

## FRS 134 – DISCLOSURE REQUIREMENTS PER PARAGRAPH 16

### **A1. Accounting Policies and Method of Computation**

The interim report is prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2007.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") and IC Interpretations:

FRS 107: Cash Flow Statements  
FRS 111: Construction Contracts  
FRS 112: Income Taxes  
FRS 118: Revenue  
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance  
FRS 121: Amendments to Financial Reporting Standard GRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation  
FRS 126: Accounting and Reporting by Retirement Benefit Plans  
FRS 129: Financial Reporting in Hyperinflationary Economies  
FRS 134: Interim Financial Reporting  
FRS 137: Provisions, Contingent Liabilities and Contingent Assets  
IC Interpretations 1, 2, 5, 6, 7 and 8

The adoption of the above FRSs and Interpretations does not have any significant impact on the financial statements of the Company and of the Group.

### **A2. Audit Report of Preceding Financial Year Ended 31 December 2007**

The audit report on the financial statements of the preceding year was not qualified.

### **A3. Seasonality and Cyclicity of Operation**

The Group's operations have not been affected by any seasonal or cyclical factors.

### **A4. Exceptional or Unusual Items**

There were no items of exceptional or unusual nature that affect the assets, liabilities, equity, net income or cash flows of the Group in the current financial period.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

**A5. Changes in Estimates of Amounts Reported Previously**

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current financial period.

**A6. Debts and Equity Securities**

Other than the issuance of 3,095,100 and 3,434,100 new ordinary shares of RM1.00 each at RM1.00 and RM1.10 per new share respectively pursuant to the Company's Employee Share Option Scheme ("ESOS"), there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

|   | <b>No of ordinary<br/>shares of<br/>RM1.00 each</b> | <b>Ordinary<br/>shares<br/>RM</b> | <b>Share<br/>premium<br/>RM</b> |
|---|---|-----------------------------------|---------------------------------|
| At 1 January 2008                           | 361,102,727   | 361,102,727                       | 661,053,342                     |
| Issued at RM1.00 per share pursuant to ESOS | 3,095,100   | 3,095,100                         | -                               |
| Issued at RM1.10 per share pursuant to ESOS | 3,434,100   | 3,434,100                         | 343,410                         |
| At 30 June 2008                             | <u>367,631,927</u>                                  | <u>367,631,927</u>                | <u>661,396,752</u>              |

**A7. Dividend Paid**

- (i) Dividend of 4% on 165,000,000 Redeemable Convertible Preference Shares for the period from 1 January 2007 to 31 December 2007 amounted to RM6.6 million were paid on 28 February 2008.
- (ii) First and final dividend in respect of the financial year ended 31 December 2007 of 4% less 26% taxation (2.96 sen net per ordinary share) amounted to RM10.797 million paid on 27 June 2008.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

### A8. Segmental Information on Revenue and Results

Segmental reporting is not analysed by geographical locations due to the fact that the Group's activities are pre-dominantly in Malaysia.

|                                  | Financing<br>RM'000 | Property<br>Development<br>RM'000 | Letting of<br>Real Property<br>RM 000 | Hotel<br>Operations<br>RM 000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|----------------------------------|---------------------|-----------------------------------|---------------------------------------|-------------------------------|------------------|------------------------|------------------------|
| <b>3 months ended 30 Jun 08</b>  |                     |                                   |                                       |                               |                  |                        |                        |
| External sales                   | 95,430              | 178                               | 95                                    | 2,535                         | -                | 3,971                  | 102,209                |
| Intersegment sales               | 3,694               | -                                 | 1,257                                 | -                             | -                | (4,951)                | -                      |
| Total revenue                    | 99,124              | 178                               | 1,352                                 | 2,535                         | -                | (980)                  | 102,209                |
| Segment results                  | 14,760              | (6,694)                           | (2,218)                               | (706)                         | (27)             | 9,056                  | 14,171                 |
| Unallocated income (net of cost) |                     |                                   |                                       |                               |                  |                        | -                      |
| Profit from operations           |                     |                                   |                                       |                               |                  |                        | 14,171                 |
| <b>3 months ended 30 Jun 07</b>  |                     |                                   |                                       |                               |                  |                        |                        |
| External sales                   | 80,985              | 341                               | 102                                   | 1,557                         | -                | 3,572                  | 86,557                 |
| Intersegment sales               | 2,562               | -                                 | 1,295                                 | -                             | -                | (3,857)                | -                      |
| Total revenue                    | 83,547              | 341                               | 1,397                                 | 1,557                         | -                | (285)                  | 86,557                 |
| Segment result                   | 14,898              | (6,524)                           | (2,079)                               | (876)                         | (48)             | 9,429                  | 14,800                 |
| Unallocated income (net of cost) |                     |                                   |                                       |                               |                  |                        | -                      |
| Profit from operations           |                     |                                   |                                       |                               |                  |                        | 14,800                 |
| <b>6 months ended 30 Jun 08</b>  |                     |                                   |                                       |                               |                  |                        |                        |
| External sales                   | 190,100             | 5,882                             | 186                                   | 4,508                         | -                | 7,838                  | 208,514                |
| Intersegment sales               | 6,402               | -                                 | 2,517                                 | -                             | -                | (8,919)                | -                      |
| Total revenue                    | 196,502             | 5,882                             | 2,703                                 | 4,508                         | -                | (1,081)                | 208,514                |
| Segment results                  | 33,673              | (12,011)                          | (4,763)                               | (1,839)                       | (47)             | 18,747                 | 33,760                 |
| Unallocated income (net of cost) |                     |                                   |                                       |                               |                  |                        | -                      |
| Profit from operations           |                     |                                   |                                       |                               |                  |                        | 33,760                 |
| <b>6 months ended 30 Jun 07</b>  |                     |                                   |                                       |                               |                  |                        |                        |
| External sales                   | 156,051             | 341                               | 199                                   | 2,844                         | -                | 7,012                  | 166,447                |
| Intersegment sales               | 5,183               | -                                 | 2,598                                 | -                             | -                | (7,781)                | -                      |
| Total revenue                    | 161,234             | 341                               | 2,797                                 | 2,844                         | -                | (769)                  | 166,447                |
| Segment result                   | 20,272              | (12,557)                          | 3,251                                 | (2,035)                       | (105)            | 10,816                 | 19,642                 |
| Unallocated income (net of cost) |                     |                                   |                                       |                               |                  |                        | -                      |
| Profit from operations           |                     |                                   |                                       |                               |                  |                        | 19,642                 |

### A9. Valuation of Property, Plant and Equipment

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

### A10. Subsequent Events

As at the date of this report, there were no material events occurring subsequent to the end of the current financial period that have not been reflected in the financial statements for the current financial period.

### A11. Changes in the Composition of the Group

There were no major changes in the composition of the Group for the current financial period.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

## A12. Contingent Liabilities

### (a) Contingencies

|  | As at<br>30/06/2008<br>RM'000 | As at<br>31/12/2007<br>RM'000 |
|--|-------------------------------|-------------------------------|
| <b>Fully secured:</b>                                |                               |                               |
| Financial guarantee to secure payments by a borrower | 42,080                        | 42,080                        |
| <b>Partly secured:</b>                               |                               |                               |
| Obligation to secure performance by third parties    | 285,911                       | 285,911                       |
|  | <u>327,991</u>                | <u>327,991</u>                |

### (b) Material Litigations

- (i) In two (2) civil suits brought against the Company, a contractor appointed by one of the Company's borrowers is claiming damages amounting to RM2.54 million for an alleged breach of contract. The suits were filed in the High Court at Kuala Lumpur as well as in the High Court at Kota Bharu.

The Court has dismissed the contractor's application for Summary Judgment. Both suits have since been consolidated and will be heard in the High Court at Kuala Lumpur.

The initial full trial dates fixed on 25 August 2008 to 28 August 2008 have been vacated. The new trial dates have been rescheduled to 21 September 2009 to 24 September 2009.

- (ii) Upon the winding up of an unrelated company, the creditor of the said unrelated company has named a subsidiary of the Company ("the Company's subsidiary") as well as three (3) other defendants as co-conspirators in a scheme to sell off a major asset of the unrelated company and thereafter allowing the said unrelated company to be wound up in order to defeat the said creditor's claim for payment from the unrelated company amounting to RM4.8 million for goods sold and delivered.

In relation to the subsidiary's action for an Order 14A application as well as the case management for the suit, the parties have been instructed to complete the submissions by 9 October 2008. The Court has fixed 4 November 2008 as the decision date for the abovesaid actions.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

- (iii) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of an agreement to grant loan facilities to the former Borrower for their commercial development project. The Company had terminated the said facilities due to the former borrower's breach of the said agreement and had thereafter sold the loan asset to Pengurusan Danaharta Nasional Berhad. Notwithstanding the same, the former borrower now alleged that the Company had failed to fully disburse the said facilities pursuant to the terms of the Facility Agreement.

As such, the former borrower has sought for damages amounting to RM18.011 million as at 31 July 2002, interest on a monthly rest basis at the rate of 2% per annum above Base Lending Rate on the sum of RM18.011million from 1 August 2002 until the date of full settlement, penalty interest of 1% per annum on the sum of RM18.011 million from 1 August 2002 until the date of full settlement with regard to the liabilities incurred by the former borrower in relation to the said commercial development project or in the alternative to the abovementioned relief, damages amounting to RM18.240 million being the total development expenditure incurred by the former borrower, damages amounting to RM43.311 million for loss of profit or alternatively damages to be assessed by the Court as well as costs.

The Statement of Defence was filed by the Company on 5 September 2005. The Court has fixed for Mention on 6 November 2008.

- (iv) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of loan agreement. The former borrower alleged that the Company had failed to fully disburse the said facilities pursuant to the terms of the loan agreement.

As such the former borrower has sought for damages amounting to RM5.0 million or any other sum as determined by the Court, interest at the rate of 8% on the sum of RM5.0 million or any other sum as determined by the Court from the date of the Writs of Summon until the date of full realisation, as well as costs. The Statement of Defence was filed on 31 July 2006.

In a related action, the Company has filed an Application to strike out the suit which was dismissed on 22 April 2008. The appeal against the Court's decision to dismiss the Application to strike out the suit was also disallowed.

The matter is now fixed for Case Management 11 September 2008.

- (v) A former borrower of the Company has instituted a civil suit against the Company for alleged breach of loan agreement. The former borrower alleges that as a result of the Company terminating the

unutilised balance of the bridging loan facility, the Plaintiff has suffered losses in the project in which they were developing.

As such, the former borrower has sought for damages amounting to RM16.136 million, general damages and punitive for the amount to be determined by the Court, interest on the total damages at a rate of 8% per annum on the sum of RM16.136 million until the date of full settlement, cost and such other relief that the Court deems fit and reasonable.

The Statement of Defence was filed in 17 August 2007. The matter is fixed for further case management on 3 September 2008.

- (vi) A Counterclaim was filed by a borrower seeking damages against MBSB's subsidiaries in the sum of RM445 million and RM8.540 million for alleged losses suffered by the borrower in relation to development projects in Melaka ("Melaka Project") and Penang ("Penang Project") respectively, which to date remains uncompleted.

Both the suits were in response to MBSB's civil suit against the borrower in relation to its failure to repay to MBSB's term loans of RM178 million and RM61 million respectively.

For the Melaka Project, the Court has fixed 18 August 2008 for the parties to file their respective Skeletal Submissions in respect of the Counter Claim.

For the Penang Project, the Court has fixed the Summary Judgment application for mention and the Striking Off application for hearing on 7 August 2008

The directors after obtaining advice from the Company's solicitors are of the opinion that the Company has reasonably good cases in respect of all the claims against the Company and as such, no provision has been made in the financial statements.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

**A13. Acquisition/Disposal of Property, Plant and Equipment**

|                           | <b>6 months<br/>ended<br/>30/06/2008<br/>RM'000</b> |
|---------------------------|---|
| Acquisition               |   |
| Renovation Buildings      | 753   |
| Furniture & Equipment     | 145   |
| Data Processing Equipment | 464   |
|                           | 1,362   |
| Disposal                  |   |
| Furniture & Equipment     | 2   |
|                           | 2   |

**A14. Significant Related Party Transactions**

|   | 2nd Quarter                                |  | Cumulative                                      |   |
|---|--|--|---|---|
|   | Current<br>Quarter<br>30/06/2008<br>RM'000 | Preceding<br>Quarter<br>31/03/2008<br>RM'000 | Current Year<br>To Date<br>30/06/2008<br>RM'000 | Preceding Year<br>To Date<br>30/06/2007<br>RM'000 |
| Transactions with Employees<br>Provident Fund Board, the<br>ultimate holding body |  |  |   |   |
| Interest on debenture loans   | 1,544                                      | 1,689  | 3,233   | 4,592   |
| Rental paid   | 77   | 82   | 159   | 152   |
| Agency fees received  | (2)  | (3)  | (5)   | (7)   |

**A15. Capital Commitments**

As at 30 June 2008, there were no commitments for the purchase of property, plant and equipment other than those stated below:

|                                   | <b>RM'000</b> |
|-----------------------------------|---------------|
| Property, plant and equipment:    |               |
| • Approved but not contracted for | 3,594         |

**A16. Impairment Loss**

There was no significant impairment loss for the period ended 30 June 2008.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

**BMSB LISTING REQUIREMENTS – DISCLOSURE REQUIREMENTS AS PART A  
OF APPENDIX 9B**

**B1. Comparison with the Preceding Quarter's Results**

The Group's profit before taxation of RM14.171 million for the current quarter was lower than the preceding quarter of RM19.589 million. This was mainly due to lower other operating income, net interest income and higher allowance for losses on loans and financing in the current quarter. These were partly set off by lower other operating expenses and higher net income from Islamic banking operations.

**B2. Review of Performance**

The Group's profit before taxation for the period ended 30 June 2008 of RM33.760 million was higher than the previous year's corresponding period of RM19.642 million. This was mainly due to higher net interest income, higher net income from Islamic banking operations, lower allowance for losses on loans and financing and higher other operating income. These were partly set off by higher other operating expenses and higher cost of completed properties sold.

**B3. Prospects for 2008**

In the next 12 months, the Malaysian economy is expected to be more challenging where risks of higher inflation and slower growth have increased. The operating environment for the finance industry too will be challenging and competitive especially in terms of retail and corporate loan products. Notwithstanding, the Group will continue to focus on managing assets quality, core mortgage and related retail business, fee-based income business and recoveries from loans and financing.

Barring unforeseen circumstances, the Group expects to remain profitable for the rest of 2008.

**B4. Variance from Profit Forecast and Profit Guarantee**

There was no profit forecast or profit guarantee issued for the financial year ending 31 December 2008.

**B5. Taxation**

|   | 2nd Quarter                                |  | Cumulative                                      |   |
|---|--|--|---|---|
|   | Current<br>Quarter<br>30/06/2008<br>RM'000 | Preceding<br>Quarter<br>31/03/2008<br>RM'000 | Current Year<br>To Date<br>30/06/2008<br>RM'000 | Preceding Year<br>To Date<br>30/06/2007<br>RM'000 |
| Income tax  | -  | -  | -   | 4   |
| Deferred tax assets recognised<br>during the year in respect of fair<br>value adjustment arising from<br>business combination | (19)                                       | (18)   | (37)  | (37)  |
|   | <u>(19)</u>                                | <u>(18)</u>                                  | <u>(37)</u>                                     | <u>(33)</u>                                       |



**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

**B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investment. The gain on disposal of foreclosed properties for the current financial period amounted to RM0.287 million.

**B7. Purchase and Sale of Quoted Securities**

Other than the disposal of quoted warrants of RM0.106 million, there were no other dealings in quoted securities for the current financial period. Investments in quoted securities as at 30 June 2008 were as follows:

|               | At cost and<br>nominal<br>value<br>30.06.2008<br>RM'000 | At carrying<br>amount<br>30.06.2008<br>RM'000 | At market<br>value<br>30.06.2008<br>RM'000 |
|---------------|---|---|--|
| Quoted shares | 1,294   | 221   | 221  |
|               | <u>1,294</u>  | <u>221</u>                                    | <u>221</u>                                 |

**B8. Status of Corporate Proposals**

No corporate proposals were announced.

**B9. Borrowings and Debts**

Borrowings and debts securities of the Group as at 30 June 2008 are as follows:

|                       | RM'000         |
|-----------------------|----------------|
| Short term borrowings |                |
| Secured               | 50,005         |
| Unsecured             | <u>451,187</u> |
|                       | <u>501,192</u> |
| Long term borrowings  |                |
| Secured               | <u>75,014</u>  |
| Total                 | <u>576,206</u> |

All borrowings and debts securities are denominated in Ringgit Malaysia.

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

**B10. Off Balance Sheet Financial Instruments**

Details and value of contracts by remaining period to maturity date as at 30 June 2008 is as follows:

| Item                     | Principal<br>Amount<br>RM'000 | 1 month<br>or less<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 6<br>months<br>RM'000 | >6 - 12<br>months<br>RM'000 |
|--------------------------|-------------------------------|------------------------------|----------------------------|----------------------------|-----------------------------|
| Equity related contracts |                               |                              |                            |                            |                             |
| - share options          | 1,735                         | -                            | 1,735                      | -                          | -                           |

The above share options are in respect of the Company's Employee Share Option Scheme ("ESOS") approved by the shareholders at an Extraordinary General Meeting held on 23 June 2003. The ESOS was implemented on 26 September 2003 and will expire on 25 September 2008.

Other than the above, the Company and the Group do not have any other financial instruments.

**B11. Material Litigation**

The details of the pending material litigation are as per note A12 above.

**B12. Dividends Declared**

No dividend has been declared for the current financial period.

**B13. Earnings Per Share**

## (i) Basic

Basic earning per share is calculated by dividing the net profit attributable to shareholders for the financial period by the weighted average number of ordinary shares in issue during the financial year.

|   | 2nd Quarter                                |  | Cumulative                                      |   |
|---|--|--|---|---|
|   | Current<br>Quarter<br>30/06/2008<br>RM'000 | Preceding<br>Quarter<br>31/03/2008<br>RM'000 | Current Year<br>to Date<br>30/06/2008<br>RM'000 | Preceding<br>Year to Date<br>30/06/2007<br>RM'000 |
| Net profit attributable to shareholders             | 14,190                                     | 19,607                                       | 33,797  | 19,675  |
| Weighted average number of ordinary shares in issue | 351,334                                    | 345,081                                      | 351,334   | 337,997   |
| Basic earnings per share (sen)                      | 4.04                                       | 5.68   | 9.62  | 5.82  |

**MALAYSIA BUILDING SOCIETY BERHAD (Company No. 9417-K)**  
EXPLANATORY NOTES FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

## (ii) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the financial year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares i.e. Redeemable Convertible Preference Shares ("RCPS") and the exercise of Employee Share Option Scheme ("ESOS").

|  | 2nd Quarter                                |  | Cumulative                                      |   |
|--|--|--|---|---|
|  | Current<br>Quarter<br>30/06/2008<br>RM'000 | Preceding<br>Quarter<br>31/03/2008<br>RM'000 | Current Year<br>to Date<br>30/06/2008<br>RM'000 | Preceding<br>Year to Date<br>30/06/2007<br>RM'000 |
| Net profit attributable to shareholders  | 14,190                                     | 19,607                                       | 33,797  | 19,675  |
| After tax effect of finance cost on RCPS   | -  | 618  | -   | 527   |
| After tax effect of finance cost on ESOS   | 62   | 62   | 62  | 105   |
| Adjusted net profit attributable to shareholders                                 | <u>14,252</u>                              | <u>20,287</u>                                | <u>33,859</u>                                   | <u>20,307</u>                                     |
| Weighted average of number of shares in issue ('000)                             | 351,334                                    | 345,081                                      | 351,334   | 337,997   |
| Effect of dilution:  |  |  |   |   |
| RCPS   | 330,000                                    | 330,000                                      | 330,000   | 330,000   |
| ESOS   | 1,487                                      | 1,487  | 1,487   | 2,586   |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | <u>682,821</u>                             | <u>676,568</u>                               | <u>682,821</u>                                  | <u>670,583</u>                                    |
| Diluted earnings per share (sen)   | <u>2.09</u>                                | <u>3.00</u>                                  | <u>4.96</u>                                     | <u>3.03</u>                                       |

**B14. Authorisation For Issue**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 5 August 2008.

BY ORDER OF THE BOARD

Koh Ai Hoon  
Huzaifah Zainuddin  
Joint Company Secretaries  
Kuala Lumpur  
5 August 2008