



MBf CORPORATION BERHAD (575672-X)

ANNUAL REPORT 2011

CONTENTS	Page
Notice of Annual General Meeting	IV
Corporate Information	VI
Message From The Managing Director / Chief Executive Officer	VII
Financial Statements	IX
Analysis of Shareholdings	X
Proxy Form	XIV

MBf Corporation Berhad (575672-X)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of MBf Corporation Berhad will be held at Crown Hall, Level 1, Crystal Crown Hotel, 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 25 June 2012 at 10.00 a.m. for the purpose of transacting the following businesses :-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. Resolution 1
2. To approve payment of Directors' Fees of RM30,000.00 for the financial year ended 31 December 2011. Resolution 2
3. To consider and if thought fit, pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965 :-

"That Dato' Nelson Arputham being over the age of 70 years and retiring pursuant to Section 129 (6) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." Resolution 3
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 4
5. SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution:-

Proposed Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 Resolution 5

"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the governmental / regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
6. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

LIM KEAT SEE (MAICSA 7020290)
Company Secretary

Petaling Jaya
1 June 2012

MBf Corporation Berhad (575672-X)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

Notes:

A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his / her stead. A proxy may but need not be a member of the Company. A member shall be entitled to appoint more than one proxy subject to Section 149(1)(c) of the Companies Act, 1965. The provision in Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. The Form of Proxy must be deposited at the Registered Office of the Company at Block B1, Level 9, Pusat Dagang Setia Jaya (Leisure Commerce Square), No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Explanatory Notes on Special Business

The Proposed Resolution 5, if passed, will give the Directors of the Company the power to issue shares up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in General Meeting, will expire at the next Annual General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' LOY TEIK NGAN, D.I.M.P.
Managing Director and Chief Executive Officer

DATO' NELSON ARPUTHAM, D.S.P.N.
Independent Non-Executive Director

COMPANY SECRETARY

Lim Keat See (MAICSA 7020290)

AUDITORS

Ernst & Young
Chartered Accountants
License No.: AF 0039
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 603 7495 8000
Fax: 603 2095 5332

PRINCIPAL BANKER

Malayan Banking Berhad

REGISTERED OFFICE

Block B1 Level 9
Pusat Dagang Setia Jaya
(Leisure Commerce Square)
No. 9 Jalan PJS 8/9
46150 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7875 1200
Fax : 603 7875 0200

REGISTRAR

Insurban Corporate Services Sdn Bhd
149-A Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 603 7729 5529 / 7727 3873
Fax : 603 7728 5948

Message From The Managing Director/Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors, I would like to present the Annual Report and Audited Financial Statements of MBf Corporation Berhad (“ MBfC ”) and its Group for the financial year ended 31 December 2011

Group Financial Performance

The Group recorded revenue of RM15.78 million for the financial year as compared to RM15.81 million for the previous financial year, a decrease of RM0.03 million. The flat revenue was due to the challenges faced by the Group’s core businesses which are leisure and timeshare, managing and letting out office lots, property development and resort operations.

During the year, the Group also registered other income of RM38.83 million as compared to RM3.78 million for the previous financial year, mainly due to the gain of RM15.92 million on the disposal of investment in an associate company, waiver of interest arising from settlement with financial institutions totaling RM16.11 million, bad debts written back of RM6.02 million and interest income of RM0.39 million.

The Group recorded a net profit after taxation of RM6.42 million as compared to the previous year loss of RM43.39 million. Profit for the year attributable to equity holders of the company is RM8.45 million as compared to the loss of RM36.65 million for the previous year.

As mentioned in the previous years, the Group had ceased the property development activities in Rompin. The resort operation in Rompin has continued to suffer losses and Summerset Group Management Sdn Bhd (“SGM”) which operated the resort was put into Creditors Voluntary Liquidation on 21 June 2011 by a creditor of SGM. In addition, the leisure and timeshare business was affected by the negative opinions on the timeshare industry and the poor condition of our resorts due to lack of upgrading and refurbishments.

The Group’s net profit was affected mainly by the allowance for impairment of inventories of RM1.45 million, land held for future development of RM13.14 million, property development cost of RM1.55 million, doubtful debts of RM9.93 million (timeshare operation), guarantee return of RM3.35 million, lower share of results of associate of RM1.29 million and mitigated by higher other income (as mentioned above), lower finance charges of RM 2.48 million, higher write back of contingent liabilities of a former subsidiary of RM4.20 million, gain arising from discontinued operation of RM 0.75 million and taxation written back of RM0.98 million.

Prospects

MBf Premier Berhad, a wholly owned subsidiary of the Company had on 7 April 2011 entered into a Sale of Shares Agreement (“ SSA”)with QBE Insurance (International) Limited for the disposal of 105,840,000 ordinary shares, comprising 49% of the issued share capital of QBE Insurance (Malaysia) Berhad for a sale consideration of RM95.60 million. The SSA was approved by Bank Negara Malaysia on 29 March 2011 and was completed on 29 April 2011 resulting in a gain of RM15.92 million. With the disposal of the investment in QBE Insurance (Malaysia) Berhad and the settlement of Redeemable Convertible Secured Loan Stocks including borrowings of the Group, the Group’s going concern is dependent on its ability to generate sufficient working capital from its existing operations and its return to profitability. In this respect, the Group will continue to source for buyers for the land held for future development, inventories and investment properties as well as sourcing for viable business opportunities that can assist the Group to return to profitability.

In addition, appropriate actions will be taken to address the core businesses that are not expected to return to profitability especially the property development under Summerset Resort Sdn Bhd due to its inability to continue as a going concern as disclosed in Note 37 of the financial statements.

Message From The Managing Director/Chief Executive Officer

Appreciation

On behalf of the Board of Directors, I would like to convey our thanks and appreciation to our valued shareholders, customers, bankers, business associates and regulatory authorities for their support, assistance and co-operation. I would also like to commend the management and staff who have demonstrated their dedication, commitment and undivided loyalty to the Group.

Dato Loy Teik Ngan,
Managing Director / Chief Executive Officer

9 May 2012

MBf CORPORATION BERHAD
(575672-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial
Statements
31 December 2011

575672-X

**MBf Corporation Berhad
(Incorporated in Malaysia)**

Contents	Page
Directors' report	1 - 4
Statement by directors	5
Statutory declaration	5
Independent auditors' report	6 - 8
Statements of comprehensive income	9 - 10
Statements of financial position	11 - 13
Statements of changes in equity	14 - 15
Statements of cash flows	16 - 18
Notes to the financial statements	19 - 76

MBf Corporation Berhad
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2011.

Principal activities

The Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for the discontinuance as hotel operator and sale of prepaid hotel stay memberships as disclosed in Note 14 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit from continuing operations	5,671	33,199
Gain from discontinued operations	752	-
Profit for the year	<u>6,423</u>	<u>33,199</u>
Attributable to:		
Equity holders of the Company	8,450	33,199
Minority interests	<u>(2,027)</u>	<u>-</u>
	<u>6,423</u>	<u>33,199</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than disclosed in the financial statements.

Dividends

No dividends has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

MBf Corporation Berhad
(Incorporated in Malaysia)

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Loy Teik Ngan
 Tan Sri Dato' Chong Chin Shoong
 Dato' Nelson Arputham

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests in shares

According to the register of directors' shareholdings, the interest of a director in office at the end of the financial year in the shares in the Company and its related corporations during the financial year were as follows:

	No. of ordinary shares of RM1 each			
	1 January 2011	Bought	Sold	31 December 2011
The Company				
Dato' Loy Teik Ngan - indirect	111,380,600	-	-	111,380,600

Dato' Loy Teik Ngan by virtue of his indirect interest in shares in the Company through Leisure Holidays Holdings Sendirian Berhad is also deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

MBf Corporation Berhad
(Incorporated in Malaysia)

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

MBf Corporation Berhad
(Incorporated in Malaysia)

Other statutory information (Cont'd)

- (f) In the opinion of the directors no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.
- (g) As disclosed in Note 2(a) to the financial statements, the Group's current assets exceeded the current liabilities by RM9,409,000 and the Company's current liabilities exceeded the current assets by RM55,707,000, as at 31 December 2011.

The ability of the Group and the Company to continue as going concerns are significantly dependent upon the realisation of inventories of the Group and their ability to generate operating profits.

The financial statements of the Group and of the Company do not include any adjustments that may be required to the amounts and the classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

Significant and subsequent events

The significant and subsequent events are as disclosed in Note 32 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 May 2012.

Dato' Loy Teik Ngan

Dato' Nelson Arputham

575672-X

**MBf Corporation Berhad
(Incorporated in Malaysia)**

Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Loy Teik Ngan and Dato' Nelson Arputham, being two of the directors of MBf Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 76 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 May 2012.

Dato' Loy Teik Ngan

Dato' Nelson Arputham

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Ding Lien Bing, being the officer primarily responsible for the financial management of MBf Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 76 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ding Lien Bing
at Kuala Lumpur in Wilayah Persekutuan
dated 9 May 2012

Ding Lien Bing

Before me,

575672-X

**Independent auditors' report to the members of
MBf Corporation Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of MBf Corporation Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 76.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

575672-X

**Independent auditors' report to the members of
MBf Corporation Berhad (Cont'd)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(a) to the financial statements which discloses the existence of an uncertainty as to whether the Group and the Company can continue as going concerns and therefore, realise their assets and discharge their liabilities in the normal course of business.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

575672-X

Independent auditors' report to the members of
MBf Corporation Berhad (cont'd)
(Incorporated in Malaysia)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 2477/10/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
9 May 2012

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2011

		Group		Company	
	Note	2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Continuing operations					
Revenue	3	15,776	15,807	47,444	10,492
Cost of sales	4	(5,995)	(8,651)	(4,377)	(1,758)
		9,781	7,156	43,067	8,734
Other income	5	38,825	3,780	681	300
Staff costs	6	(2,980)	(2,979)	(197)	(155)
Depreciation		(1,883)	(2,208)	(4)	(7)
Other expenses	7	(37,866)	(64,837)	(11,091)	(23,699)
Profit/(loss) from operations		5,877	(59,088)	32,456	(14,827)
Finance costs	8	(2,475)	(6,150)	(880)	(1,616)
Share of results of associates		1,286	7,803	-	-
Profit/(loss) before tax		4,688	(57,435)	31,576	(16,443)
Taxation	9	983	15,334	1,623	(7)
Profit/(loss) net of tax, for the year		5,671	(42,101)	33,199	(16,450)
Discontinued operations					
Gain/(loss) for the year from discontinued operations, net of tax	14(b)	752	(1,288)	-	-
Profit/(loss) for the year, representing total comprehensive profit/(loss) for the year		6,423	(43,389)	33,199	(16,450)
Profit/(loss) for the year attributable to:					
Equity holders of the Company		8,450	(36,645)	33,199	(16,450)
Non-controlling interests		(2,027)	(6,744)	-	-
		6,423	(43,389)	33,199	(16,450)
Total comprehensive profit/(loss) attributable to:					
Equity holders of the Company		8,450	(36,645)	33,199	(16,450)
Non-controlling interests		(2,027)	(6,744)	-	-
		6,423	(43,389)	33,199	(16,450)

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2011 (cont'd)

	Note	Group 2011 RM'000	2010 RM'000
Profit/(loss) per share attributable to equity holders of the Company:	10		
Basic, for the year (sen)		<u>3.00</u>	<u>(13.00)</u>
Diluted, for the year (sen)		<u>3.00</u>	<u>(13.00)</u>
 Profit/(loss) per share from continuing operations attributable to equity holders of the Company:			
Basic, for the year (sen)		<u>2.73</u>	<u>(12.54)</u>
Diluted, for the year (sen)		<u>2.73</u>	<u>(12.54)</u>
 Gain/(loss) per share from discontinued operations attributable to equity holders of the Company:			
Basic, for the year (sen)		<u>0.27</u>	<u>(0.46)</u>
Diluted, for the year (sen)		<u>0.27</u>	<u>(0.46)</u>

The accompanying notes form an integral part of the financial statements.

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2011

		Group	
	Note	2011	2010
		RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	52,771	55,076
Land held for future development	12	14,364	27,500
Investment properties	13	8,489	8,489
Investment in an associate	15	-	77,296
Trade receivables	17	4,981	16,760
Other receivables	18	636	55
		<u>81,241</u>	<u>185,176</u>
Current assets			
Property development costs	19	1,692	3,240
Inventories	20	26,855	28,312
Trade receivables	17	1,686	5,966
Other receivables	18	7,665	8,755
Due from associates		-	16
Deposits with financial institutions	22	18,186	281
Cash and bank balances	23	2,898	1,151
		<u>58,982</u>	<u>47,721</u>
Total assets		<u>140,223</u>	<u>232,897</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2011 (Cont'd)

		Group	
	Note	2011	2010
		RM'000	RM'000
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	24	282,033	282,033
Accumulated losses		(270,620)	(283,246)
Redeemable Convertible Secured Loan Stocks	25	-	4,176
		11,413	2,963
Non-controlling interests		25,605	27,632
Total equity		37,018	30,595
Non-current liabilities			
Borrowings	26	210	4,896
Refundable security deposits	27	10,577	10,923
Timeshare development account	28	41,984	46,013
Deferred tax liabilities	29	861	1,952
		53,632	63,784
Current liabilities			
Borrowings	26	550	74,428
Refundable security deposits	27	341	948
Timeshare development account	28	969	1,686
Trade payables	30	7,886	8,473
Other payables	31	37,987	50,656
Due to associates		-	74
Tax payable		1,840	2,253
		49,573	138,518
Total liabilities		103,205	202,302
Total equity and liabilities		140,223	232,897

The accompanying notes form an integral part of the financial statements.

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2011 (Cont'd)

	Note	Company	
		2011	2010
		RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	17	11
Investment in subsidiaries	14	112,692	112,692
		<u>112,709</u>	<u>112,703</u>
Current assets			
Other receivables	18	1,219	1,178
Due from related companies	21	23,261	20,176
Cash and bank balances	23	159	129
		<u>24,639</u>	<u>21,483</u>
Total assets		<u>137,348</u>	<u>134,186</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	24	282,033	282,033
Accumulated losses		(225,031)	(262,406)
Redeemable Convertible Secured Loan Stocks	25	-	4,176
Total equity		<u>57,002</u>	<u>23,803</u>
Non-current liabilities			
Deferred tax liabilities	29	-	1,623
		<u>-</u>	<u>1,623</u>
Current liabilities			
Borrowings	26	-	28,508
Other payables	31	12,127	12,373
Due to related companies	21	68,219	67,879
		<u>80,346</u>	<u>108,760</u>
Total liabilities		<u>80,346</u>	<u>110,383</u>
Total equity and liabilities		<u>137,348</u>	<u>134,186</u>

The accompanying notes form an integral part of the financial statements.

575672-X

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2011

<-- Attributable to Equity Holders of the Company -->						
Group	Share capital RM'000	RCSLS RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2010	282,033	4,176	(246,601)	39,608	34,376	73,984
Total comprehensive loss for the year	-	-	(36,645)	(36,645)	(6,744)	(43,389)
At 31 December 2010	282,033	4,176	(283,246)	2,963	27,632	30,595
At 1 January 2011	282,033	4,176	(283,246)	2,963	27,632	30,595
Total comprehensive profit for the year	-	-	8,450	8,450	(2,027)	6,423
Settlement of RCSLS	-	(4,176)	4,176	-	-	-
At 31 December 2011	282,033	-	(270,620)	11,413	25,605	37,018

The accompanying notes form an integral part of the financial statements.

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2011 (cont'd)

Company	Share capital RM'000	RCSLS RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2010	282,033	4,176	(245,956)	40,253
Total comprehensive loss for the year	-	-	(16,450)	(16,450)
At 31 December 2010	282,033	4,176	(262,406)	23,803
Total comprehensive profit for the year	-	-	33,199	33,199
Settlement of RCSLS	-	(4,176)	4,176	-
At 31 December 2011	282,033	-	(225,031)	57,002

The accompanying notes form an integral part of the financial statements.

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
	(Restated)			
Cash flows from operating activities				
Profit/(loss) before tax from continuing operations	4,688	(57,435)	31,576	(16,443)
Gain/(loss) before tax from discontinued operation	752	(1,288)	-	-
Profit/(loss) before tax, total	5,440	(58,723)	31,576	(16,443)
Adjustments for:				
Share of results of associates	(1,286)	(7,803)	-	-
Interest income	(385)	(27)	(342)	-
Gain on disposal of investment in an associate	(15,916)	-	-	-
Gain on disposal of property, plant and equipment	-	(156)	-	-
Allowance for doubtful debts - related companies	-	-	10,373	22,707
Allowance for doubtful debts - Continuing operations	9,933	563	-	-
- Discontinued operations	-	187	-	-
Write back of contingent liabilities of a former subsidiary	(4,204)	(1,905)	-	-
Allowance for doubtful debts written back:				
- Continuing operations	(120)	(1,241)	-	-
- Discontinued operation	(687)	-	-	-
Property, plant and equipment written off	23	64	-	10
Depreciation	1,883	2,215	4	7
Waiver of interest	(16,115)	-	-	-
Bad debts written off	387	829	-	-
Interest expenses	2,475	6,162	880	1,616
Allowance for impairment losses:				
- Investment properties	-	130	-	-
- Inventories	1,450	13,910	-	-
- Land held for future development	13,136	41,419	-	-
- Property development costs	1,548	5,984	-	-
- Property, plant and equipment	375	-	-	-
Provision for guaranteed return	3,352	1,204	-	-
Operating profit before working capital changes	1,289	2,812	42,491	7,897

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 December 2011 (Cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (Cont'd)				
Operating profit before working capital changes	1,289	2,812	42,491	7,897
Decrease/(increase) in trade and other receivables	7,094	3,654	(71)	(1,120)
Increase in amount due to related companies	(58)	-	(13,086)	(7,983)
Decrease/(increase) in inventories	7	(648)	-	-
Increase in development properties and land held for future development	-	(127)	-	-
(Decrease)/increase in trade and other payables	(12,404)	819	(247)	1,316
Decrease in timeshare development fund and refundable security deposits	(5,699)	(2,848)	-	-
Net cash (used in)/generated from operating activities	(9,771)	3,662	29,087	110
Interest received	385	27	-	-
Interest paid	(2,475)	(3,413)	(539)	-
Tax (paid)/refund	(521)	30	-	(7)
Net cash (used in)/generated from operating activities	(12,382)	306	28,548	103
Cash flows from investing activities				
Acquisition of property, plant and equipment	(15)	(526)	(10)	(5)
Proceeds from disposal of property, plant and equipment	-	156	-	-
Proceeds from disposal of an associate	94,498	-	-	-
Net cash generated from/(used in) investing activities	94,483	(370)	(10)	(5)

MBf Corporation Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2011 (Cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activity				
Repayment of hire purchase	(96)	(160)	-	-
Repayment of term loans	(33,845)	(901)	-	-
RCSLS redeemed	(28,508)	-	(28,508)	-
Net cash used in financing activity	<u>(62,449)</u>	<u>(1,061)</u>	<u>(28,508)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	19,652	(1,125)	30	98
Cash and cash equivalents at beginning of year	<u>1,432</u>	<u>2,557</u>	<u>129</u>	<u>31</u>
Cash and cash equivalents at end of year	<u>21,084</u>	<u>1,432</u>	<u>159</u>	<u>129</u>
Cash and cash equivalents comprise:				
Deposits with financial institution	18,186	281	-	-
Cash and bank balances	2,898	1,151	159	129
	<u>21,084</u>	<u>1,432</u>	<u>159</u>	<u>129</u>

The accompanying notes form an integral part of the financial statements.

MBf Corporation Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2011

1. Corporate information

The Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 14. There have been no other significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year other than the cessation as hotel operator and sale of prepaid hotel stay memberships as disclosed in Note 14.

The registered office and principal place of business of the Company is located at Block B1, Level 9, Pusat Dagang Setia Jaya (Leisure Commerce Square), No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 May 2012.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2(b).

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements of the Group and of the Company for the year ended 31 December 2011 have been prepared on a going concern basis. As at that date, the Group's current assets exceeded the current liabilities by RM9,409,000 (2010:current liabilities exceeded current assets by RM90,797,000) and the Company's current liabilities exceeded the current assets by RM55,707,000 (2010:RM87,277,000).

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

The ability of the Group and the Company to continue as going concerns are significantly dependent upon the realisation of inventories of the Group and their ability to generate operating profits.

The financial statements of the Group and of the Company do not include any adjustments that may be required to the amounts and the classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Company adopted the following new and amended Financial Reporting Standards ("FRS") and Issues Committee ("IC") Interpretations mandatory for annual financial periods beginning on or after 1 January 2011:

- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 1: Limited Exemptions for First-time Adopters
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 132: Classification of Rights Issues
- Amendments to FRS 138: Intangible Assets
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners
- IC Interpretation 18: Transfers of Assets from Customers
- IC Interpretation 4: Determining Whether an Arrangement contains a Lease
- Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134 and FRS 139

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(b) Changes in accounting policies (Cont'd)

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any effect on the financial performance or position of the Group and of the Company.

(c) Malaysian Financial Reporting Standard

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

(d) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries except for MBf Northern Sdn. Bhd. ("MBf Northern"). The reason for the non-consolidation is as disclosed in Note 14. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(d) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

The audited financial statements of MBf Northern Sdn Bhd have not been annexed in accordance with the requirements of the Ninth Schedule of the Companies Act, 1965 due to the non-availability of such financial statements for the reason as disclosed in Note 14.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(d) Basis of consolidation (cont'd)

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in profit or loss. The Group's interest in associates is carried in the consolidated statement of financial position at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(iii) Jointly controlled entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the financial year is included in profit or loss. The Group's interest in jointly controlled entities is carried in the consolidated statement of financial position at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless cost cannot be recovered.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(e) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Transactions with non-controlling interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(g) Cash and cash equivalents

For purposes of the cash flow statements, cash and cash equivalents include cash and short term funds and deposits with financial institutions, net of outstanding bank overdrafts.

(h) Investments in subsidiaries and associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(i) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(i) Property, plant and equipment, and depreciation (Cont'd)

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Freehold buildings	2%
Leasehold buildings	1.6% - 2%
Renovation and building improvements	10% - 20%
Office equipment, furniture and fittings	5% - 20%
Motor vehicles	20%
Computer equipment	20%
Others	10%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

(j) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(k) Land held for development and property development costs

(i) Land held for development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is stated at cost less accumulated impairment losses.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(k) Land held for development and property development costs (Cont'd)

(i) Land held for development (Cont'd)

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated and that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately. Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

(l) Inventories

Inventories comprise completed properties held for resale as well as food, beverages, stationery and other consumables.

Completed properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Food, beverages, stationery, consumables and sundries are stated at the lower of cost and net realisable value after adequate provision has been made for damaged, obsolete and slow moving items. Cost is determined on a first-in-first-out basis.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(m) Hire purchase assets

Property, plant and equipment acquired under hire purchase agreements are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 2(i) above.

The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to profit or loss over the period of the respective agreements using the effective interest rate.

(n) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(o) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(o) Foreign currencies (Cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(p) Income tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(q) Impairment of non-financial assets (Cont'd)

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(r) Revenue recognition

- (i) Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2(k).
- (ii) Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis.
- (iii) Enrolment fees are recognised as income upon execution of the Timeshare Agreement. Annual maintenance charges are recognised as income upon execution and renewal of the Timeshare Agreement.
- (iv) Management fees, rental and service charges are recognised on an accrual basis.
- (v) Dividend income is recognised when the right to receive payment is established.
- (vi) Fixed annual fee in relation to the timeshare development account and refundable security deposits are recognised over the remaining period of the related Timeshare Agreement as disclosed in Note 2(z).

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(s) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

(t) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

As at the reporting date, the Group and the Company did not have any financial assets categorised as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(t) Financial assets (Cont'd)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(u) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has not designated any financial liabilities as financial liabilities at fair value through profit or loss.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(u) Financial liabilities (Cont'd)

(i) Other financial liabilities

Trade and other payables and amount due to related companies are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Impairment of financial assets

(i) Trade receivables, other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(v) Impairment of financial assets (Cont'd)

(i) Trade receivables, other receivables and other financial assets carried at amortised cost (Cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(w) Equity instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(x) Redeemable convertible secured loan ("RCSLS")

RCSLS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the RCSLS.

(y) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are **recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.**

(z) Timeshare Development Account and Refundable Security Deposits

The Timeshare Development Account and Refundable Security Deposits are credited to profit and loss over the remaining period of the related Timeshare Agreement.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(aa) Significant accounting estimates and judgements

Preparation of the financial statements involves making certain estimates, assumptions concerning the future and applying judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill of the Group, except for those relating to an associated company, has been fully impaired in the previous financial year. The carrying amount of goodwill relating to an associated company in the previous year was disclosed in Note 15.

(ii) Impairment of properties

The Group determines whether land and buildings, land held for future development, investment properties and completed properties classified as inventories are impaired when indications of impairment exist. The Group evaluates whether such indications of impairment exist based on reference to indicative market prices of similar properties in the same vicinity or past valuation reports performed by independent valuers. The carrying amount of land and buildings, land held for future development, investment properties and completed properties classified as inventories are as disclosed in Notes 11, 12, 13 and 20, respectively.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(aa) Significant accounting estimates and judgements (Cont'd)

(iii) Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which these temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised and unrecognised temporary differences is disclosed in Notes 9 and 29.

(iv) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and other receivables at the reporting date are disclosed in Note 17, 18 and 21.

(v) Useful lives of buildings

The costs of freehold and leasehold buildings are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these buildings to be within 50 to 60 years. These are common life expectancies applied in the timeshare industry and for commercial properties. Changes in the expected level of usage and the state of upkeep and refurbishment could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's freehold and leasehold buildings as at 31 December 2011 is as disclosed in Note 11.

MBf Corporation Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (Cont'd)

(aa) Significant accounting estimates and judgements (Cont'd)

(vi) Property development costs

Significant judgment is required in determining the stage of completion, the extent of the property development costs incurred the estimated total property development revenue and costs, as well as the recoverability of the property development costs. As at the reporting date, the Group's property development activity has cased and the balance in the property development was deemed recoverable is as disclosed in Note 19.

(vii) Timeshare development account and refundable security deposit account

61.25% of the timeshare members' enrollment fees are initially recognised in the timeshare development account and the refundable security deposit account. The carrying amount of the Group's timeshare development account and refundable security deposit account is then recognised as income in profit or loss over a period of between 33 to 49 years. The Group determines this period over which income is recognised based on historical experience and the timeshare industry's practice. The carrying amount of the Group's timeshare development account and refundable security deposit account as at the reporting date is disclosed in Notes 27 and 28, respectively.

(viii) Impairment of subsidiaries and amount due from subsidiaries

The Company assesses at each reporting date whether there is any objective evidence for impairment of subsidiaries and the amount due from subsidiaries. In assessing these balances for impairment, the Company will consider factors such as the profitability of existing operations or the significant financial difficulties of the respective subsidiary. The carrying amount of the Company's investment in subsidiaries and the amounts due from subsidiaries are as disclosed in Notes 14 and 21, respectively.

MBf Corporation Berhad
(Incorporated in Malaysia)

3. Revenue

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Timeshare enrolment fees and annual maintenance fees	11,161	12,170	-	-
Dividend income	-	-	43,000	8,360
Rental income	4,615	3,637	4,444	2,132
	<u>15,776</u>	<u>15,807</u>	<u>47,444</u>	<u>10,492</u>

4. Cost of sales

Cost of sales of the Group represents timeshare commission, timeshare marketing and management fees, other direct timeshare-related expenditure, cost of development properties sold, cost of hotel services provided, cost of funds for providing loans, advances and financing provided and rental expenses for letting.

Cost of sales of the Company represents rental expenses for letting.

5. Other income

Included in other income are:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Rental income	57	602	-	-
Gain on disposal of investment in an associate	15,916	-	-	-
Gain on disposal of property, plant and equipment	-	156	-	-
Management fees	-	2	300	300
Waiver of interest	16,115	-	-	-
Interest income	385	27	342	-
Bad debts recovered	6,017	103	9	-
Allowance for doubtful debts written back	120	1,241	-	-

MBf Corporation Berhad
(Incorporated in Malaysia)

6. Staff costs

Included in staff costs is contribution to the Employees Provident Fund of the Group and the Company amounting to approximately RM389,430 (2010: RM331,049) and RM15,588 (2010: RM15,680) respectively.

7. Other expenses

Included in other expenses are:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit				
- continuing operations	105	100	21	20
- discontinued operations	17	31		
- overprovision of statutory audit in prior year	-	(2)	-	-
- other services				
- continuing operations	2	4	-	-
- discontinued operations	3	-	-	-
Remuneration - directors of the Company:				
- fees	30	30	30	30
- salaries and other emoluments	134	144	134	144
- benefits-in-kind	17	17	-	-
Remuneration - directors of the subsidiaries:				
- salaries and other emoluments	564	398	-	-
Allowance for doubtful debts				
- related companies	-	-	10,373	22,707
Allowance for doubtful debts				
- continuing operations	9,933	563	-	-
- discontinued operations	-	187	-	-
Allowance for impairment losses				
- Investment properties	-	130	-	-
- Inventories	1,450	13,910	-	-
- Land held for future development	13,136	41,419	-	-
- Property development costs	1,548	5,984	-	-
- Property, plant and equipment	375	-	-	-
Property, plant and equipment written off	23	64	-	10
Bad debts written off	387	829	-	-
Rental of land and building	76	85	30	90
Provision for guaranteed return	3,352	1,204	-	-
Write back of contingent liabilities of a former subsidiary	(4,204)	(1,905)	-	-

MBf Corporation Berhad
(Incorporated in Malaysia)

8. Finance costs

Finance costs comprise interest expense.

9. Taxation

Continuing Operations

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax expense:				
- Current income tax	90	5	-	4
- Under/(over) provision in prior years	18	(19)	-	3
	<u>108</u>	<u>(14)</u>	<u>-</u>	<u>7</u>
Deferred taxation relating to origination and reversal of temporary differences (Note 29)	(1,091)	(15,320)	(1,623)	-
Tax (credit)/expense	<u>(983)</u>	<u>(15,334)</u>	<u>(1,623)</u>	<u>7</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Profit/(loss) before tax from continuing operations	4,688	(57,435)	31,576	(16,443)
Gain/(loss) before tax from discontinued operations	752	(1,288)	-	-
Accounting profit/(loss) before tax	<u>5,440</u>	<u>(58,723)</u>	<u>31,576</u>	<u>(16,443)</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

9. Taxation (cont'd)

Accounting profit/(loss) before tax	5,440	(58,723)	31,576	(16,443)
Taxation at the Malaysian statutory tax rate of 25% (2010 : 25%)	1,360	(14,681)	7,894	(4,111)
Income not subject to tax	(10,494)	(810)	(10,750)	4,115
Expenses not deductible for tax purposes	7,774	1,552	1,233	-
Effects of share of associates' and post-tax profits included in Group's profit before taxation	(321)	(1,951)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(73)	(152)	-	-
Deferred tax assets not recognised	753	727	-	-
Under/(over) provision in prior years	18	(19)	-	3
Tax charge for the year	(983)	(15,334)	(1,623)	7

10. Basic and diluted profit/(loss) per share

- (a) Basic profit/(loss) per share amounts are calculated by dividing the net profit/(loss) for the year attributed to ordinary equity holders of the Company by the number of ordinary shares in issue during the year.

	Group	
	2011	2010
	RM'000	RM'000
		(restated)
Profit/(loss) attributable to ordinary equity holders of the Company		
- Continuing operations	7,698	(35,357)
- Discontinued operations	752	(1,288)
	<u>8,450</u>	<u>(36,645)</u>
Number of ordinary shares in issue	<u>282,033</u>	<u>282,033</u>
Basic profit/(loss) per share (sen)		
- Continuing operations	2.73	(12.54)
- Discontinued operations	0.27	(0.46)
	<u>3.00</u>	<u>(13.00)</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

10. Basic and diluted profit/(loss) per share (Cont'd)

- (b) For the purpose of calculating diluted earnings or loss per share, the net profit/(loss) for the year attributed to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year has been adjusted for the dilutive effects of all potential ordinary shares, i.e. RCSLS.

Continuing Operations

	Group	
	2011	2010
	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the Company	7,698	(35,357)
After-tax effect of interest on RCSLS	-	1,212
Profit/(loss) attributable to ordinary equity holders of the Company including assumed conversion	<u>7,698</u>	<u>(34,145)</u>
	Group	
	2011	2010
	RM'000	RM'000
Number of ordinary shares in issue	282,033	282,033
Adjustment on assumed full conversion of RCSLS	-	22,642
Adjusted weighted average number of shares in issue and issuable	<u>282,033</u>	<u>304,675</u>
Diluted earnings/(loss) per share (sen)	<u>2.73</u>	<u>(11.2)</u>

Discontinued Operations

	Group	
	2011	2010
	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the Company	752	(1,228)
After-tax effect of interest on RCSLS	-	1,212
Profit/(loss) attributable to ordinary equity holders of the Company including assumed conversion	<u>752</u>	<u>(16)</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

10. Basic and diluted profit/(loss) per share (Cont'd)

	Group	
	2011	2010
	RM'000	RM'000
Discontinued Operations (cont'd)		
Number of ordinary shares in issue	282,033	282,033
Adjustment on assumed full conversion of RCSLS	-	22,642
Adjusted weighted average number of shares in issue and issuable	282,033	304,675
Diluted earnings/(loss) per share (sen)	0.27	(0.01)

For the previous financial year, as the effects of the conversion of the outstanding RCSLS were anti-dilutive in nature, the basic and fully diluted loss per share of the Group were the same.

575672-X

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment

Group	Land and buildings* RM'000	Renovation and building improvements RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Others RM'000	Total RM'000
Cost								
As at 1 January 2011	77,614	4,483	2,778	8,317	934	499	2,917	97,542
Additions	-	-	5	9	-	1	-	15
Write offs	-	(3,149)	(613)	(619)	(141)	(156)	-	(4,678)
Attributable to discontinued operations	-	-	(2)	(5)	-	(45)	(8)	(60)
As at 31 December 2011	77,614	1,334	2,168	7,702	793	299	2,909	92,819
Accumulated depreciation and impairment								
As at 1 January 2011	23,862	4,349	2,381	8,069	421	469	2,915	42,466
Charge for the year	1,494	50	67	144	127	1	-	1,883
Impairment	375	-	-	-	-	-	-	375
Reclassification	-	-	-	-	5	-	(5)	-
Write offs	-	(3,141)	(601)	(617)	(141)	(155)	-	(4,655)
Attributable to discontinued operations	-	-	(1)	(3)	-	(16)	(1)	(21)
As at 31 December 2011	25,731	1,258	1,846	7,593	412	299	2,909	40,048
Net carrying amount								
As at 31 December 2011	51,883	76	322	109	381	-	-	52,771

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment (Cont'd)

Group	Land and buildings* RM'000	Renovation and building improvements RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Others RM'000	Total RM'000
Cost								
As at 1 January 2010	77,984	4,542	2,498	8,379	697	531	2,916	97,547
Additions	-	2	350	1	635	1	7	996
Disposals	-	-	-	-	(398)	-	-	(398)
Write offs	-	(61)	(78)	(55)	-	(33)	(6)	(233)
Reclassification	-	-	8	(8)	-	-	-	-
Transfer to investment properties	(153)	-	-	-	-	-	-	(153)
Transfer to inventories	(217)	-	-	-	-	-	-	(217)
As at 31 December 2010	77,614	4,483	2,778	8,317	934	499	2,917	97,542
Accumulated depreciation and impairment								
As at 1 January 2010	22,320	4,250	2,355	7,918	697	476	2,802	40,818
Charge for the year	1,542	133	95	185	127	20	113	2,215
Disposals	-	-	-	-	(398)	-	-	(398)
Write offs	-	(34)	(69)	(34)	(5)	(27)	-	(169)
As at 31 December 2010	23,862	4,349	2,381	8,069	421	469	2,915	42,466
Net carrying amount								
As at 31 December 2010	53,752	134	397	248	513	30	2	55,076

575672-X

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment (Cont'd)

Company	Renovation and building improvements RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Total RM'000
Cost					
As at 1 January 2011	-	14	-	15	29
Additions	-	1	8	1	10
As at 31 December 2011	-	15	8	16	39
Accumulated depreciation					
As at 1 January 2011	-	3	-	15	18
Charge for the year	-	3	1	-	4
As at 31 December 2011	-	6	1	15	22
Net carrying amount					
As at 31 December 2011	-	9	7	1	17

575672-X

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment (Cont'd)

	Renovation and building improvements RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Total RM'000
Company (cont'd.)					
Cost					
As at 1 January 2010	23	42	4	28	97
Additions	-	5	-	-	5
Write Offs	(23)	(33)	(4)	(13)	(73)
As at 31 December 2010	-	14	-	15	29
Accumulated depreciation					
As at 1 January 2010	12	33	3	26	74
Charge for the year	3	2	-	2	7
Write Offs	(15)	(32)	(3)	(13)	(63)
As at 31 December 2010	-	3	-	15	18
Net carrying amount					
As at 31 December 2010	-	11	-	-	11

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment (Cont'd)

* Land and buildings of the Group comprise:

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost				
As at 1 January 2011 / 31 December 2011	1,787	53,605	22,222	77,614
Accumulated depreciation				
As at 1 January 2011	421	17,723	5,718	23,862
Charge for the year	-	959	535	1,494
Impairment for the year	-	-	375	375
As at 31 December 2011	421	18,682	6,628	25,731
Net carrying amount				
As at 31 December 2011	1,366	34,923	15,594	51,883
Cost				
As at 1 January 2010	1,787	53,605	22,592	77,984
Transfer to investment properties	-	-	(153)	(153)
Transfer to inventories	-	-	(217)	(217)
As at 31 December 2010	1,787	53,605	22,222	77,614
Accumulated depreciation				
As at 1 January 2010	421	16,720	5,179	22,320
Charge for the year	-	1,003	539	1,542
As at 31 December 2010	421	17,723	5,718	23,862
Net carrying amount				
As at 31 December 2010	1,366	35,882	16,504	53,752

- (a) Included in property, plant and equipment of the Group are land and buildings with a net book value of approximately RM Nil (2010: RM29,493,000) which have been pledged for credit facilities granted to the Group as disclosed in Note 26.

MBf Corporation Berhad
(Incorporated in Malaysia)

11. Property, plant and equipment (Cont'd)

- (b) The net book values of property, plant and equipment under hire purchase and finance lease arrangements are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Office equipment & Furniture & fittings	-	22
Motor vehicles	381	508
Others	-	9
	<u>381</u>	<u>539</u>

12. Land held for future development

	Long term	Group	
	leasehold	Development	
	land	expenditure	Total
	RM'000	RM'000	RM'000
As at 1 January 2011	27,500	-	27,500
Impairment for the year	(13,136)	-	(13,136)
As at 31 December 2011	<u>14,364</u>	<u>-</u>	<u>14,364</u>
As at 1 January 2010	47,556	21,311	68,867
Addition	-	52	52
Impairment for the year	(20,056)	(21,363)	(41,419)
As at 31 December 2010	<u>27,500</u>	<u>-</u>	<u>27,500</u>

13. Investment properties

	Freehold	Group	
	buildings	Leasehold	
	RM'000	buildings	Total
	RM'000	RM'000	RM'000
At fair value			
As at 1 January 2011 / 31 December 2011	<u>140</u>	<u>8,349</u>	<u>8,489</u>
As at 1 January 2010	270	8,196	8,466
Transfer from fixed assets	-	153	153
Fair value adjustment	(130)	-	(130)
As at 31 December 2010	<u>140</u>	<u>8,349</u>	<u>8,489</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

14. Investment in subsidiaries

	Company	
	2011	2010
	RM'000	RM'000
Unquoted shares, at cost:	299,149	299,149
Less : Provision for diminution in value of investments	(186,457)	(186,457)
	<u>112,692</u>	<u>112,692</u>

The following are the subsidiaries of the Company, all of which are incorporated in Malaysia unless otherwise indicated:

Name	Equity interest held		Principal activities
	2011	2010	
	%	%	
Leisure Holidays Bhd.	76.48	76.48	Promoting and selling timeshare memberships
Summerset Resort Sdn. Bhd.	65.01	65.01	Property development and hotel operator
Leisure Holidays Marketing Sdn. Bhd.	76.48	76.48	Sales and marketing of timeshares, property and club memberships
Leisure Holidays Resorts Management Sdn. Bhd.	76.48	76.48	Resort management services
Leisure Commerce Square Sdn. Bhd.	70.00	70.00	Property development
Leisure Golf & Beach Resort (Rompin) Sdn. Bhd.	70.00	70.00	Dormant
MBf Premier Berhad	100.00	100.00	Investment holding company
MBf Unit Trust Management Berhad	70.00	70.00	Dormant
MBf Northern Sdn. Bhd.*	100.00	100.00	Under creditors voluntary winding-up
Mexan Enterprise Sdn. Bhd.	100.00	100.00	Investment holding company

MBf Corporation Berhad
(Incorporated in Malaysia)

14. Investment in subsidiaries (Cont'd)

Name	Equity interest held		Principal activities
	2011 %	2010 %	
Summerset D' Rantau Sdn Bhd @	60.00	60.00	Dormant
Summerset Group Management Sdn Bhd **	65.01	65.01	Under creditors voluntary winding-up

@ Audited by a firm other than Ernst & Young

* This subsidiary has not been consolidated in the financial statements of the Group as the directors are of the opinion that the Group does not have controlling interest in this subsidiary as it has been placed under Creditors Voluntary Winding Up on 9 March 2001 and liquidators have been appointed.

** On 5 June 2011, Summerset Group Management Sdn Bhd ("SGM") was placed under Creditors Voluntary Winding Up and the effects to the financial statements of the Group are as follows:

(a) Statement of financial position of the Group

	On 5 June 2011 RM'000
Assets:	
Property, plant and equipment	35
Trade receivables	101
Other receivables	5
Cash and bank balances	61
	<u>202</u>
Liabilities:	
Trade and other payables	<u>(2,380)</u>
Gain arising from deconsolidation	<u>(2,178)</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

14. Investment in subsidiaries (Cont'd)

(b) Statement of comprehensive income

	Financial period up to 5 June 2011 RM'000	2010 RM'000
Revenue	1,132	5,792
Expenses	(2,558)	(7,068)
Loss from operations	(1,426)	(1,276)
Finance costs	-	(12)
Loss before tax from discontinued operations	(1,426)	(1,288)
Income tax expense	-	-
Loss after tax from discontinued operations	(1,426)	(1,288)
Gain arising from deconsolidation	2,178	
Group gain arising from discontinued operations	752	

(c) Statement of cash flows

The cashflows attributable to SGM are as follow:

	Group 2011 RM'000	2010 RM'000
Operating	(437)	(186)
Investing	-	(7)
Financing	-	(12)
Net cash outflows	(437)	(205)

15. Investment in an associate

	Group 2011 RM'000	2010 RM'000
Unquoted shares in Malaysia, at cost	-	53,380
Share of post-acquisition profits	-	23,916
	-	77,296
Represented by:		
Share of net assets in an associate	-	72,253
Goodwill on acquisition	-	5,043
	-	77,296

MBf Corporation Berhad
(Incorporated in Malaysia)

15. Investment in an associate (Cont'd)

Details of the Company's associate, all of which are incorporated in Malaysia, are as follows:

Name	Equity interest held		Principal activities
	2011 %	2010 %	
QBE Insurance (Malaysia) Berhad	-	49.00	General insurance business

In the previous financial year, a memorandum of deposit over the Group's equity interest in QBE Insurance (Malaysia) Berhad has been made as security for the Company's RCSLS as disclosed in Note 25.

The financial statements of the above associate are coterminous with that of the Group. The summarised financial information of the associate as at the previous reporting date are as follows:

	Group 2010 RM'000
Property, plant and equipment	8,933
Investments and investment property	260,668
Other assets	41,460
Total liabilities	(116,393)
Unearned premium reserves	(47,212)
Net assets / Shareholders' equity	<u>147,456</u>
Revenue	127,939
Expenses	(105,536)
Profit before tax	22,403
Income tax expense	(6,478)
Net profit for the year	<u>15,925</u>

On 7 April 2011, MBf Premier Berhad, a wholly owned subsidiary entered into a Sale of Shares Agreement ("SSA") with QBE Insurance (International) Limited for the disposal of 105,840,000 ordinary shares, comprising the entire interest of 49% of the issue share capital of QBE Insurance (Malaysia) Berhad for a sales consideration of RM95,601,018. The SSA was completed on 29 April 2011 and the net gain arising from the disposal amounted to RM15.92 million.

MBf Corporation Berhad
(Incorporated in Malaysia)

16. Investment in a jointly controlled entity

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	175	175	-	-
Share of post-acquisition losses	(175)	(175)	-	-
Represented by share of net assets in a jointly controlled entity	-	-	-	-

Details of the Group's investment in a jointly controlled entity, a company incorporated in Malaysia, are as follows:

Name	Equity interest held		Principal activities
	2011	2010	
	%	%	
Oncard Malaysia Sdn. Bhd.	50.00	50.00	Ceased operation

The Group's share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entity is as follows:

	2011	2010
	RM'000	RM'000
Property, plant and equipment	-	1
Current assets	48	63
Current liabilities	(1,030)	(977)
Net liabilities	(982)	(913)
Revenue	(2)	6
Expenses	(67)	(46)
Loss before tax	(69)	(40)
Income tax expense	-	-
Net loss for the year	(69)	(40)

The Group's share of the net liabilities has been limited to its cost of investment in the jointly controlled entity.

MBf Corporation Berhad
(Incorporated in Malaysia)

17. Trade receivables

	Group	
	2011	2010
	RM'000	RM'000
Trade receivables	16,416	28,560
Less : Allowance for impairment	(9,749)	(5,834)
	<u>6,667</u>	<u>22,726</u>
Of which:		
Due within 1 year	1,686	5,966
Due after 1 year	4,981	16,760
	<u>6,667</u>	<u>22,726</u>

The Group's normal trade credit terms ranges from 30 to 180 (2010: 30 to 180) days. Other current terms are assessed and approved on a case-by-case basis. The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2011	2010
	RM'000	RM'000
Neither past due nor impaired	4,981	14,854
1 to 30 days past due not impaired	27	335
31 to 60 days past due not impaired	26	333
61 to 90 days past due not impaired	28	323
91 to 120 days past due not impaired	37	329
More than 121 days past due not impaired	1,568	6,552
Total past due but not impaired	1,686	7,872
Impaired	9,749	5,834
	<u>16,416</u>	<u>28,560</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired include in-house loans granted to the purchasers of timeshare memberships which are repayable after one year and/or creditworthy debtors with good payment record with the Developer.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

MBf Corporation Berhad
(Incorporated in Malaysia)

17. Trade receivables (Cont'd)

Receivables that are past due but not impaired

The remaining balance of receivables that are past due but not impaired are unsecured in nature and not renegotiated during the year.

Receivables that are impaired

The movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2011	2010
	RM'000	RM'000
At 1 January	5,834	10,405
Charge for the year	9,749	366
Written off		
- continuing operations	(5,288)	(4,937)
- discontinued operations	(546)	-
At 31 December	<u>9,749</u>	<u>5,834</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

18. Other receivables

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Sundry receivables and deposits	8,973	9,251	1,218	1,125
Prepayments	5,409	6,446	1	53
	<u>14,382</u>	<u>15,697</u>	<u>1,219</u>	<u>1,178</u>
Less : Allowance for impairment	(6,081)	(6,887)	-	-
	<u>8,301</u>	<u>8,810</u>	<u>1,219</u>	<u>1,178</u>
Of which:				
Due within one year	7,665	8,755	1,219	1,178
Due after one year	636	55	-	-
	<u>8,301</u>	<u>8,810</u>	<u>1,219</u>	<u>1,178</u>

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

MBf Corporation Berhad
(Incorporated in Malaysia)

18. Other receivables (Cont'd)

Other receivables that are impaired

As of the reporting date, other receivables of the Group amounting to RM6,081,000 (2010: RM6,887,000) were impaired. All other sundry receivables of the Group and Company were neither past due nor impaired.

The movement of the allowance accounts used to record the impairment is as follows:

	Group	
	2011	2010
	RM'000	RM'000
At 1 January	6,887	17,289
Charge for the year	184	384
Recovery/written back	(120)	(1,241)
Written off		
- continuing operations	(729)	(9,545)
- discontinued operations	(141)	-
At 31 December	<u>6,081</u>	<u>6,887</u>

19. Property development costs

	Group	
	2011	2010
	RM'000	RM'000
As at 1 January:		
Leasehold land	8,114	8,114
Development costs	8,699	8,624
	<u>16,813</u>	<u>16,738</u>
Development costs incurred during the year	<u>-</u>	<u>75</u>
Costs recognised in the income statement:		
As at 1 January:	(13,573)	(7,589)
Impairment loss for the year	(1,548)	(5,984)
As at 31 December	<u>(15,121)</u>	<u>(13,573)</u>
Property development costs as at 31 December	<u>1,692</u>	<u>3,240</u>

During the year, the Group have fully repaid the banking facilities and all the landed properties of the Group which have been previously charged as security have been discharged as disclosed in Note 26.

MBf Corporation Berhad
(Incorporated in Malaysia)

20. Inventories

	Group	
	2011	2010
	RM'000	RM'000
At cost:		
Unsold properties	42,203	42,203
Food, beverage and other consumables	12	19
	<u>42,215</u>	<u>42,222</u>
Less: Allowance for impairment	(15,360)	(13,910)
	<u>26,855</u>	<u>28,312</u>

Included in inventories of unsold properties is a property transferred from property, plant and equipment in the current financial year amounting to RM Nil (2010: RM217,000).

21. Due from/to related companies

The amounts due from/to related companies comprise:

	Company	
	2011	2010
	RM'000	RM'000
Due from subsidiaries	57,141	43,713
Less : Allowance for doubtful debts	(33,880)	(23,537)
	<u>23,261</u>	<u>20,176</u>
Due to subsidiaries	<u>68,219</u>	<u>67,879</u>

Except for an amount of RM40,535,000 (2010:RM41,392,000) due to the Company from subsidiaries which bears interest of 3.00% to 6.80% (2010:3.00% to 6.30%) per annum, which has been suspended, the other amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.

MBf Corporation Berhad
(Incorporated in Malaysia)

22. Deposits with financial institutions

	Group	
	2011	2010
	RM'000	RM'000
Licensed banks	18,186	281

Included in deposits with licensed banks of the Group are:

- (i) deposits of RM1,051,606 (2010:RM60,598) in sinking fund trust accounts established in accordance with the terms of the Trust Deed entered into by a subsidiary, the Trustee and the subsidiary's timeshare members, and
- (ii) deposits of RM180,615 (2010:RM180,615) which have been pledged to financial institutions for banking facilities granted to subsidiaries as disclosed in Note 26.

The range of interest rates per annum and average maturities of deposits of the Group as at the end of the financial year were as follows:

	Interest Rates		Maturities	
	2011	2010	2011	2010
	%	%	Days	Days
Group				
Licensed banks	1.70 - 3.05	1.00 - 2.75	1 - 30	1 - 365

23. Cash and bank balances

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,898	1,151	159	129

Included in cash and bank balances of the Group are bank balances of RM142,917 (2010:RM73,100) in trust accounts established in accordance with the terms of the Trust Deed entered into by a subsidiary, the Trustee and the subsidiary's timeshare members.

MBf Corporation Berhad
(Incorporated in Malaysia)

24. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2011	2010	2011	2010
	Unit ('000)	Unit ('000)	RM'000	RM'000
Authorised:				
At 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 January/31 December	282,033	282,033	282,033	282,033

25. Redeemable convertible secured loan stocks ("RCSLS")

	Group and Company	
	2011	2010
	RM'000	RM'000
Nominal value of RM1 each:		
At 1 January	22,642	22,642
Redeemed during the year	(22,642)	-
At 31 December	-	22,642

The nominal value of the RCSLS have been split between the liability component and the equity component, representing the fair value of the conversion option. The RCSLS were accounted for on the issuance date as follows:

	Group and Company
	RM'000
Nominal value of RCSLS	23,689
Equity component, net of deferred tax, at date of issuance	(4,368)
Deferred tax liabilities	(1,699)
Liability component at date of issuance	17,622

The movement of the liability component of RCSLS during the year was as follows (Note 26):

MBf Corporation Berhad
(Incorporated in Malaysia)

25. Redeemable convertible secured loan stocks ("RCSLS") (Cont'd)

	Group and Company	
	2011	2010
	RM'000	RM'000
At 1 January	28,508	26,892
Interest accrued	538	1,616
Redeemed during the year	(29,046)	-
At 31 December	-	28,508

The movement of the equity component of RCSLS during the year was as follows:

At 1 January	4,176	4,176
Redeemed during the year	(4,176)	-
At 31 December	-	4,176

The terms of the 23,689,000 5-year 2% RCSLS 2003/2007 at a nominal value of RM1 each were as follows:

- (a) Tenure - The RCSLS are for a period of 5 years from the date of issue of the RCSLS and mature on the Maturity Date, being the 5th anniversary from the date of issue of the RCSLS.
- (b) Conversion rights - The RCSLS are convertible into new shares of the Company at the conversion price at the option of the RCSLS holders at any time within the tenure of the RCSLS. The conversion price shall be satisfied by surrendering RM1.00 nominal value of RCSLS for one new ordinary share of RM1 each of the Company.
- (c) Redeemability - The RCSLS are redeemable by the Company in the event of the disposal of the shares of the Company's investment in a wholly-owned subsidiary, MBf Premier Berhad ("MBf Premier") and/or the Group's investment in an associate, QBE Insurance (Malaysia) Berhad ("QBEM"). The RCSLS shall be redeemed from the proceeds received from the disposal of MBf Premier/QBEM.

Unless previously converted, redeemed or cancelled by the Company, all RCSLS will be redeemed in the following manner:

- (i) RM10 million nominal value of the RCSLS at the end of the 4th year from the date of issue of the RCSLS, and
- (ii) the balance nominal value of RCSLS on the Maturity Date.

MBf Corporation Berhad
(Incorporated in Malaysia)

25. Redeemable convertible secured loan stocks ("RCSLS") (Cont'd)

- (d) Coupon rate - 2% per annum payable annually in arrears commencing from the 1st anniversary of the date of issue of the RCSLS and thereafter at yearly intervals until the date falling 5 years from the date of issue of the RCSLS.
- (e) Security - The RCSLS are secured by a memorandum of deposit over the Group's equity interest in QBEM, represented by 78,526,451 shares of RM0.50 each.
- (f) The new shares of the Company to be issued upon the conversion of the RCSLS shall upon allotment and issue, rank pari passu in all respect with the then new shares of the Company including entitlements to dividends, rights, allotments or other distributions except for:
 - (i) any dividend in respect of the financial year preceding that in which the new shares of the Company are issued, and
 - (ii) distributions, declared by the Company which entitlement date thereof precedes the relevant conversion date of the RCSLS.
- (g) The RCSLS are not transferable, tradeable nor listed on any stock exchange.

The RCSLS matured in 2007 and the Company has defaulted on the redemption terms specified in (c) above. As disclosed in Note 32(a), during the year the Company has fully redeemed the RCSLS.

26. Borrowings

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Total borrowings				
Term loans	-	43,370	-	-
Syndicated term loans	-	6,590	-	-
Hire purchase and lease obligations	760	856	-	-
RCSLS (Note 25)	-	28,508	-	28,508
	<u>760</u>	<u>79,324</u>	<u>-</u>	<u>28,508</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

26. Borrowings (Cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Analysed by maturity:				
<u>Short term borrowings</u>				
Secured:				
Term loans	-	43,370	-	-
Syndicated term loans	-	2,000	-	-
RCSLS	-	28,508	-	28,508
Hire purchase and lease obligations	550	550	-	-
Total short term borrowings	550	74,428	-	28,508
<u>Long term borrowings</u>				
Secured:				
Syndicated term loans	-	4,590	-	-
Hire purchase and lease obligations	210	306	-	-
Total long term borrowings	210	4,896	-	-
Total borrowings	760	79,324	-	28,508

The remaining maturities of the loans and borrowings as at 31 December 2011 are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
On demand or within one year	550	74,428	-	28,508
1 to 2 years	96	1,096	-	-
2 to 5 years	114	3,800	-	-
	760	79,324	-	28,508

The secured borrowings of the Group and of the Company in the previous year were secured by certain assets of the Group and of the Company as disclosed in Notes 11, 19 and 22.

MBf Corporation Berhad
(Incorporated in Malaysia)

26. Borrowings (Cont'd)

The range of effective interest rates per annum are as follows:

	Group		Company	
	2011	2010	2011	2010
	%	%	%	%
Term loans	-	7.80 - 18.00	-	-
Syndicated term loans	-	8.05 - 8.80	-	-
RCSLS	-	6.55 - 7.30*	-	6.55 - 7.30*

* Inclusive of penalty interest charged arising from the Company's default on the RCSLS.

27. Refundable security deposits

The refundable security deposits are funds paid by subscribers to ensure that the subscribers comply with the terms and conditions of the subscribers agreements over the duration of the agreements. The refundability of these funds is subject to the terms and conditions of the subscribers agreements. The balance outstanding as at the reporting date is stated net of any amounts utilised to settle fixed annual fees outstanding. Of the amount outstanding as at the reporting date, RM10,577,000 (2010:RM10,923,000) is expected to be realised more than one year after the reporting date.

28. Timeshare development account

The timeshare development account is to be utilised to cover the cost of acquisition or construction and furnishing of each resort or holiday apartment used for the timeshare business. The balance outstanding as at the reporting date is stated net of any amounts utilised to settle fixed annual fees outstanding. Of the amount outstanding as at 31 December 2011, RM41,984,000 (2010:RM46,013,000) is expected to be realised more than one year after the reporting date.

MBf Corporation Berhad
(Incorporated in Malaysia)

29. Deferred tax liabilities

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,952	17,272	1,623	1,623
Recognised in profit or loss (Note 9)	(1,091)	(15,320)	(1,623)	-
At 31 December	<u>861</u>	<u>1,952</u>	<u>-</u>	<u>1,623</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(532)	(1,623)	-
Deferred tax liabilities	<u>861</u>	<u>2,484</u>	<u>1,623</u>	<u>1,623</u>
	<u>861</u>	<u>1,952</u>	<u>-</u>	<u>1,623</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting were as follows:

Deferred tax liabilities of the Group	Revaluation of assets on acquisition of subsidiaries	RCSLS	Total
	RM'000	RM'000	RM'000
At 1 January 2010	16,181	1,623	17,804
Recognised in profit or loss	(15,320)	-	(15,320)
At 31 December 2010	<u>861</u>	<u>1,623</u>	<u>2,484</u>
Recognised in profit or loss	-	(1,623)	(1,623)
At 31 December 2011	<u>861</u>	<u>-</u>	<u>861</u>

Deferred tax assets of the Group	Accelerated and unabsorbed capital allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2010	512	20	532
Recognised in profit or loss	-	-	-
At 31 December 2010	<u>512</u>	<u>20</u>	<u>532</u>
Recognised in profit or loss	(512)	(20)	(532)
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax liabilities of the Company in the previous year was in the respect of the RCSLS.

MBf Corporation Berhad
(Incorporated in Malaysia)

29. Deferred tax liabilities (Cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Unused tax losses	62,448	70,303	-	100
Unabsorbed capital allowances	2,462	2,195	-	6
Allowance for doubtful debts	9,933	12,721	-	-
Provision for liabilities	10,015	14,219	9,665	9,665

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

30. Trade payables

	Group	
	2011	2010
	RM'000	RM'000
Trade payables	7,886	8,473
	<u>7,886</u>	<u>8,473</u>

The normal trade credit terms granted to the Group range from 30 to 180 days (2010:30 to 180 days).

31. Other payables

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	10,015	14,219	9,665	9,665
Sundry payables	18,720	26,707	2,249	2,539
Accruals	9,252	9,730	213	169
	<u>37,987</u>	<u>50,656</u>	<u>12,127</u>	<u>12,373</u>

The normal trade credit terms granted to the Group range from 30 to 180 days (2010: 30 to 180 days).

MBf Corporation Berhad
(Incorporated in Malaysia)

32. Significant and subsequent events

- (a) On 20 November 2007, the Company had defaulted on the redemption of the nominal amount of its RCSLS and the repayment of interest thereon. The Trustee for the RCSLS holders then commenced legal proceedings against the Company for the recovery of the amount due to the RCSLS holders. The Company has fully redeemed the RCSLS during the financial year.
- (b) On 7 April 2011, MBf Premier Berhad, a wholly owned subsidiary has entered into a Sale of Shares Agreement ("SSA") with QBE Insurance (International) Limited for the disposal of 105,840,000 ordinary shares, comprising the entire interest of 49% of the issued share capital of QBE Insurance (Malaysia) Berhad for a sales consideration, net of expenses, RM94,498,000. The SSA was completed on 29 April 2011 and the net gain arising from the disposal amounted to RM15.92 million.
- (c) On 5 June 2011, Summerset Group Management Sdn Bhd, a subsidiary of the Company, was placed under Creditors Voluntary Winding Up as disclosed in Note 14.
- (d) Subsequent to the current financial year end, on 19 April 2012, Leisure Golf and Beach Resort (Rompin) Sdn Bhd, a subsidiary of the Company, was placed under Creditors Voluntary Winding Up.

33. Significant related party transactions and balances

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Management fee income from subsidiaries	-	-	300	300
Interest income from a subsidiary	-	-	342	-

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

As at the end of the current reporting date, as the Group has no significant interest-bearing financial liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (Cont'd)

(b) Interest rate risk (cont'd)

Group	Floating Interest Rate RM'000	Fixed Interest Rate RM'000	Non Interest Bearing RM'000	Total RM'000
2011				
Financial assets				
Trade receivables	-	-	6,667	6,667
Other receivables	-	-	2,892	2,892
Deposits and bank balances	-	18,186	2,898	21,084
Total financial assets	-	18,186	12,457	30,643
Financial liabilities				
Trade payables	-	-	7,886	7,886
Other payables	-	-	37,987	37,987
Bank borrowings	-	760	-	760
Total financial liabilities	-	760	45,873	46,633
Net financial liabilities	-	17,426	(33,416)	(15,990)
2010				
Financial assets				
Trade receivables	-	-	22,726	22,726
Other receivables	-	-	2,364	2,364
Deposits and bank balances	-	281	1,151	1,432
Due from associates	-	-	16	16
Total financial assets	-	281	26,257	26,538
Financial liabilities				
Trade payables	-	-	8,473	8,473
Other payables	-	-	50,656	50,656
Bank borrowings	78,468	856	-	79,324
Due to associates	-	-	74	74
Total financial liabilities	78,468	856	59,203	138,527
Net financial liabilities	(78,468)	(575)	(32,946)	(111,989)

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (Cont'd)

(b) Interest rate risk (cont'd)

Company	Floating Interest Rate RM'000	Fixed Interest Rate RM'000	Non Interest Bearing RM'000	Total RM'000
2011				
Financial assets				
Other receivables	-	-	1,218	1,218
Due from related companies	-	11,120	12,141	23,261
Deposits and bank balances	-	-	159	159
Total financial assets	-	11,120	13,518	24,638
Financial liabilities				
Other payables	-	-	12,127	12,127
Due to related companies	-	11,120	57,099	68,219
Total financial liabilities	-	11,120	69,226	80,346
Net financial liabilities	-	-	(55,708)	(55,708)
2010				
Financial assets				
Other receivables	-	-	1,125	1,125
Due from related companies	-	20,047	129	20,176
Deposits and bank balances	-	-	129	129
Total financial assets	-	20,047	1,383	21,430
Financial liabilities				
Other payables	-	-	12,373	12,373
Due to related companies	-	-	67,879	67,879
Bank borrowings	28,508	-	-	28,508
Total financial liabilities	28,508	-	80,252	108,760
Net financial liabilities	(28,508)	20,047	(78,869)	(87,330)

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (cont'd)

(c) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness

The table below details the expected contractual cash flow by maturity of financial liabilities held at 31 December 2011:

Group	On demand or within one month RM'000	More than one but less than six months RM'000	More than six but less than 12 months RM'000	More than 12 months RM'000	Total RM'000
2011					
Financial liabilities					
Trade and other payables	45,873	-	-	-	45,873
Borrowings	300	125	125	210	760
	<u>46,173</u>	<u>125</u>	<u>125</u>	<u>210</u>	<u>46,633</u>
2010					
Financial liabilities					
Trade and other payables	59,129	-	-	-	59,129
Borrowings	39,513	33,867	1,048	4,896	79,324
Due to associates	74	-	-	-	74
	<u>98,716</u>	<u>33,867</u>	<u>1,048</u>	<u>4,896</u>	<u>138,527</u>

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

Company	On demand or within one month RM'000	More than one but less than six months RM'000	More than six but less than 12 months RM'000	More than 12 months RM'000	Total RM'000
2011					
Financial liabilities					
Other payables	12,127	-	-	-	12,127
Due to related companies	68,219	-	-	-	68,219
	<u>80,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,346</u>
2010					
Financial liabilities					
Other payables	12,373	-	-	-	12,373
Borrowings	28,508	-	-	-	28,508
Due to related companies	67,879	-	-	-	67,879
	<u>108,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,760</u>

(d) Credit risk

Credit risk the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's credit risk is primarily attributable to trade and other receivables and bank balance. In respect of trade and other receivables, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and policies and procedures are in place to ensure that the Group's exposure to bad debts is kept to a minimum. In respect of cash and cash equivalents, the Group's policy is to place surplus cash with licensed banks in Malaysia.

The maximum amount of exposure to credit risk arising from the Group's trade and other receivables and cash and bank balances equal to the carrying amount of these financial assets on the statement of financial position.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (cont'd)

(d) Credit risk (cont'd)

The profile of the Group's trade and other receivables and cash and bank balances at the reporting date are as disclosed in Notes 17, 18 and 23, respectively.

(e) Categories of financial instrument

Financial instruments of the Group and Company are categorised as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Financial assets - loans and receivables				
Trade receivables	6,667	22,726	-	-
Other receivables	2,892	2,364	1,218	1,125
Due from related companies	-	-	23,261	20,176
Due from associates	-	16	-	-
Deposits with financial institutions	18,186	281	-	-
Cash and bank balances	2,898	1,151	159	129
	30,643	26,538	24,638	21,430

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Financial liabilities - at amortised cost				
Borrowings	760	79,324	-	28,508
Trade payables	7,886	8,473	-	-
Other payables	37,987	50,656	12,127	12,373
Due to related companies	-	-	68,219	67,879
Due to associates	-	74	-	-
	46,633	138,527	80,346	108,760

MBf Corporation Berhad
(Incorporated in Malaysia)

34. Financial instruments (cont'd)

(f) Fair values

Determination of fair values:

(i) Trade and other receivables

The carrying amounts of current trade and other receivables approximate fair values due to the relatively short term maturity of these financial instruments.

The carrying amounts of non-current trade receivables approximate fair values as the Developer has the right to charge and waive interest of up to 18% per annum upon the invoicing of these receivables.

(ii) Cash and bank balances

The carrying amount approximates fair value due to the relatively short term maturity of these financial instruments.

(iii) Trade and other payables, and due to related companies/associates

The carrying amounts of current other payables approximate fair values due to the relatively short term maturity of these financial instruments.

(iv) Borrowings

The carrying amounts of borrowings are reasonable approximations of fair values due to the insignificant impact of these financial instruments.

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains sufficient capital to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the financial year ended 31 December 2011.

MBf Corporation Berhad
(Incorporated in Malaysia)

36. Material Litigations

(a) Leisure Commerce Square Joint Management Body ("LCS JMB") versus Leisure Commerce Square Sdn Bhd ("LCSSB")

LCS JMB being the management body of LCSSB, filed a legal suit against LCSSB, a subsidiary of the Company, for service charges and outgoings due and owing by the LCSSB to LCS JMB in respect of all unsold units of offices and retail units at LCS of approximately RM11 million.

LCSSB has also filed a counter claim to demand the refund of the service charges and outgoings paid to the Building Management fund from the LCS JMB pertaining to all the unsold units amounting to approximately RM10 million.

LCSSB's lawyers opined that the LCSSB stands a good chance in dismissing the claim and succeeding in its counter claim, if inter alia, the Court agrees that no service charges are to be imposed on the unsold units prior to the formation of the LCS JMB.

Pleadings have been closed and the matter has been scheduled for Pre-Trial Case Management on 21 May 2012.

Meanwhile the Court has also ruled for a mediation exercise between the two parties and the mediation date has yet to be fixed by the Court.

(b) Ng Chee Seng versus Summerset Resort Sdn Bhd

A subsidiary of the Company, Summerset Resort Sdn Bhd ("SRSB") has on 31 January 2012 received a Section 218 Notice under the Companies Act, 1965 from Ng Chee Seng, a creditor of SRSB, which expired on 21 February 2012.

On 20 March 2012, SRSB received a winding up notice from Ng Chee Seng of which hearing has been fixed on 5 June 2012.

The claims are for a sum of RM31,557, costs of RM18,818, and interest on the sum of RM35,375 at the rate of 10% per annum from 10 February 2004 until the date of full settlement.

The total sum claim as at 31 December 2011 amounted to RM113,653.

ANALYSIS OF SHAREHOLDINGS

As at 30 April 2012

Authorised share capital	: RM500,000,000
Issued and Paid-up capital	: RM282,033,314
Class of Share	: Ordinary shares of RM1 each
Number of Shareholders	: 42,732
Voting Rights	: On a show of hands – one vote for every shareholder On a poll – one vote for every ordinary share held

SUBSTANTIAL SHAREHOLDERS

Name	Direct	%	Indirect	%
Leisure Holidays Holdings Sdn Bhd	111,380,600	39.49	-	-
Dato' Loy Teik Ngan	-	-	111,380,600*	39.49

* Deemed interested by virtue of his indirect interest in the Company pursuant to Section 122A of the Companies Act, 1965.

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	21,143	49.48	907,631	0.32
100 - 1,000	18,209	42.61	4,778,133	1.69
1,001- 10,000	2,210	5.17	8,515,782	3.02
10,001 - 100,000	974	2.28	34,352,208	12.18
100,001 and below 5% of issued shares	195	0.46	122,098,960	43.30
5% and above of issued shares	1	0.00	111,380,600	39.49
Total	42,732	100.00	282,033,314	100.00

ANALYSIS OF SHAREHOLDINGS

As at 30 April 2012

TOP 30 SHAREHOLDERS AS PER REGISTER & RECORD OF DEPOSITORS

No.	Name	No. of Shares	% of Issued Capital
1.	LEISURE HOLIDAYS HOLDINGS SDN BHD	111,380,600	39.49
2.	TEH CHEE FEI	12,256,300	4.35
3.	BANK PERTANIAN MALAYSIA BERHAD	8,749,000	3.11
4.	CHEE HONG LEONG	8,695,000	3.09
5.	ABB NOMINEE (TEMPATAN) SDN BHD Beneficiary : Affin Bank Berhad (Loan Recovery)	5,691,768	2.02
6.	MAYBANK NOMINEES (ASING) SDN BHD Beneficiary : Nomura Singapore Limited For Xcess Finance Co Ltd	5,619,000	2.00
7.	LAU CHEONG KOON	3,463,000	1.23
8.	LIEW YAM FEE	3,000,000	1.06
9.	KUOK YIT LI @ KUOK LEE LEE	2,830,000	1.00
10.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Beneficiary : SDB Asset Management Sdn Bhd For Sabah Development Bank Berhad	2,379,300	0.84
11.	CITIGROUP NOMINEES (ASING) SDN BHD Beneficiary : Exempt For OCBC Securities Private Limited	2,175,822	0.77
12.	SU MING KEAT	1,900,000	0.68
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD Beneficiary : Pledged Securities Account For Ling Kwong Ming	1,697,700	0.60
14.	YEW CHAN LENG @ YAU CHAN LEONG	1,500,000	0.53
15.	CARTABAN NOMINEES (ASING) SDN BHD Beneficiary : Exempt For Credit Agricole (Suisse) SA	1,477,034	0.52
16.	CIMSEC NOMINEES (ASING) SDN BHD Beneficiary : Exempt For CIMB Securities (Singapore) Pte Ltd	1,387,570	0.50
17.	TANG KAM KEW	1,250,000	0.44
18.	TOH TIAM HWAT	1,050,000	0.37
19.	AMSEC NOMINEES (ASING) SDN BHD Beneficiary : Exempt For Amfraser Securities Pte Ltd	1,000,000	0.35
20.	KONG CHOON HOCK	1,000,000	0.35
21.	TAY SOO CHENG	1,000,000	0.35
22.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Beneficiary : Exempt For UOB Kay Hian Pte Ltd	933,125	0.33
23.	HO SIEW CHIN	880,000	0.31
24.	ONG KOON HO	880,000	0.31

ANALYSIS OF SHAREHOLDINGS

As at 30 April 2012

TOP 30 SHAREHOLDERS AS PER REGISTER & RECORD OF DEPOSITORS (Cont'd)

No.	Name	No. of Shares	% of Issued Capital
25.	JF APEX NOMINEES (TEMPATAN) SDN BHD Beneficiary : Pledged Securities Account For Chow Heng Lan	870,000	0.31
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Beneficiary : Pledged Securities Account for Tan Sea Ming	850,000	0.30
27.	NG HOCK TEE	830,000	0.29
28.	HO SIEW CHOY	810,000	0.29
29.	GOH JUAI HIAN	765,000	0.27
30.	BANGKOK BANK BERHAD	731,000	0.26
	TOTAL	187,051,219	66.32

This page is intentionally left blank

PROXY FORM
MBf Corporation Berhad (575672-X)
(Incorporated in Malaysia)

"Proxy A"

No. of Shares Held	Shareholder's Contact No.

I/We, _____ NRIC/Passport/Company No. _____ of

being a member/members of **MBf Corporation Berhad**, hereby appoint _____
NRIC/Passport No. _____ of _____
or failing him/her, _____ NRIC/Passport No. _____
of _____
or failing him/her, the Chairman of the meeting, as my/our proxy to attend and vote for me/us and on my/our behalf at the
TENTH ANNUAL GENERAL MEETING of the Company to be held at Crown Hall, Level 1, Crystal Crown Hotel, 12, Lorong Utara
A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 25 June 2012 at 10.00 a.m. or at any adjournment
thereof.

"Proxy B"

Where it is desired to appoint a second proxy this section must also be completed, otherwise it should be deleted.

I/We, _____
NRIC/Passport/Company No. _____ of _____
being a member/members of **MBf Corporation Berhad**, hereby appoint _____
NRIC/Passport No. _____
of _____
or failing him/her, _____ NRIC/Passport No. _____
of _____
or failing him/her, the Chairman of the meeting, as my/our proxy to attend and vote for me/us and on my/our behalf at the
TENTH ANNUAL GENERAL MEETING of the Company to be held at Crown Hall, Level 1, Crystal Crown Hotel, 12, Lorong Utara
A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 25 June 2012 at 10.00 a.m. or at any adjournment
thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy A	%
Second Proxy B	%
	<u>100%</u>

In case of a vote taken by a show of hands *First Proxy A/ Second Proxy B shall vote on my/our behalf.

My/our proxies shall vote as follows:-

ORDINARY RESOLUTIONS	FIRST PROXY A		SECOND PROXY B	
	FOR	AGAINST	FOR	AGAINST
Resolution 1				
Resolution 2				
Resolution 3				
Resolution 4				
Resolution 5				

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting at his/their discretion.)

Dated this day of

Signature(s) / Common Seal of Shareholder(s)

Notes:

A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his / her stead. A proxy may but need not be a member of the Company. A member shall be entitled to appoint more than one proxy subject to Section 149(1)(c) of the Companies Act, 1965. The provision in Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. The Form of Proxy must be deposited at the Registered Office of the Company at Block B1, Level 9, Pusat Dagang Setia Jaya (Leisure Commerce Square), No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Fold this line for sending

Affix
Stamp
Here

The Company Secretary
MBf CORPORATION BERHAD
Block B1, Level 9,
Pusat Dagang Setia Jaya
(Leisure Commerce Square),
No. 9, Jalan PJS 8/9, 46150 Petaling Jaya,
Selangor Darul Ehsan

Second fold here

This page is intentionally left blank

MBf CORPORATION BERHAD (575672-X)
Block B1, Level 9, Pusat Dagang Setia Jaya (Leisure Commerce Square),
No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor Darul Ehsan