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

A1 A1 **Basis of preparation**

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

 This report should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes. The explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

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

The significant accounting policies and methods of computation adopted for these interim financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2010 except for the adoption of new and revised FRSs, Amendments to FRSs and Interpretations as listed in the audited financial statements for the financial year ended 31 December 2010 which were effective for the financial periods beginning on or after 1 January 2011.

The adoption of the new FRSs, Amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group other than for the application of FRS 7, which will entail the additional disclosures in the 2011 annual financial statements.

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 other income is the following non-recurring item:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  |  | **CURRENT****YEAR****QUARTER****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010****RM’000** | **CURRENT****YEAR TO DATE****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010****RM’000** |
|  | Provision for liabilities no longer required \* | - | 17,501 | - | 17,501 |
|  |  | - | 17,501 | - | 17,501 |
|  |  |  |  |  |  |

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

A5 **Changes in estimates**

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

A6 **Pre-acquisition profits**

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

A7 **Dividends paid**

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

A8 **Debt and equity securities**

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the quarter under review except for a conversion of 20 warrants on 17 February 2011, to an equal number of ordinary shares of RM1.00 each. The number of warrants outstanding as at 17 February 2011 after the conversion of the said warrants was 265,063,596.

A9 **Segmental reporting**

|  |  |  |
| --- | --- | --- |
|   | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010****RM’000** | **CURRENT****YEAR TO DATE****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010****RM’000** |
| **Segment Revenue** |  |  |  |  |
| Card and Payment Services | 58,986 |  58,400 | 58,986 |  58,400 |
| Papua New Guinea - Automotive |  129,323 |  114,674 |  129,323 |  114,674 |
| Papua New Guinea - Agriculture |  84,321 |  40,157 |  84,321 |  40,157 |
| Fiji - Retail and Wholesale |  83,191 |  89,909 |  83,191 |  89,909 |
| Fiji - Automotive |  52,493 |  61,658 |  52,493 |  61,658 |
| Fiji - Property |  6,195 |  6,811 |  6,195 |  6,811 |
| Shipping | 32,405 |  6,547 |  32,405 |  6,547 |
| Other segments |  114,655 |  84,636 | 114,655 |  84,636 |
| Adjustments and eliminations  | (10,664) |  (6,177) |  (10,664) |  (6,177) |
|  |  550,905 | 456,615 | 550,905 | 456,615 |

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010****RM’000** | **CURRENT****YEAR TO DATE****31/3/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010****RM’000** |
| **Segment Results** |  |  |  |  |
| Card and Payment Services |  22,531 | 27,081 |  22,531 | 27,081 |
| Papua New Guinea - Automotive |  5,404 | 11,423 |  5,404 | 11,423 |
| Papua New Guinea - Agriculture |  22,609 | (222) |  22,609 |  (222) |
| Fiji - Retail and Wholesale |  (3,967) | (2,102) |  (3,967) |  (2,102) |
| Fiji - Automotive |  434 | 3,100 |  434 |  3,100 |
| Fiji - Property |  3,235 | 4,294 |  3,235 |  4,294 |
| Shipping |  (11,848) | 1,377 |  (11,848) |  1,377 |
| Other segments |  (515) | 22,931 |  (515) |  22,931 |
| Adjustments and eliminations  | (19,261) | (20,280) | (19,261) |  (20,280) |
| Profit from operations | 18,622 | 47,602 | 18,622 | 47,602 |
| Share of results of associates |  504 |  (119) |  504 |  (119) |
| Profit before tax |  19,126 |  47,483 |  19,126 |  47,483 |

 A10 **Subsequent event**

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

 A11 **Changes in composition of the Group**

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

A12 **Commitments**

 As at 31 March 2011 the commitments were:-

|  |  |  |
| --- | --- | --- |
|  |  | **RM’000** |
| a) | Capital commitments |  |
|  | Authorised and contracted for:* Purchase of property, plant and equipment
* Purchase of investment in unquoted shares
 |  104,333 23,415 |
|  |  |  127,748 |
|  | Authorised but not contracted for:* Purchase of property, plant and equipment
 |  9,412 |
|  |  |  |
| b) | Operating expenditure: |  |
|  | Not later than one year |  31,626 |
|  | Later than one year and not later than two years |  14,600 |
|  | Later than two years and not later than five years |  17,313 |
|  | Later than 5 years |  18,358 |
|  |  |  81,897 |

A13 **Contingent liabilities**

 The contingent liabilities as at 31 March 2011 were:-

|  |  |  |
| --- | --- | --- |
|  |  |  **RM’000** |
|  a) |  Guarantees extended in support of banking and other credit facilities granted to:- |  |
|  |  Associate - Secured |  2,889 |
|  |  |  |
| b) | Others – unsecured |  2,829 |
|  |  |  5,718 |

**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 RM550.91 million, an increase of RM94.29 million or 20.65% compared to last year’s corresponding quarter of RM456.62 million. The increased revenue was contributed principally by its PNG operations (RM83.58 million) from its Agriculture, Automotive and Trading divisions. The Group’s other increases in revenue were from its Shipping business (RM25.86 million) and its local Printing business (RM6.50 million), and these were negated by the adverse performance from Fiji in all divisions by RM17.40 million.

The Group’s profit before tax was RM19.13 million for the current quarter compared to the previous year’s corresponding quarter of RM47.48 million, a reduction of RM28.35 million or 59.71%. Excluding the previous year’s corresponding quarter non-recurring item of a write back of provision no longer required of RM17.50 million consequent to a resolution of litigation (as disclosed in Note A4), the current quarter operating profit before taxation was lower by RM10.85 million or 36.19%. Apart from PNG Group (RM12.22 million) and MBf Printing (RM1.90 million), all other companies reported adverse performance. The Shipping business and the operations in Fiji, both had higher loss by RM11.55 million and RM5.39 million respectively and MBF Cards had lower profits by RM4.66 million.

B2 **Variation of results against preceding quarter**

 The current quarter’s pre-tax profit of RM19.13 million was RM1.81 million or 10.45% higher than the preceding quarter of RM17.32 million. Disregarding the non-recurring items of RM24.24 million which comprised principally net gains from fair value adjustment of investment properties (RM24.18 million) in the preceding quarter’s result, the preceding quarter’s loss would be RM6.92 million.

 The improved profits before tax of RM26.05 million was consequent primarily to the better performance in the South Pacific operations (RM26.89 million) especially PNG (RM21.43 million).

 B3 **Prospects for 2011**

With the outlook of the global economy continuing to be uncertain, the Group expects its operations in the year 2011 to remain challenging in light of stiffer competition in the credit card operations and the stagnant economy in Fiji. Barring unforeseen circumstances, the PNG operations are expected to deliver good results due to the improved commodity prices and its robust economy.

Despite the challenges of the operating environment locally and globally, the Group will continue to persevere in managing and growing its businesses especially its newly commenced liner shipping business. Continued efforts will be made to upgrade operating infrastructure, improve cost structures and resources.

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****31/03/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/03/2010****RM’000** | **CURRENT****YEAR TO DATE****31/03/2011****RM’000** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/03/2010****RM’000** |
| Taxation based on profits for the period |  |  |  |  |
| - Malaysian income tax | 3,227 | 4,806 | 3,227 | 4,806 |
| - Foreign tax | 7,724 | 3,836 | 7,724 | 3,836 |
| - Under provision in prior years  | - |  (1) | - |  (1) |
|  | 10,951 | 8,641 | 10,951 | 8,641 |
| Deferred taxation |  (163) |  700 |  (163) |  700 |
|  | 10,788 | 7,905 | 10,788 | 7,905 |

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

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

 There were no sales of unquoted investment or properties during the 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 2011 were as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Quoted in** **Malaysia****RM’000** | **Quoted outside Malaysia****RM’000** |
| (i) | Cost Provision for diminution in value  |  29 (5) | 9,203 - |
| (ii) | Net book value |  24 | 9,203 |
| (iii) | Market value |  24 | 9,203 |

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 7 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 4 September 2009, The Arbittrator 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) |  58,153 |
| RCSLS B (USD5,665,323) |  17,126 |
| Total RCSLS |  75,279 |
| Less : Equity portion of RCSLS |  (68,003) |
| **Net RCSLS** |  **7,276** |
| **Secured Bonds (USD12,700,000)** |  **38,392** |
|  |  **45,668** |

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

 Nominal value Tenure Maturity Date Coupon Rate

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

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

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

 determined by the Remarketing

 Agent – averaging 0.32% p.a. for

 the year ended 31 March 2011.

1. **Long term borrowings**

|  |  |
| --- | --- |
|  | **RM’000** |
| **Secured** |  |
|  - Hire purchase and lease payable due after one year |  21,969 |
|  - Term loans | 226,073 |
|  - Medium term notes | 105,600 |
|  Sub-total | 353,642 |
|  |  |
| **Unsecured** |  |
|  - Term loans |  2,250 |
|  **Total** | **355,892** |

1. **Short term borrowings**

|  |  |
| --- | --- |
|  | **RM’000** |
| **Secured** |  |
|  - Bank overdrafts |  259,685 |
|  - Revolving credits |  126,909 |
|  - Trust receipts and bankers' acceptances |  10,948 |
|  - Hire purchase and lease payable due within one year |  17,797 |
|  - Term loans |  40,453 |
|  - Portion of long term loans payable within one year |  4,495 |
|  - Commercial papers |  276,767 |
|  Sub-total |  737,054 |

|  |  |
| --- | --- |
| **Unsecured** |  |
|  - Portion of long term loans payable within one year |  3,000 |
|  **Total**  | 740,054 |

 Borrowings denominated in foreign currencies are as follows:-

|  |  |
| --- | --- |
|  | Foreign Currency’000 |
| Fijian Dollar | 110,457 |
| Papua New Guinea Kina | 278,566 |
| United States DollarVanuatu VatuSolomon Dollar |  37,602506,908 9,136 |

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 | 14,223 | 49 | (306) |
|  |  |  |  |
|  | 14,223 | 49 | (306) |

 During the current financial quarter, the Group recognized a loss of RM0.26 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**

 In addition to the litigation reported in Note A10, the other 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 a claim for approximately RM13.6 million for the non-fulfillment of certain representations by GrandTech, the supplier for goods used in one of MBF Cards’ credit card marketing campaigns. |
|  |
|  |
|  | The GrandTech Action for approximately RM6.4 million was filed for the goods delivered, anticipated profit from the remaining undelivered goods and other related expenses. GrandTech had also filed an application for summary relief and interim payment for about RM4.0 million with Kuala Lumpur High Court ("KL High Court"). The KL High Court had dismissed GrandTech’s summary relief application and appeal against the said dismissal. GrandTech thereafter filed an appeal to the Court of Appeal against the order. At the hearing on 5 March 2010, GrandTech had withdrawn its appeal against the High Court's Order. |
|   |
|  |
|  |
|  |
|  |
|  | Both the actions have been consolidated and the full trial fixed for 24 to 26 May 2010 did not proceed. In the case management held on 24 March 2011, it was decided that the case be heard by a new judge and the case management fixed on 11 May 2011 with the trial date on 6 to 8 September 2011. |
|  |
|  |
|  | The Board is confident that MBF Cards has a sound claim for the MBF Cards Action and a good defence for the Grandtech Action. |
|  |  |

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

|  |
| --- |
| The Plaintiffs had on 9 February 1993 obtained an ex-parte injunction to restrain the Defendants from printing, circulating, distributing or publishing in any manner any allegation of impropriety or irregularity or illegality of whatever nature against the Plaintiffs or any of their respective subsidiaries or affiliates. |
|
|
|
| Wee Choo Keong and Houng Hai Kong (“Appellants”) had applied to set aside the ex-parte injunction which was refused by the High Court in 1996. However the Appellants’ appeal against the court order was allowed by the Court of Appeal in April 2007.Wee Choo Keong’s application to the High Court for legal and incidental costs was dismissed on 30 November 2007. His application for assessment of damages amounting to approximately RM40 million was fixed for hearing several times but were postponed. The Court has fixed 27 July 2011 for trial on the assessment of damages.  |
|
|
|
|
|
| Whereas Houng Hai Kong's application on the inquiry of damages was heard on 5th April 2011 wherein the court fixed the matter for further hearing on 22 June 2011.It is not possible to ascertain the quantum of damages payable by the Plaintiffs at this juncture and the directors are of the view that the Company’s liability, if any, is not material and accordingly the Company had not provided for it in its book. |
|

c) 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 purportedly disposed wrongfully 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 [renamed as Taylor’s Education Sdn Bhd & later as Taylor’s Education Bhd] & a parcel of land in Subang on which Taylor’s College was constructed & are presently registered under companies owned and/or control by the Loy Family.

 The Court has fixed the action for further case management on 26 May 2011 and the trial on 22 to 25 August 2011.

 The Company is unable to quantify the above claims at this juncture and the Board believes to the best of its knowledge that if the Plaintiffs succeed in its claim, it may have a material 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 is calculated by dividing the net profit for the periods under review by the weighted average number of ordinary shares in issue during the same periods.

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010** | **CURRENT****YEAR TO DATE****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010** |
|  |  |  |  |  |
| Net profit (RM’000) |  7,825 |  38,163 |  7,825 |  38,163 |
|  |  |  |  |  |
| Weighted average number of ordinary shares in issue ('000) |  570,050 |  570,050 |  570,050 |  570,050 |
|  |  |  |  |  |
| Basic EPS (sen) | 1.37 | 6.69 | 1.37 | 6.69 |

 **(b) Diluted**

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

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010** | **CURRENT****YEAR TO DATE****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010** |
|  |  |  |  |  |
| Net profit (RM'000) Net profit (RM’000) |  7,825 |  38,163 |  7,825 |  38,163 |
|  |  |  |  |  |
| Adjustment for after tax effects of interest savingson: |  |  |  |  |
| - USD RCSLS |  (401) |  (323) |  (401) |  (323) |
| Adjusted net profit  |  7,424 |  37,840 |  7,424 |  37,840 |

|  |  |  |
| --- | --- | --- |
|  | **INDIVIDUAL QUARTER** | **CUMULATIVE QUARTER** |
|  | **CURRENT****YEAR****QUARTER****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****QUARTER****31/3/2010** | **CURRENT****YEAR TO DATE****31/3/2011** | **PRECEDING YEAR****CORRESPONDING****PERIOD****31/3/2010** |
|  |  |  |  |  |
| 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 |  76,835 |  85,277 |  76,835 |  85,277 |
| Weighted average number of ordinary shares in issue and to be issued on conversion of RCSLS (’000) | 646,885 |  655,327 | 646,885 |  655,327 |
| Diluted earnings per share (sen)  | 1.15 | 5.77 | 1.15 | 5.77 |

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

B14 **Realised and Unrealised Profits/Losses**

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

|  |  |  |
| --- | --- | --- |
|   | **AS AT 31/3/2011****RM’000** | **AS AT 31/12/2010****RM’000** |
|  |  |  |
| Total retained profits of MBfH and its subsidiaries |  |  |
| * Realised
 |  1,209 | (3,754) |
| * Unrealised
 | 18,918 |  17,304 |
|  | 20,127 |  13,550 |
|  |  |  |
| Total share of retained profits from associated companies: |  |  |
| * Realised
 |  2,335 | 1,831 |
| Total Group retained profits | 22,462 |  15,381 |

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

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

 By Order Of The Board

 **MBf HOLDINGS BERHAD**

 **Chong Siew Hoong (MIA 5062)**

 **Ong Hua Meng (MIA 6346)**

 **Company Secretaries**

 **Date : 27 May 2011**