	<u>273</u>
Adjusted net loss for the period	<u>(1,864)</u>	<u>(7,056)</u>
Weighted average number of ordinary shares in issue ('000)	281,819	281,522
Adjustment on assumption of the full conversion of RCSLS	<u>22,982</u>	<u>23,010</u>
Adjusted weighted average number of shares	<u>304,801</u>	<u>304,532</u>
Diluted loss per share (sen)	(0.61)	(2.32)

* There is no dilution on the conversion of RCSLS into ordinary shares and accordingly the basic and fully diluted loss per share is the same.

BY ORDER OF THE BOARD
MBf CORPORATION BERHAD

Lau Cheong Koon
Company Secretary

Date : 31 May 2006