

ANNUAL REPORT





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Let us assist you in fulfilling your financial needs

CORPORATE

BUSINESS Grow your business with us

WHOLESALE

Spearheading specialised project

TREASURY Your investment is







our mission

Taking **MBSB** to The Next Level



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 41ST ANNUAL GENERAL MEETING of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 31 March 2011 at 11.00 a.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements of the **Resolution 1** Company and of the Group for the year ended 31 December 2010 and Reports of the Directors and Auditors thereon.

2. To declare a first and final dividend of 9% less 25% income tax for the financial year ended 31 December 2010.

Resolution 2

3. To approve payment of Directors' Fees amounting to RM530,000.00 for the financial year ended 31 December 2010.

Resolution 3

- 4. To re-elect the following Directors who retire in accordance with Article 86 of the Company's Articles of Association and who being eligible offer themselves for re-election:-
 - (i) Tan Sri Abdul Halim bin Ali
 - (ii) Syed Zaid bin Syed Jaffar Albar

Resolution 4 Resolution 5

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.

Resolution 6

To transact any other ordinary business of which due notice shall have been given.

Special Business:

7. To consider and if thought fit, to pass the following resolution as Resolution 7 Special Resolution:

Special Resolution 1

Proposed Amendment to the Articles of Association

"That the Company's Articles of Association be hereby amended by deleting the existing Article 116 in its entirety and substituting the following new article 116:-

The existing Article 116

"Unless otherwise directed, any dividend may be paid by cheque, warrant, or Post Office Order, sent through the post to the registered address of the member entitled, or in case of joint holders to that one whose name shall stand first on the Register in respect of the joint holding, and every cheque so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be responsible for the loss of any cheque, warrant, or Post Office, which shall be sent by post duly addressed to the member for whom it is intended."

New Article 116

"Any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent, and payment of the cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be a good and full discharge to the Company of the dividend to which it relates, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented."

8. To consider and if thought fit, to pass the following resolution as Special Resolution:

Resolution 8

Special Resolution 2

Proposed Amendment to the Articles of Association

"That the Company's Articles of Association be hereby amended by inserting the following new article:-

New Article 94A

"The meeting of Directors may be conducted by means of telephone or other methods of simultaneous communication by audio/visual conferencing, electronic, telegraphic or other means by which all persons participating in the meeting are able to hear and be heard at all times by all other participants without the need for a Director to be in the physical presence of the other Directors and participation in the meeting in this manner shall be deemed to constitute presence in person at such meeting. The Directors participating in any such meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum at all times during such meeting, all resolutions passed in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held.

A Director may disconnect or cease to participate in the meeting if he makes known to all other Directors participating that he is ceasing to participate in the meeting. The minutes of such a meeting signed by the Chairman shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid. A meeting conducted by the aforesaid means is deemed to be held at the place agreed upon by the Directors attending the meeting, provided that at least one of the Directors participating in the meeting was at that place for the duration of the meeting."

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997) TONG LEE MEE (MAICSA 7053445) COMPANY SECRETARIES

Kuala Lumpur 9 March 2011

Explanatory Notes to Special Business:-

1. Proposed Amendment to the Article 116 of the Articles of Association of the Company.

The proposed amendment to Article 116 will facilitate the payment of cash dividend entitlements via electronic transfer directly into the bank accounts of shareholders (eDividend). eDividend provides the shareholders faster access to cash dividend, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques and unauthorized deposit of dividend cheques.

2. Proposed insertion of new Article 94A of the Articles of Association of the Company.

The proposed insertion of new Article 94A is to allow the Directors Meetings to be conducted by electronic means without the need for a Director to be physically present and participate in the meeting. This is to promote greater efficiency in decision making process and to promote cost and time savings.

Notes:

- 1. A proxy need not be a member of the Company and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
- 2. To be valid, this form duly completed must be deposited at the Company's registered office at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
- 3. A member entitled to attend and vote at the abovementioned meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company.
- 4. In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
- 5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 7. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

- 1. Directors who are standing for re-election at the 41st Annual General Meeting of the Company to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 31 March 2011 at 11.00 a.m. are as follows:
 - i. Tan Sri Abdul Halim bin Ali
 - ii. Syed Zaid bin Syed Jaffar Albar
- The details of the above Directors who are standing for re-election at the 41st Annual General Meeting are disclosed under the Directors' Profile on pages 8 to 11 of this Annual Report.

Notice of Dividend Entitlement and Payment

Notice is hereby given that subject to the approval of Members at the Annual General Meeting to be held on 31 March 2011, a first and final dividend of 9% less 25% income tax in respect of the financial year ended 31 December 2010, will be paid on 28 April 2011 to Depositors whose name appear in the Record of Depositors on 7 April 2011.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares deposited into the Depositor's securities account before 12.30 p.m. on 5 April 2011 in respect of securities exempted from mandatory deposit;
- b. Shares transferred into the Depositor's securities account before 4.00 p.m. on 7 April 2011 in respect of transfers; and
- c. Shares bought on Bursa Malaysia Securities Berhad (the Exchange) on a cum entitlement basis according to the Rules of the Exchange.

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997) TONG LEE MEE (MAICSA 7053445) COMPANY SECRETARIES

Kuala Lumpur 9 March 2011

Corporate Information

Chairman

YBhg Tan Sri Abdul Halim bin Ali

Board of Directors

Syed Zaid bin Syed Jaffar Albar Encik Lau Tiang Hua Puan Cindy Tan Ler Chin YBhg Datuk Abdullah bin Haji Kuntom Encik Khalid bin Haji Sufat Encik Aw Hong Boo Encik Jasmy bin Ismail

Shariah Advisory Council

Professor Dato' Dr. Mohd. Ali bin Haji Baharum Associate Professor Syed Mohd Ghazali Wafa bin Syed Adwam Wafa Dr. Marjan binti Muhammad

Chief Executive Officer

Dato' Ahmad Zaini bin Othman

Company Secretaries

Cik Koh Ai Hoon (MAICSA 7006997) Puan Tong Lee Mee (MAICSA 7053445)

Registrar

MIDF Consultancy & Corporate Services Sdn Bhd (11324-H) Level 8, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel: 03-2173 8888 Fax: 03-2173 8677

Auditor

Ernst & Young Chartered Accountants

Bankers

Malayan Banking Berhad Affin Bank Berhad

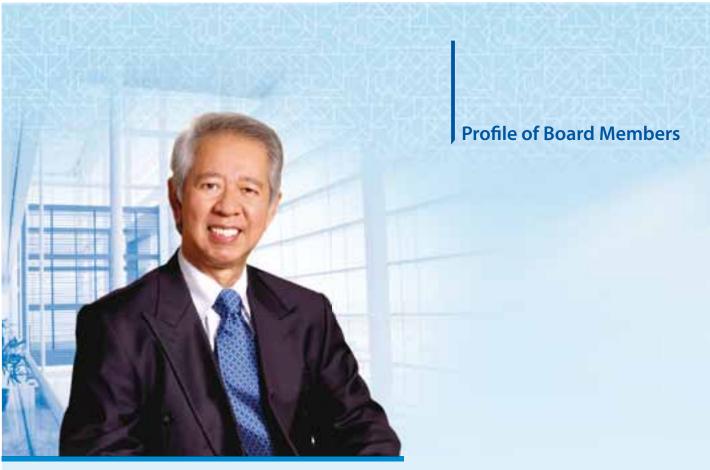
Registered Office

11th Floor, Wisma MBSB 48 Jalan Dungun Damansara Heights 50490 Kuala Lumpur Tel: 03-2096 3000 Fax: 03-2096 3144 Website: www.mbsb.com.my

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad (Listed since 14 March 1972)





YBhg Tan Sri Abdul Halim bin Ali Chairman Non-Independent Non-Executive Director

YBhg Tan Sri Abdul Halim bin Ali,

a Malaysian, aged 67, was appointed as Chairman of MBSB on June 22, 2001. He is also the Chairman of the Executive Committee of MBSB.

He received his early education at the Sultan Abdul Hamid College, Alor Setar. In 1959, he continued his studies at the Royal Military College, Sg. Besi, Selangor, and he completed his tertiary education at the University of Malaya graduating with a B.A. (Hons) in History in 1965.

Entering the Malaysia Civil Service in 1996, he joined the Ministry of Foreign Affairs where he held several domestic and overseas postings until his appointment in 1979, as the Malaysia Deputy Permanent Representative to the United Nations. From 1982 until 1985, he served as the Malaysian Ambassador to Vietnam. On his return to Malaysia, he was appointed as Deputy Secretary General III (Administration) of the Ministry of Foreign Affairs. He then served as the Malaysian Ambassador to Austria from 1988 until 1991. From 1991 until 1996, he was the Deputy Secretary General I (Political Affairs) until his promotion in 1996 to Secretary General of the Ministry of Foreign Affairs.

Shortly thereafter, in September 1996, Tan Sri Abdul Halim bin Ali was appointed as the Chief Secretary of the Government, the highest ranking post in the Malaysian Civil Service and was responsible for overseeing and coordinating the policies of the government and their implementation. He retired in March 2001, at which time he was made Chairman of the Employees Provident Fund until 31 January 2007.

He is the Chairman of the Multimedia Development Corporation and Universiti Teknologi Malaysia. He also holds other directorships in public companies including Esso Malaysia Berhad, IJM Corporation Berhad, Malakoff Corporation Berhad and Badan Pengawas Pemegang Saham Minoriti Berhad (Minority Shareholders Watchdog Group).



Syed Zaid bin Syed Jaffar Albar Independent Non-Executive Director

Encik Lau Tiang Hua Independent Non-Executive Director

Puan Cindy Tan Ler Chin Non-Independent Non-Executive Director

Syed Zaid bin Syed Jaffar Albar,

a Malaysian, aged 56, was appointed as an Independent Non-Executive Director on August 14, 2002. He serves as Member of the Executive Committee and the Arrears Recovery Committee. He is also the Chairman of Nomination & Remuneration Committee and the Option Committee.

Syed Zaid Albar holds a degree in law from the UK and is a qualified Barrister-at-Law, Lincoln's Inn. He was called to the Malaysian Bar as an advocate and solicitor of the High Court of Malaya in 1980 and has been in active legal practice ever since. Presently, he is the managing partner of an established law firm in Kuala Lumpur.

Currently, Syed Zaid Albar also holds other directorships in public companies namely Malaysian Pacific Industries Berhad, Narra Industries Berhad and Kencana Petroleum Berhad.

Encik Lau Tiang Hua,

a Malaysian, aged 58, was appointed as an Independent Non-Executive Director on August 16, 2001. He is also the Chairman of the Audit & Risk Management Committee and a member of the Arrears Recovery Committee and Option Committee. An Accountant by profession, he is a member of the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) and the Malaysia Institute of Taxation.

Encik Lau Tiang Hua began his career with an international accounting firm in Malaysia, rising to the rank of an Audit Manager. Following this, he took a position as the General Manager of Finance and Administration for a major publishing house before starting his own practice, JB Lau & Associates, Chartered Accountants, in 1985. The firm merged with Grant Thornton on 1 January 2008.

Encik Lau Tiang Hua also acts as an Independent Non-Executive Director for PanGlobal Berhad, Tomei Consolidated Berhad, Scanwolf Corporation Berhad, Land & General Berhad and Ewein Berhad.

Puan Cindy Tan Ler Chin,

a Malaysian, aged 50, was appointed as a Non-Independent Non-Executive Director of MBSB on September 26, 2002. She also serves as a Member of the Executive Committee. She resigned as member of Arrears Recovery Committee and Audit & Risk Management Committee on August 26, 2010. She holds an Honours Degree in Economics, majoring in Statistics, from University Kebangsaan Malaysia and a Certified Diploma in Accounting and Finance, accorded by the Chartered Association of Certified Accountants.

Puan Cindy is currently the General Manager of the Investment Compliance and Settlement Department of the Employees Provident Fund.

Puan Cindy is also a Director of Malakoff Corporation Berhad.



YBhg Datuk Abdullah bin Haji Kuntom Non-Independent Non-Executive Director

Encik Khalid bin Haji Sufat Independent Non-Executive Director

YBhg Datuk Abdullah bin Haji Kuntom,

a Malaysian, aged 67, was appointed as a Non-Independent Non-Executive Director on September 26, 2003. He serves as Member of the Executive Committee and Nomination & Remuneration Committee. He obtained a Master's Degree in Public Policy and Administration from University of Wisconsin, USA in 1979 and also attended an Advanced Management Programme at Oxford University UK, in 1995.

YBhg Datuk Abdullah began his career with the Johor Civil Service in 1967 and served in various Government ministries and departments for 36 years. Amongst the key positions he held were Deputy Secretary of the Contract and Supply Division and Senior Assistant Director of the Budget Division, Ministry of Finance. He was also appointed as the State Financial Officer of Selangor, Administrative Officer of the Asian & Pacific Development Centre (APDC) and Deputy Secretary-General 1 of the Home Affairs Ministry.

His last post was Senior Deputy Secretary-General in the Prime Minister's Department until his retirement in April 1999, following which he was appointed as Chief of Protocol at the Ministry of Foreign Affairs until April 2003.

YBhg Datuk Abdullah is also a Director of Leader Steel Holdings Berhad.

Encik Khalid bin Haji Sufat,

a Malaysian, aged 55, was appointed as an Independent Non-Executive Director of MBSB on August 18, 2005. He is also a Member of the Executive Committee, Audit & Risk Management Committee and Option Committee. An accountant by profession, he is a Fellow of the Chartered Association of Certified Accountants (United Kingdom) and a Member of both the Malaysian Institute of Accountants (MIA) as well as the Malaysian Institute of Certified Public Accountants (MICPA).

Encik Khalid has held several senior positions in the banking industry. He was Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from June 1998 to June 2000, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and General Manager, Consumer Banking of Malayan Banking Berhad in 1994.

This experience led him to become involved in managing and restructuring a number of listed companies. He became the Executive Director of Tronoh Mines Malaysia Berhad in 2002 and the Group Managing Director of Furqan Business Organisation Berhad in 2003 before being appointed as Group Managing Director of Seacera Tiles Berhad in mid-2006, a position he held until late 2007.

Currently, Encik Khalid also holds other directorships in public companies namely Binapuri Holdings Berhad, Uzma Berhad, Tradewinds (M) Berhad, UMW Holdings Berhad, Chemical Company of Malaysia Berhad and Kuwait Finance House (Malaysia) Berhad.



Encik Aw Hong Boo Independent Non-Executive Director

Encik Jasmy bin Ismail
Non-Independent Non-Executive Director

Encik Aw Hong Boo,

a Malaysian, aged 61, was appointed as an Independent Non-Executive Director on November 10, 2005. He serves as a Member of the Audit & Risk Management Committee and the Nomination & Remuneration Committee. He is also the Chairman of the Arrears Recovery Committee.

He is a member of the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) and a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW).

Encik Aw began his career in 1970 as an Audit Senior in London and later with Ernst & Whinney (now known as Ernst & Young), an international public accounting firm in Singapore and London from 1974 – 1977. He served in RHB Bank Berhad for 21 years between 1978 to 1999, holding various senior managerial positions in financial management, banking, finance and leasing. He was Senior General Manager of Branch Network and Risk Management before his optional retirement in November 1999.

Encik Aw is also a Director of Quill Capita Management Sdn Bhd, the Manager of Quill Capita Trust.

Encik Jasmy bin Ismail,

a Malaysian, aged 47, was appointed as a Non-Independent Non-Executive Director on August 11, 2009. He serves as Member of Executive Committee and Arrears Recovery Committee.

He obtained a Master of Science in Transport Planning and Management from City University, London. In 1988, Encik Jasmy joined IBM Malaysia and held various positions within the Sales and Marketing organization, responsible mainly for the Public Sector and Financial Service Industries. Prior to leaving IBM Malaysia, he was the Executive Assistant to the Chief Executive Officer of IBM Malaysia.

Encik Jasmy joined CCAAP Technologies Sdn Bhd ("CCAAP") as General Manager in 1996. He was also the Executive Director of New Technology & Innovation Sdn Bhd, responsible for sales operations of the Company.

In 2000, Encik Jasmy co-founded Symphony Global Technologies Sdn Bhd and was involved in the formulation of Symphony House Berhad which was then listed on Bursa Malaysia Securities Berhad in 2003. He was the Chief Executive of Symphony's Technology Services Division. Encik Jasmy was also appointed as the Chairman of Symphony BCSIS Sdn Bhd, a joint-venture company with OCBC Singapore's subsidiary BCSIS and held the position until 2007. He also sits on the Board of Symphony BPO Solutions Sdn Bhd, a subsidiary of Symphony House Berhad and Jas Marine International Sdn Bhd.

In 2007, Encik Jasmy successfully completed a management-buy-out of one of the subsidiary companies of Symphony House Berhad and renamed the company to SGT International Sdn Bhd.



Dato' Ahmad Zaini bin Othman Chief Executive Officer

Dato' Ahmad Zaini bin Othman,

a Malaysian, aged 54, was appointed the Chief Executive Officer of MBSB on 26 February 2009.

After his early education in Malaysia, Dato' Ahmad Zaini obtained his Higher National Diploma (HND) in Accounting in Manchester, England. He continued his tertiary education in the USA where he graduated with a BSc in Finance from the University of Southern Illinois, after which he obtained an MBA (Finance) at the University of St. Louis.

In 1984, upon his return to Malaysia, he began his career in Merchant Banking with Bumiputra Merchant Bankers dealing with Corporate Banking, Syndications and Project Finance. In 1988 he took up the position of Head of Corporate Finance for Intradagang Merchant Bankers where he organized Malaysia's largest ever project finance exercise for Perwaja Steel, in which he spent a brief stint as Senior General Manager/Director Corporate Finance.

He returned to the banking sector in 1995 to take up the position of Head/Senior General Manager, Corporate Banking for Ambank, specializing in Islamic Banking and Finance. He managed all corporate banking matters including commercial project/corporate banking.

In 2004 he was made CEO of AmIslamic Bank managing all the group's affairs pertaining to Islamic Banking in commercial and corporate finance, and was responsible for setting up the Islamic Business Model for the group.

He is a member of the Association of Chartered Islamic Finance Professionals (ACIFP) and currently serves as the association's Vice President. In recognition of his contributions to Islamic banking he was appointed a faculty member (Industry expert) to the International Centre for Education in Islamic Finance (INCEIF). He is also a member of the Iskandar Development Business Advisor Committee.

He has direct shareholdings of 106,000 ordinary shares in the company.

Notes:

All the Directors and CEO do not have any conflict of interest with MBSB. All the Directors and CEO have not been convicted for any offences within the past ten years other than traffic offences, if any.

The Directors and CEO do not have any family relationship with any directors and/or major shareholders of MBSB other than Tan Sri Abdul Halim bin Ali and Puan Cindy Tan Ler Chin who are nominees of Employees Provident Fund Board (EPF) and Datuk Abdullah bin Haji Kuntom who is a nominee of Permodalan Nasional Berhad (PNB). The number of Board meetings attended by the Directors during the financial year ended 31 December 2010 is disclosed in the Statement of Corporate Governance in page 30 of this Annual Report.

Profile of Shariah Advisory Council (SAC)



Associate Professor Syed Mohd Ghazali Wafa bin Syed Adwam Wafa

Professor Dato' Dr Mohd Ali bin Haji Baharum DIMP

Dr. Marjan binti Muhammad

Associate Professor Syed Mohd Ghazali Wafa bin Syed Adwam Wafa,

aged 54, began lecturing in Universiti Kebangsaan Malaysia (UKM) in 1985. He was the Head of the Accounting Department and later became the Deputy Dean of Academic and Student Affairs, Faculty of Business Management. A Diploma holder in Agriculture (UPM), BSc (Finance) and an MBA from U.S., he is currently attached to the Graduate School of Business, UKM. Prior to that, he served as the CEO of UKM Kesihatan Sdn Bhd. He is a Senior Associate Fellow of the 'Institut Islam Hadhari' UKM, and also Director, UKM's Chancellor Foundation. He conducts courses in Financial Accounting, Management Accounting, Auditing and Business from an Islamic Perspective for both undergraduate and graduate levels.

He participates in streamlining methods of assessing zakat for business at the national level. His current research and publications focuses in Muamalat, specializing in contracts, business mechanisms, cooperatives, zakat accounting for business, zakat and corporate governance, Baitulmal, Waqf and Islamic Financial Institutions. He is currently a Shariah Committee member of several cooperatives such as KBI, KPFelda and KOPONAS; a Council Member of the Cooperative College of Malaysia, a Working Group Committee member on Islamic Financial Reporting of MASB, Committee member for Zakat Collection (LZS-MAIS) and also serves on the Waqf Committee of MAIS.

Professor Dato' Dr Mohd Ali bin Haji Baharum, DIMP,

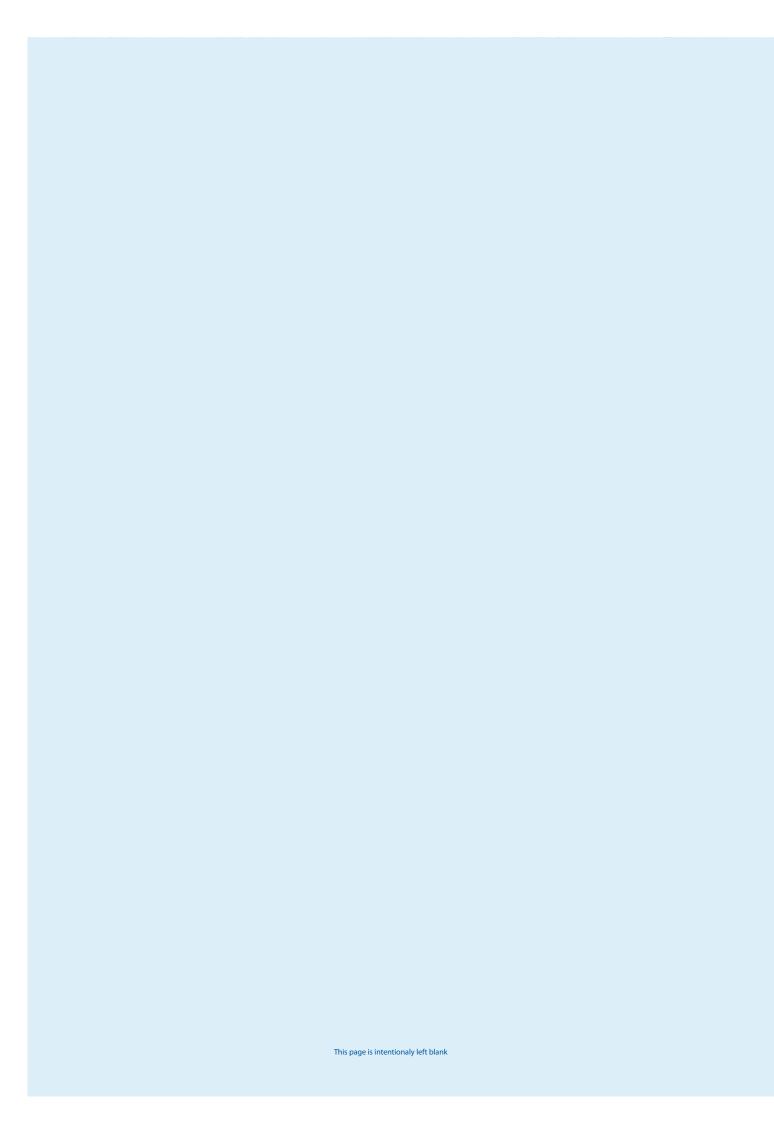
aged 60, is the President of Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA). He graduated with a Degree B.Is (Hons) in Shariah and Law from UKM in 1976. He obtained his Ph.D (Law) at University of Essex in 1986 and MBA in 1994. He has a Diploma in Education from UKM and Diploma in Arabic from the International University of Africa, Khartoum, Sudan. He also serves as a Shariah advisor for various financial institutions.

Besides being an advisor, he is also involved in various social activities and cooperative movements. He is the Vice President of Koperasi Belia Islam (M) Berhad, Chairman of the Konsortium Koperasi Pengguna Malaysia Berhad, Chairman of Co-Pakat Mara Berhad and Committee member of Muafakat MARA. He is also the President of Malaysian–Sudanese Friendship Association (MASOFA), Council Member of Co-operative College of Malaysia and a Board Member of Kanz Holding Sdn Bhd.

Dr. Marjan binti Muhammad,

aged 36, is currently a researcher at the International Shari'ah Research Academy for Islamic Finance (ISRA), heading the Islamic Banking Unit. She obtained her Masters and Doctoral degrees in Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh) at the International Islamic University Malaysia (IIUM), after graduating from the same university in 1998 with her Bachelors degree. Prior to joining ISRA, she was a tutor at the Faculty of Law and Shariah, Islamic Science University of Malaysia (USIM).

She also used to teach at the Matriculation Centre, International Islamic University Malaysia on a part-time basis. Her area of specialization are Issues of Ijtihad (Intellectual Reasoning), Islamic Jurisprudence (Usul-Al Fiqh), Islamic Law of Transaction (Fiqh Al-Mu'amalat) and Islamic Criminal Laws (Fiqh Al-Jinayah).







Chairman's Review

Dear Shareholders

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Malaysia Building Society Berhad (MBSB) and its Group for the financial year ended 31 December 2010.

Overall Business Environment

It was a brighter year for the global economy overall and Malaysia experienced an economic growth of 7.2% for the year 2010. Concurrently, the local banking industry also saw a robust loan growth. On the back of all these favorable developments, MBSB registered another record profit for a second consecutive year.

Review of Group Financial Performance

The Group's performance improved significantly for the twelve (12) months ending 31 December, 2010, achieving a record pre-tax profit of RM207.4 million, an increase of 158% compared to the pre-tax profit of RM80.3 million for the previous year. This contributed to improved net earnings per share of 20.85 sen with a return on equity of 31% and bodes well for our current business strategies on retail products being undertaken to take MBSB to the Next Level.

Our key retail financial product, the Personal Financing-I ("PF-i"), has continued to be a major contributor to the Company's loan asset growth. All this could not have been achieved without the commitment, hard work and dedication of our staff as well as the continued support from our business associates. As at 31 December, 2010, net loans, advances and financing stood at RM10.7 billion, an increase of 32% compared to the same period in 2009.

Apart from the focus on expanding the personal financing sector, which resulted in an impressive growth, MBSB was also able to make inroads into certain market segments, especially on high net worth clientele in the mortgage market. Contract financing, introduced as a corporate business package in late 2009, allowed MBSB to secure financing for government contracts and those in the oil and gas sector. Deposits from customers stood at RM10.5 billion at 31 December 2010, an increase of 39% from the 31 December 2009 figure of RM7.6 billion. MBSB's ability to effectively control costs while improving efficiency and service turnaround time has led us to a very successful year.

Dividends

Subject to the approval of the members at the Annual General Meeting to be held on 31 March 2011, the Board of Directors has recommended a first and final dividend of 9%, less 25% income tax, to be paid to depositors.



YBhg Tan Sri Abdul Halim bin Ali Chairman Non-Independent Non-Executive Director

GLC Transformation Programme

As a Government-Linked Company ("GLC"), MBSB had been taking all the necessary steps to transform itself into a high-performing entity in line with the GLC Transformation Programme. Further efforts in this direction will continue this year.

For 2010, in managing and developing our human capital, MBSB continued to provide skills development and training programmes to all levels as outlined under the Orange Book. All the Board members had also completed a total of 241 hours training in 2010, an average of 30 hours per director. This is in line with the Green Book initiative to enhance the Board's effectiveness.

MBSB had also continued to enhance its operational improvements by carrying out several outsourcing exercises. In line with the Yellow Book initiative, these undertakings have benefitted MBSB in terms of reduced turnaround time, increase in productivity and a better customer service level.

Corporate Social Responsibility (CSR)

In strengthening its CSR programme as advocated in the Silver Book, MBSB had for the third consecutive year, promoted the Home Safety Campaign. The Company collaborated with various government entities, NGOs and TV stations in educating the public on fire prevention and first aid. Our CSR programme to our employees has been strengthened in the fields of education, career development, family welfare, health and safety. We have also supported the community at large by contributing to the underprivileged, orphanages, single mothers, the disabled and various flood relief centres.

Branch Network

The year 2010 also witnessed an increased reach to customers with the establishment of three Representative Offices (REP) in Kota Bharu, Kemaman and Dungun. Although not full-fledged branches, these REP act as sales channels for the Company's retail financial products. This innovative strategy has effectively extended the branch network and provided cost savings to the Company while allowing it to reap good financial returns. MBSB also opened a full-fledged Sales and Service Centre in Sibu, Sarawak during the year to meet the financial needs of customers in this thriving town. With Sibu, MBSB now has a total of seven branches in the East Malaysia region. MBSB has always believed in the economic and business potentials of this region and is positioning itself to participate more effectively in its growth opportunities.

Prospects

The last two years have been very challenging and rewarding to MBSB as it pursued its mission "Taking MBSB to the Next Level". The continuing journey to the next level is expected to be equally challenging in view of a very competitive business environment. Nevertheless, we are confident that the future holds bright prospects for the growth and prosperity of the Company.

Appreciation

On behalf of the Company, I wish to express my utmost gratitude to MBSB's customers, partners and valued shareholders. The support extended to the Company has definitely enabled MBSB to achieve another great financial year and such confidence is very much appreciated.

My sincere thanks also goes to my colleagues on the Board and members of the Shariah Advisory Council for their insights, wisdom and guidance to help steer MBSB on a steady course.

YBhg Tan Sri Abdul Halim bin Ali Chairman

14 February 2011

CEO's Statement

In my maiden CEO's Statement I would first like to state that it has been a most fulfilling experience since I took over the helm two years ago. MBSB is indeed in a unique position due to its status as an Exempt Finance Company, its strong parentage of the Employees Provident Fund and its history in Bursa Malaysia as a Public Listed Company. I found it imperative for MBSB to elevate itself to the next level in order to generate good returns to shareholders and remain relevant in the financial industry. To ensure that "Taking MBSB to the Next Level" will not be merely rhetoric, a transformation of the Company's business, operations and its key asset, the workforce, needs to be undertaken.

2009 – The Year of Transformation

During the year, the Company undertook a revamp of operations and reorganised the Company's chart to streamline operations in response to the reintroduction of Personal Financing-i and the introduction of new Corporate Business Products. New and experienced key personnel were employed from within the industry to support the Business Plan 2009-2010. A dedicated division has also reviewed and restructured most of the Company's legacy accounts.

These revisions are in line with the mission set out in the 2009-2010 Plan-"Towards greater maintainable operating profit and enhanced efficiency in Business, Recovery, Actions and Operations". The unprecedented profit before tax for the year 2009, of RM80.315 million, is merely the foundation to take us to greater heights, which requires more aggressive efforts to increase income-earning opportunities.

2010 - The Year of Strategic Growth

During 2010, the Company has achieved a number of milestones, graduating from its traditional base of loan facilities to property developers and homebuyers to providing a wider range of facilities to both corporate and retail customers. It is a demanding task to meet the required operational level to support these new market segments, businesses and the growing sales of PF-i.

Business Highlights

MBSB's sales campaigns throughout the year resulted in a substantial increase in PF-i sales. The attractive profit rates, product features and loyalty programme attributed to this significant improvement. The new, high net worth clientele mortgage venture, MBSB Ultimate, was also launched during the

year. We believe that there is a niche market of customers who are willing to assume slightly inferior rates in return for other complementary product benefits.

While the corporate business side continued with its provision of facilities to property development sector, the introduction of Contract Financing in late 2009 enabled the Company to secure Financing for Government Contracts and those in the oil and gas industry in 2010. The launch of Ekspres Tunai SME in 2010 was also a milestone for MBSB, entering the SME market for the first time. We have also exerted more efforts into establishing relationships with reputable property developers in a drive to capture quality assets and to support the "MBSB Ultimate" programme.

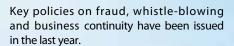
To sustain the promising growth of its loan assets, it is necessary to effectively strategise our liability programme and for that, we are grateful to our retail and corporate depositors for continuing to place great trust in us. At the same time, we have also undertaken several fund raising exercises to strengthen the liability programme.

Operational Highlights

In the push for greater operational efficiencies, MBSB has performed several outsourcing exercises which have resulted in benefits such as reduced turnaround time, improvements in cost controls and levels of customer service. Divisions have also been streamlined to reinforce a new organisational structure where Sales Divisions of retail products have been consolidated into one division. It is expected that the combined marketing efforts will result in higher sales and facilitate future introduction of new products.

Infrastructure at both Head Office and branches has also been improved, with some key departments at Head Office having undergone refurbishment while some branches have been relocated to more strategic locations. A new communications system has also been installed to provide better service to customers. The new Shariah Compliance Unit, which will seek the advice and guidance of the Shariah Advisory Council (SAC), will assist the business side on product development while ensuring Shariah compliance in all areas of operations.

The Company remains committed to ensuring that it is always in compliance with the best practices of the industry.



In a highly competitive industry, it is essential for MBSB to continuously appraise its level of customer service. To this end, we have launched our "Service with a Smile" campaign to bring all employees to the next level. This is a key to retaining our customers and is a show of appreciation to them for selecting MBSB over other financial service providers.

Prospects

It will continue to be challenging for MBSB considering the limitations that we have as a financial institution. Nevertheless, this has never been perceived as an obstacle but only serves as a highly motivating factor for us to further capitalize on our strengths and overcome our flaws. MBSB is expecting to launch several new products in the year 2011, give more focus on fee-based income and increase efforts on the improvement of customer service level. Additional Sales and Service Centres and Representative Offices will be established to further extend the branch network, especially in East Malaysia and Southern Regions.

Appreciation

I take this opportunity to express my sincere gratitude to the major shareholders, especially the management of EPF for their confidence in me and valuable support in "Taking MBSB to the Next Level". I'm also indebted to the Chairman and Board members for their guidance. I wish to acknowledge all staff as well for their hard work and labour that have enabled the Company to achieve record profits for two consecutive years. I expect that MBSB will be able to continue this trend if each and

YBhg Dato' Ahmad Zaini bin Othman Chief Executive Officer

every employee persists in their effort and determination.

Indeed, my highest aspiration is to ensure that MBSB becomes a key player in the industry in the next five years, realizing the dream that I have for MBSB to achieve the level that we have not dared to imagine. InsyaAllah.

Management Team



- 1 YBhg Dato' Ahmad Zaini bin Othman | Chief Executive Officer
- 2 Tina Koh Ai Hoon | Company Secretary
- 3 Azlina binti Mohd Rashad | Head, Corporate Planning & Communication Division
- 4 Tang Yow Sai | Chief Financial Officer
- 5 Sheela Thaver | Head, Legal Department
- 6 Kamari bin Tukiman | Head, Retail Collection & Management Division
- 7 Abdul Rahim bin Ahmad | Head, Human Resource Department 8 Nur Zarina binti Ghazali | Head, Wholesale Banking Division
- 9 Norhayati binti Mohd Daud | Head, Corporate Recovery & Project Rehabilitation Division
- 10 Asrul Hazli bin Salleh | Head, Treasury Division
 11 Nor Azam bin M Taib | Head, Corporate Business Division
- 12 Hazim bin Dato'Yahya | Head, Project Management & Monitoring Division
- 13 Kurien Thomas | Chief Risk Officer
- 14 Kamarudin bin Samsudin | Chief Internal Auditor
- 15 Shamsudin bin Hj Md Yusoff | Head, Credit Management Department
- 16 Mohd Tahir bin Haris | Head, Property Management Department
- 17 Azman bin Aziz | Acting Head, Retail Business Division





- 1 YBhg Dato' Ahmad Zaini bin Othman | Chief Executive Officer
- 2 Bashir bin Muhammad | RBR-Central Region
- 3 Morshidi bin Hj. Abong | RBR-Sarawak Region 4 Abdul Raif bin Shaari | RBR-Northern Region
- 5 Abdul Halim bin Zainal | RBR-Southern Region

 - 6 Zamzuri Izani bin Abu Hassan | Acting RBR-East Coast Region
 7 Redzuan Khushairy bin Othman (Not in the picture) | Acting RBR-Sabah Region

Corporate Highlights 2010







8 January

15 January

15-17 January







1 March



7-8 April

8 January

Launching of MBSB Personal Financing-i Bonus Berganda Contest

15 January Launching of MBSB Tebrau Sales and Service Centre

15-17 January

MBSB Business Conference, Johor

28 February

Pertandingan Kreativiti dan Inovasi Pintar, Penang

Launching of MBSB Bintulu Sales and Service Centre

7-8 April

Persidangan Hartanah Nasional, Kuala Lumpur







20 April

23-25 April

23-25 April







29 April

29 April

8 June

20 April

Nigeria Real Estate & Housing Finance Study Visit to MBSB Head Office

23-25 April

Launching of "Kad TemanKu MBSB" and Merchandising Alliance Programme, Putrajaya

23-25 April

Presentation of Perodua MyVi to "Bonus Berganda Contest 1"Winner

29 April 40th Annual General Meeting

29 April

Analyst Briefing Session with the CEO

08 June

Blood Donation Campaign at Wisma MBSB









21 August

19 September

24 September

3-4 July MBSB Treasure Hunt, "Le Tour de Feringgi"

16-18 July Launching of "Syoknya Raya" Campaign and Presentation of Toyota VIOS to "Bonus Berganda Contest 2" Winner

30 JulyHome Safety Campaign
Live Demonstration at Sri Pentas

21 August Majlis Berbuka Puasa Bersama MBSB with Orphanage

19 September Majlis Ramah Mesra Aidilfitri Keluarga MBSB

24 SeptemberMajlis Ramah Mesra Aidilfitri
with Corporate Clients







22 October



12-14 November



12-14 November



15 December



18 December

8-10 October

Launching of MBSB Vaganza Contest and Presentation of Honda Civic to "Bonus Berganda Contest 3"Winner

22 October

Launching of MBSB Ultimate by Y.B. Dato' Wira Chor Chee Heung Minister of Housing and Local Government

12-14 November

MBSB Pintar Adopted Schools Educational Trip to Kuala Lumpur

15 December

Signing Ceremony for the Development of UiTM Seremban 3, witnessed by Y.B. Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department

18 December MBSB Annual Dinner "Mambo Italiano Nite"







Statement of Corporate Governance

The Board of Directors ("Board") of Malaysia Building Society Berhad strongly believes in the importance of corporate governance and is fully committed to ensuring that the highest standards of corporate governance and integrity are applied throughout the Group.

In addition, the Board also considers and adopts, where appropriate, the principles and best practices of corporate governance as prescribed in the Malaysian Code of Corporate Governance (Revised 2007) and those outlined by other regulatory bodies such as Bank Negara Malaysia's Guidelines on Corporate Governance (BNM GP1).

The Board is pleased to report to shareholders the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code, pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") throughout the Financial Year 2010.

A. Board of Directors

Composition of the Board / Board Balance

The Board comprises eight (8) Directors of whom four (4) are Independent Non-Executive Directors and four (4) are Non-Independent Non-Executive Directors.

The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company and the Group which could materially affect the exercise of their independent judgement. The number of Independent Directors not only exceeds the requirement of Bursa Malaysia but also contributes towards greater impartiality and objectivity in the Board's decision-making process.

The diversity of skill, experience and knowledge of its members in various disciplines and profession allows the Board to address and/or to resolve the various issues in an effective and efficient manner.

A brief description of the background and experience of each of the Board members is contained in the Directors' Profile section of this Report.

The number of Board members is also in line with the guidelines for enhancing Board effectiveness contained in "The Green Book".

Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of each financial year to enable Directors to plan ahead and fit such Board meetings into their own schedule.

The Board has at least four (4) scheduled quarterly meetings with additional meetings being convened as and when necessary.

Prior to each meeting, every Director is given the complete agenda and a set of Board papers well in advance to give them ample time to review matters to be deliberated at the meeting and facilitate informed-decision making.

The Board met fourteen (14) times during the financial year ended 31 December 2010. The details of each of the Directors' attendance are given below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
YBhg Tan Sri Abdul Halim bin Al	i 14/14	100%
Encik Lau Tiang Hua	11/14	79%
Syed Zaid bin Syed Jaffar Albar	13/14	93%
Puan Cindy Tan Ler Chin	14/14	100%
YBhg Datuk Abdullah bin Kunto	om 12/14	86%
Encik Khalid bin Haji Sufat	14/14	100%
Encik Aw Hong Boo	14/14	100%
Encik Jasmy bin Ismail	13/14	93%

All Directors have complied with the minimum 50% attendance requirement at Board Meetings during the financial year as stipulated by the Main Market Listing Requirements of Bursa Malaysia.

Training and Development of Directors

During the year, all Directors attended talks, training programmes, seminars and conferences conducted by regulatory authorities, professional bodies and professional trainers and speakers in order to stay abreast of the latest developments in the industry and business environment as well as changes to statutory requirements and regulatory guidelines to enhance their skills and knowledge in carrying out their roles effectively.

The training programmes attended by the Directors in 2010 include the following:-

• Minda Breakfast Talk "Moral Foundation for Good Governance".

- Understanding FRS101, 139, 132, 7 and IFRIC 15.
- EPF Tea Talk "Global Demographics: Consumers, Workers, Governments and Market".
- MINDA Tea Talk "Borderless & Globalisation: No Pain No Gain".
- Corporate Governance Week 2010: Towards Corporate Governance Excellence.
- The non-executive Director Development Series: Is it worth the risk?
- The Challenges of implementing FRS 139.
- 18th World Congress of Accountants 2010 Sustaining Value Creation.
- WCOA 2010: Transitioning to a Sustainable Global Financial System 0 Lesson from the Global Financial and Economic Crises by YBhg. Tun Dr. Mahathir Mohamad.
- Seminar on Dividend Policy and Practices by MSWG.
- International Conference on Financial Crime & Terrorism Financing 2010 Strengthening Governance to Derive Value.
- PwC Seminar: Tax & Finance Developments Unlocking Potential Towards high Income Economy.
- Board Effectiveness: Redefining the roles and functions of an independent director.

The Directors are also updated regularly on any changes to legal and governance requirements which will affect the Group and also themselves as Directors.

Directors' Code of Ethics

The Directors continue to observe the code of ethics that is consistent with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Directors fully subscribe to highly ethical standards and take into account the interest of all stakeholders.

Duties and Responsibilities of the Board

The Board's statutory and fiduciary duties include responsibilities to approve and periodically review the overall business strategies and significant policies of the Company and the Group.

The primary responsibilities of the Board are, amongst others, the following:-

- i) Reviewing and approving the strategic business plan of the Company and the Group as a whole.
- ii) Overseeing the conduct of the Company and the Group's business to ascertain its proper management, including setting clear objectives and policies within which senior executives are to operate.
- iii) Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, market, liquidity, operational, legal and reputational risks.

- iv) Succession planning, including appointing, training and fixing the compensation of and where appropriate, replacing senior management.
- Reviewing the adequacy and integrity of the Company and the Group's internal control system and management information system for compliance with applicable laws, regulations, rules, directives and guidelines.
- vi) Developing and implementing an investors' relations programme or shareholders' communications policy for the Company.
- vii) Discussing and where appropriate, resolving all matters referred by Management to the Board.
- viii) Approving major loans/corporate loans which are beyond the authority of the Executive Committee ("EXCO").

Roles and Responsibilities of the Chairman and the Chief Executive Officer

There is a clear division of responsibility between the Chairman and Chief Executive Officer to ensure a proper balance of power and authority. The Chairman of the Board is a Non-Executive Director and, together with the rest of the Board, is responsible for setting the policy framework within which the Management is to work. The Chairman also leads the collective effort of the Board in monitoring the performance of Management in meeting corporate goals and objectives. He also guides the Board on all issues presented before them at meetings or at such other forums where the consensus of the Board is required.

The Chief Executive Officer is primarily responsible for overseeing the day-to-day management to ensure the smooth and effective running of the Company and the Group. He is entrusted with the task of making sure that all decisions, directions, policies and/or instructions approved by the Board are carried out by Management in a timely and efficient manner. His primary responsibility is to ensure management

competency, including the emplacement of an effective succession plan to sustain continuity.

Appointment and Re-election of the Board

A formal and transparent procedure has been established by the Board for the appointment of new directors. A proposed candidate is first considered by the Nomination & Remuneration Committee, which takes into account the skills and experience of the person, before making a recommendation to the Board. All appointments of new Directors are made after prior consultations with the existing Directors.

In accordance with the Company's Articles of Association, one third (1/3) of the members of the Board for the time being shall retire by rotation at each Annual General Meeting and, subject to eligibility, may offer themselves for re-election.

Supply of Information

The Board has full and unrestricted access to all information within the Company and Group as well as the advice and services of senior management and Company Secretaries in carrying out their duties. The Directors may also seek independent professional advice at the Company's expense if and when required.

Board Committees

The Board has established Board Committees to assist the Board in the running of the Company and the Group.

Pursuant to the above, the Board has established five (5) Board Committees. Each committee has clearly-defined terms of reference detailing their objectives, duties and responsibilities, authority, meetings and memberships.

The Board Committees of the Company are as follows:-

- Executive Committee (EXCO)
- Audit & Risk Management Committee (ARMCO)

- · Nomination & Remuneration Committee
- · Arrears Recovery Committee (ARC)
- · Option Committee

Any decision not within its authority is referred back to the Board with its recommendations and comments for the Board's deliberation and approval.

The salient terms of reference of each Board Committee and details of members' attendance of meetings are as follows:

(a) Executive Committee of the Board (EXCO)

The EXCO was established on 29 April 2005 specifically to assist the Board to evaluate and approve loan applications within their approval authority limits.

EXCO consists of two (2) Independent Non-Executive Directors and four (4) Non-independent Non-Executive Directors.

During the financial year 2010, six (6) meetings were held by the EXCO. The members and their attendance at the meetings are as follows:

Total Meetings Attended	
6/6	
5/6	
6/6	
6/6	
6/6	
6/6	

(b) Audit & Risk Management Committee (ARMCO)

The principal function of the ARMCO is to assist the Board in the effective discharge of its fiduciary responsibilities in relation to corporate governance; ensure timely and accurate financial reporting and proper implementation of risk management policies and strategies in relation to the Company's and the Group's business strategies; and develop a sound internal control system and an effective risk management framework.

ARMCO consists of three (3) Independent Non-Executive Directors.

In accordance with the best practices of corporate governance, ARMCO presents its report set out on page 43 of this Annual Report.

(c) Nomination & Remuneration Committee

The primary responsibilities of the Nomination Committee are:

- a. To recommend to the Board candidates for all directorships to be filled by the shareholders or the board. In making its recommendations, the nomination committee should consider the candidates':
 - · skills, knowledge, expertise and experience;
 - · professionalism;
 - · integrity; and

- in the case of candidates for the position of Independent Non-Executive Directors, the nomination committee should also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from Independent Non-Executive Directors;
- To consider, when making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- To recommend to the Board, directors to fill the seats on the Board committee;
- d. To conduct with the Board an annual review of the required mix of skills, experience and other qualities, including core competences, which Non-Executive Directors should bring to the Board;
- e. To implement a process with the Board for assessing the effectiveness of the Board as a whole, and the committees of the Board; and for assessing the contribution of each individual director, including Independent Non-Executive Directors as well as the Chief Executive Officer. All assessments and evaluations carried out in the discharge of all its functions should be properly documented:
- f. To consider and to recommend to the Board the appointment, resignation, retirement and other related issues involving the Chief Executive Officer; and
- g. To consider and approve the appointment, promotion, resignation, retirement and other related issues involving General Managers and above.

The primary responsibilities of the Remuneration Committee are:

 To propose a system and amount of Executive and Non-Executive Directors' annual remuneration package to the Board;

- b) To review remuneration programmes from time to time to gauge their adequacy and results;
- To ensure the Company has a developed succession policy and that such policy is kept under review;
- d) To consider and to recommend to the Board the promotion, remuneration package, increment, bonuses and other related matters involving the Chief Executive Officer; and
- e) To consider and approve the promotion, remuneration package, increment, bonuses and other related matters involving General Managers and above.

The Nomination & Remuneration Committee also carries out the periodic review of the overall remuneration for Directors, CEO and key Senior Management Officers whereupon recommendations are submitted to the Board for approval.

The Committee consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

During the year ended 31 December 2010, seven (7) meetings were held. The members of the Nomination & Remuneration Committee and their attendance at the meeting are as follows:

led

(d) Arrears Recovery Committee (ARC)

The principal function of the ARC is to deliberate on proposals for recovery of non-performing loans (NPLs), approve proposals within its authority and to recommend to the Board those proposals outside its authority, monitor the progress of recovery of NPLs and formulate recovery strategies.

ARC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

During the year ended 31 December 2010, eight (8) meetings were held. The members and their attendance at the meetings are as follows:

Name of Members	Total Meetings Attended
Encik Aw Hong Boo (Chairman)	7/8
Syed Zaid bin Syed Jaffar Albar	8/8
Puan Cindy Tan Ler Chin (Resigned on 26 August 2	2010) 6/6
Encik Lau Tiang Hua	6/8
Encik Jasmy bin Ismail	7/8

(e) Option Committee

The principal function of the Option Committee, which was established on 27 May 2010, is to administer the Company's Employees' Share Option Scheme (ESOS) in accordance with the ESOS Scheme's by-laws. The Committee consists of three (3) Independent Non-Executive Directors.

During the year ended 31 December 2010, one (1) meeting was held. The members and their attendance at the meeting are as follows:-

Name of Members	Total Meetings Attended
Syed Zaid bin Syed Jaffar Albar (Chairman)	1/1
Encik Lau Tiang Hua	1/1
Encik Khalid bin Haji Sufat	1/1

B. Directors' Remuneration

Objective of Directors' Remuneration

The Company's remuneration policy for Directors is tailored towards attracting and retaining Directors with relevant experience and expertise needed to assist in managing the Company and the Group effectively.

Remuneration Package

The remuneration package is as follows:-

(a) Directors' Fee

The Directors are paid an annual fee, the quantum of which is approved by the shareholders at the Annual General Meeting. In the event a Director is appointed or resigns during a financial year, the fee will be pro-rated and apportioned accordingly based on the month of the said Director's appointment or resignation.

(b) Allowance

In addition, the Directors are paid a meeting allowance for their attendance at meetings of the Board and the Board Committees. The quantum of the allowance is recommended by the Nomination & Remuneration Committee and approved by the Board.

(c) Details

The aggregate remuneration of the Directors during the financial year 2010 is categorized into the appropriate components as follows:-

	Emoluments (RM)	Allowance (RM)	Fee (RM)	Bonuses (RM)	Benefit-in Kind (RM)	Total (RM)
Executive Directo	r -	-	-	-	-	-
Non-Executive Directors	-	224,500	530,000	-	-	754,500
Number of Directors Range of Remuneration Executive Director Non-Executive Director						

C. Shareholders

Relationship with Shareholders and Investors

The Board recognizes the importance of communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfill transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.

Annual General Meeting

The Annual General Meeting (AGM) of the Company is the principal forum for dialogue and interaction with its shareholders. Shareholders are given the opportunity to participate effectively in resolutions tabled at the AGM. All shareholders have direct access to the Board members at this AGM.

D. Accountability And Audit

Financial Reporting

The Board acknowledges its responsibility to ensure that the Company's and the Group's financial statements present a true and fair view of the state of affairs and are prepared in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is also committed to providing the highest level of disclosure possible to ensure integrity and consistency of the financial reports.

The Group publishes full financial statements annually and condensed financial statements quarterly as required by the Main Market Listing Requirements of Bursa Malaysia.

The Audit & Risk Management Committee assists the Board in scrutinizing the information for disclosure to ensure accuracy, adequacy and completeness.

Internal Control

The Board has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

The Audit & Risk Management Committee, through the Internal Audit Department, reviews the effectiveness of the system of internal controls of the Group periodically. The review covers the financial, operational and compliance controls as well as risk management.

The Statement on Internal Control as set out in this Annual Report provides an overview of the state of internal controls within the Group.

Minutes of the Audit & Risk Management Committee meetings are tabled to the Board for notation and for action by the Board where appropriate.

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young, continue to provide independent assurance to shareholders on the Company's and the Group's financial statements. The Board maintains a formal and transparent relationship with the auditors to meet their professional requirements.

The role of the Audit & Risk Management Committee in relation to the internal and external auditors is described in the Audit & Risk Management Committee Report section of the Annual Report.

E. Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for the financial year which have been drawn up in accordance with the applicable Financial Reporting Standards in Malaysia and give a true and fair view of the state of affairs and of the results and cash flows of the Company and the Group for the financial year then ended.

In preparing the financial statements, the Directors have used appropriate and

relevant accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that applicable Financial Reporting Standards in Malaysia have been complied with.

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.

F. Additional Compliance Statement

Utilization of Proceeds Raised from Any Corporate Proposal

There were no proceeds raised by the Company from corporate exercise during the financial year.

Share Buy-back

There was no approved share buy-back scheme during the financial year.

Options, Warrants or Convertible Securities

During the financial period ended 31 December 2010, a total of 126,000 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS"). There were no warrants or convertible securities issued during the financial year.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

Sanctions and/or Penalties imposed

There were no sanctions or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year 2010.

Non-Audit Fees

Apart from the annual audit fees, the Group has paid non-audit fees amounting to RM66,000 to external auditors for the financial year ended 31 December 2010.

Variation in results

There were no variation between the audited results for the financial year ended 31 December 2010 and the unaudited results for the fourth quarter ended 31 December 2010 of the Group.

Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

Material Contracts with Related Parties

Save as disclosed in note 35 to the financial statements, there were no other material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involved the interests of Directors and major shareholders.

Revaluation Policy

The Company revalues its properties every two (2) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

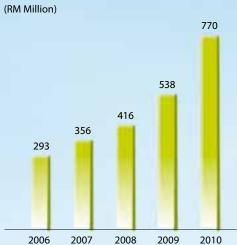
G. Statement on Compliance with The Best Practices of The Malaysian Code on Corporate Governance

Having reviewed the governance structure and practices of the Company and the Group, the Board considers that it has complied with the best practices as set out in the Code as well as the items set out in Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia in relation to the requirement of a separate disclosure in the Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 27 January 2011.

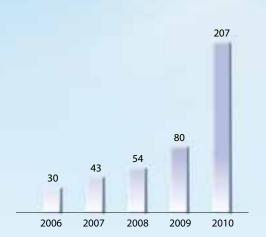
Financial Highlights

Group Revenue



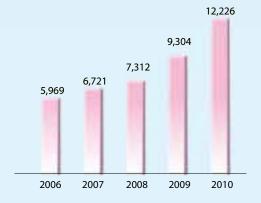
Group Profit Before Taxation

(RM Million)



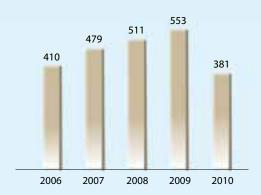
Group Total Assets

(RM Million)

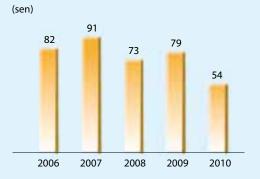


Group Shareholders' Equity

(RM Million)

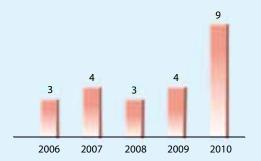


Group Net Asset Per Share

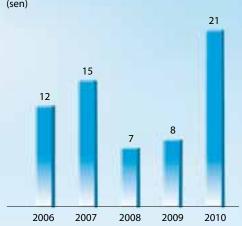


Gross Dividend

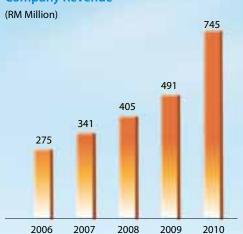
(sen)



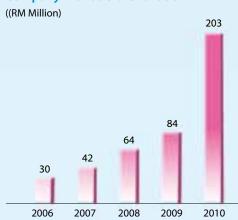
Group Basic Earnings Per Share (sen)



Company Revenue

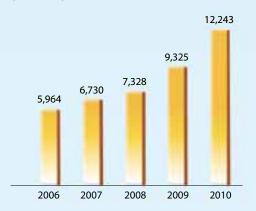


Company Profit Before Taxation



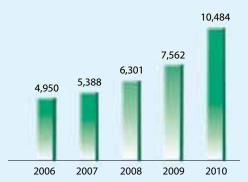
Company Total Assets

(RM Million)

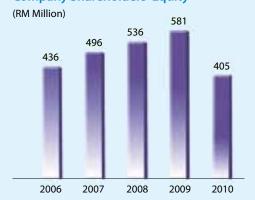


Company Deposit

(RM Million)



Company Shareholders' Equity



CSR Initiatives

Introduction

MBSB has always recognised that Corporate Responsibility is a key and continuing part of its business and that our commercial duties go hand in hand with our broader obligations to society as a whole. We conduct our business with integrity and high standards of professionalism and will continue to play our part in the life of the communities we serve. Our responsibility to our customers is to look at their financial affairs with professionalism, fairness and transparency. Our duty to staff is to provide a safe and pleasant workplace, opportunities for career advancement and competitive salary packages. We also believe that it is our social obligation to share our success with the less fortunate members of society.

The workplace

Employees are the most valuable asset in MBSB and their welfare has always been of the Company's prime concern. As at December 2010, the Group had 954 employees spread over 33 sales and service centres and 3 representative offices across the country. Our workforce reflects our support for local employment of multiracial Malaysians. This is our duty to provide opportunities to local communities where we operate. In addition, the Company does not practice discrimination in recruitment. All employees, male or female, are entitled to the same remunerations and benefits as we maintained the highest standards of recruitment, development and retention of employees.



During the year 2010, MBSB initiated two awards for staff and family members which were the MBSB High Achievement Award 2010 and the MBSB Excellence Education Award 2010. The MBSB High Achievement Award 2010 is an award given to the children of MBSB's staff who achieve excellent results in the Ujian Pencapaian Sekolah Rendah (UPSR), Pernilaian Menengah Rendah (PMR) and Sijil Pelajaran Malaysia (SPM) results. The recipients are rewarded in the form of cash incentives while MBSB Excellence Education Award is an award given to reward MBSB's staff who complete their education for career enhancement and development i.e. Diploma, Degree or Masters.

Career development is one of the main priorities in providing development opportunities for employees, which in turn creates the succession planning in each and every organisation. MBSB continuously provides its employees with skills' development and training programmes that encourage progression and self-enrichment. These include team building activities and also internal and external training programmes.

MBSB provides benefits to show its unwavering commitment to eligible employees e.g. Employee Share Option Scheme. Besides that, MBSB also organizes fun and recreational activities to strengthen the bond among MBSB's staff, such as Treasure Hunt, "Majlis Berbuka Puasa" with MBSB staff, "Majlis Ramah Mesra Aidilfitri with staff and family members, Annual Dinner and other recreational activities.

During the year, MBSB carried out several activities in fulfilling its responsibility towards the health of its employees and communities. Among the programmes initiated were the Blood Donation Campaign, Cancer Awareness Campaign and free blood sugar test and eye test which received overwhelming response from MBSB's employees.

The Occupational Safety and Health Committee (OSHA) was formed in May 2007, based on the OSA Manual approved by ARMCO. The Committee's primary objectives are to provide an organisational





structure in the planning and implementation of occupational safety and health. It supports initiatives to promote employees' health and well being, and formulates, reviews, and recommends the adoption of environmental safety and health policies. The Committee is also to advise the CEO on the company's safety and health initiatives vis-a-vis established goals. In 2010, training programmes were conducted for the OSHA committee members to equip themselves with knowledge and skills.

The Committee will continue to monitor, involve staff and provide trainings in all matters pertaining to environmental and occupational safety and health as well as ensuring all areas under the company's management are in compliance with company's safety and health policies, practices and programmes.









The community

As a corporate entity, Corporate Social Responsibility (CSR) has been part and parcel of our business. MBSB recognises that our commercial duties go hand in hand with our broader obligations to the society. Under the CSR programme, MBSB has four major platforms i.e. education, home safety awareness, sponsorship and donations.

In the education area, we continued to monitor the progress of our two adopted schools in Bukit Mertajam, Pulau Pinang i.e Sekolah Kebangsaan Machang Bubok and Sekolah Kebangsaan Bukit Teh under the PINTAR School Adoption Programme. Overall UPSR results for both schools have shown an improvement in the passing rates as compared to the previous year. Sekolah Kebangsaan Machang Bubok UPSR results increased by 15.7% from 60.97% in 2009 to 76.67% in 2010, while for Sekolah Kebangsaan Bukit Teh, the results improved by 24.41% from 49.3% in 2009 to 73.71% in 2010.

MBSB also organized an Educational Trip to Kuala Lumpur for Standard 6 students from both adopted schools which aimed to provide exposure and nurture the students' interests in science and technology. This trip also promoted the students social interaction with both the teachers and MBSB's staff. The students visited several places in Kuala Lumpur including Petrosains, Pusat Sains Negara, Planetarium Negara, Menara Kuala Lumpur and also Putrajaya.

At the same time, we continued to sponsor the New Straits Times newspapers for both schools throughout the whole year and rewarded those students who obtained 5As in their UPSR results

Under the Home Safety Programme, MBSB conducted the third phase of the Home Safety Awareness Campaign. MBSB collaborated with the Fire and Rescue Department Malaysia, the Malaysian Red Crescent Society, TV3 and TV9 in educating the public on fire prevention measures at home and first aid techniques. The programmes were aired in "Malaysia Hari Ini" on TV3 and "Nasi Lemak Kopi O" on TV9 for about 2 months.







In terms of alleviating the suffering and financial burden of the unfortunate members of the society, MBSB has also utilized the zakat fund to make contributions to the underprivileged, orphanages, single mothers, the disabled and flood relief centres. The recipients include Malaysians from all walks of life. MBSB has continuously sponsored selected corporate clients' programmes to strengthen ties and relationships. During the Aidiladha celebration, Regional Offices throughout Malaysia participated in Qurban Programmes in their regions.

Marketplace

The promotion of good customer relations has always been our priority and a vital part of our business strategy. The establishment of a Customer Services Committee in MBSB reflects our commitment towards customer satisfaction and provision of equitable solutions to any problems that might arise.

We continue to identify key areas that need to be improved and also continue to create internal programmes to enhance our level of customer service. As a financial provider MBSB has always been responsible to its customers in providing financial assistance. We offer lower rates and attractive packages to the customers, which has encouraged other financial institutions to push down their rates and this have significantly benefit the customers.

We believe that each and every member of our work force can contribute something, however small, to the protection of the environment. To this end, we have continued to promote awareness among our staff to minimise the use of electricity, water and paper. These efforts, although they may appear small, have contributed to our overall profit margins as well as to the environment.

As we strive to improve our business we will remain as a committed socially responsible company both to our customers and shareholders, to the less fortunate in our society and also we will endeavour to improve our environmental responsibilities.

Statement on Internal Control (SIC)

Board's Responsibility

The Board acknowledges overall responsibility and recognizes the importance of maintaining a sound system of internal control and for reviewing its adequacy and integrity so as to safeguard shareholders' investments and the Group's assets. The Board endeavours to maintain an adequate system of organization-wide internal control with integrity.

Due to the limitations that are inherent in any system of internal controls, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and therefore can only provide reasonable but not absolute assurance against material misstatement, fraud or loss occurrence.

The Board remains committed towards operating a sound system of internal control and therefore recognizes that the system must continuously evolve to support the Group's businesses and operations in a dynamic business environment. As such, the Board in striving for continuous improvement will put in place appropriate action plans, when and where necessary to further enhance the Group's system of internal control.

Risk Management

The Board through its Audit & Risk Management Committee (ARMCO) assumes overall responsibility for overseeing the Group's risk.

The Board regards risk management as an integral part of business operations and confirms that there is an on-going process of identifying, evaluating, monitoring, managing and reporting on the significant risks that may affect the achievement of its business objectives. The Board has also reviewed and improved the risk management framework to strengthen the risk management policies and tightened the relevant internal controls.

The Board, is supported by a number of established Board Committees in the execution of its responsibilities namely, the Executive Committee (EXCO); Audit & Risk Management Committee (ARMCO); Arrears Recovery Committee (ARC); Nomination & Remuneration Committee and Option Committee, details of which are set out in the Statement on Corporate Governance. Each Committee has clearly defined terms of reference.

The Board has put in place ARMCO as driver for identifying principal risks and ensuring the implementation of appropriate systems to manage these risks. ARMCO is responsible for monitoring, overseeing and evaluating the duties and responsibilities of Management, the Internal Audit Division and the Group Risk Management Division as those duties and responsibilities relate to MBSB's processes for controlling its operations.

ARMCO maintains overall responsibility for risk oversight within MBSB which includes inter-alia reviewing and approving risk management policies and limits, overseeing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for risk management activities.

ARMCO is also responsible for determining that all major issues reported by the internal auditors, external auditor and other outside advisors have been satisfactorily resolved. Finally, the Committee is responsible for reporting to the Board of Directors all important matters pertaining to the Group's operation.

Responsibility for implementing the Group's strategies and day-to-day businesses are delegated to Management. The organization structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship. The Management assists the Board in implementing the policies approved by the Board, implementing risk control procedures and developing, operating and monitoring internal controls to mitigate and control identified risks.

Dedicated management committees namely, Credit and Rehabilitation Assessment Committee (CARAC); Retail Loans Committee; Asset Liability Committee (ALCO): Management Committee (MANCO); and IT Steering Committee assist ARMCO and Board in managing credit risk, operational risk, market risk and liquidity risks. These committees are responsible for overseeing the development and assessing the effectiveness of policies approved by the Board. MANCO and Senior Management oversee the execution and implementation of the policies whereas Internal Audit Division ensures compliance to these policies.

The Group has an adequately resourced internal audit function which reports directly to ARMCO. Its primary responsibility is to provide the Committee with reasonable assurance that the Group's internal control system continues to operate adequately and effectively.

The annual audit plan is developed using a risk-based approach and is reviewed and approved by ARMCO. During the year, the Internal Audit Division has carried out independent and objective reviews in accordance with the approved audit plan covering financial accounting, operational and compliance controls. Based on these reviews, the function has provided the ARMCO with periodic reports highlighting

observations, recommendations and management action plans to improve the system of internal controls.

Group Risk Management Division

The risk management processes of the Group have been enhanced with the strengthening of the Group Risk Management Division (GRM). The GRM is headed by the Chief Risk Officer and is responsible for communicating to the Board/ARMCO the critical risks the Group faces, their changes and the action plans to manage these risks.

The GRM continues to provide advice and guidance on the corporate and business risks to the Group. The scope of advice serves to manage and control significant risk exposures inherent in the Group's business operations and covers the following areas:

- a) Identify significant risks and ensure the implementation of appropriate risk management framework and guidance to manage these risks.
- b) Reviewing the adequacy and integrity of the Group's internal control systems and management information system, including systems of compliance with applicable laws, regulations, rules, directives and guidelines.
- c) Conducted risk awareness forum for the Management with the objective of providing comprehensive risk understanding and the implication on the operation, financial, and compliance.

The GRM participates in the development of market risk policies and the establishment of credit and operational risks policies. It reviews compliance with set risk limits and identifies emerging risk issues. It has representation in decision-making meetings of the ALCO; Retail Loan Committee; CARAC and IT Steering Committee.

In year 2010, a series of meetings and workshops with business and support units were conducted to enhance their understanding and knowledge of risk management. The key risks identified through this process were subsequently consolidated and documented in the Manuals/Standard Operating Procedures (SOPs) and presented to the relevant committee and ARMCO for approval and adoption.

In year 2010, the Group also undertaken a review of the Group Risk Management Framework and is also in the process of enhancing the credit scoring system for the mortgage loan portfolio to meet changes in the operating environment as part of the continuous improvement in risk management. The risk management framework was developed and approved in December 2009 and only implemented in year 2010 as a guide to manage major business risk factors, outlining the roles and responsibilities of the Board of Directors and key committees in managing the Group's risks.

Other Key Elements of Internal Control

Apart from group risk management and internal audit, the other key elements of the Group's system of internal control include:

- Whenever required, relevant Board committees are established with specific responsibilities delegated by the Board to deliberate on matters within the respective scope of responsibility. The committees are guided by written terms of reference and their minutes of meetings are tabled to the Board.
- MBSB has a well-defined organizational structure with clear lines of accountability and has strict authorization, approval and control procedures within which senior management operates. A process of hierarchical reporting has been established which provides for a documented trail of accountability.

- Implementation of business planning for the next financial year and integrated budget process with established ownership of business objectives, plans and the expected financial outcome based on the Board's approved Budget Plan (2011 - 2015).
- ARMCO on behalf of the Board regularly reviews internal control issues identified in reports prepared by the internal auditors and external auditors and the related actions taken by Senior Management.
- The Board of Directors reviews the operational and financial performance of the Group. Management reports are presented to the Board each quarter providing financial information, including key performance indicators.
- MANCO and ALCO comprises Senior Management with responsibilities that include execution of the following controls:
 - i. Quality assurance on key information and performance report to the Board.
 - ii. Partnership with ARMCO and Internal Audit Division to address any internal control issues.

These management committees are held on a regular basis to identify, discuss and resolve operational, financial and key management issues.

 In year 2010, reviews and updates on SOPs from time to time are performed to reflect changing risks or processes and internal control improvements while ensuring that documentation remains current. A structure for organization-wide control and custodian of the Manuals has been established. Continuous efforts are undertaken to ensure standardization, timeliness, and comprehensiveness of Manuals including authorization, accountability and monitoring processes. All revised Manuals/SOPs are required to be retabled to ARMCO for approvals, highlighting relevant changes.

- Control Self-Assessments (CSA) checklists have been implemented on the core business operating units with a focus to ascertain the level of control adequacy and compliance. The CSA will be implemented progressively to other individual business units of the Group. The CSA would provide a platform for risk assurance and target audits could be carried out efficiently and effectively by the Internal Audit Division.
- The Internal Audit Division reporting to ARMCO performs systematic and regular reviews of key processes via audit of departments and branches in an effort to assess the effectiveness, adequacy and integrity of internal controls including compliances. Areas of improvement and proposed recommendations are highlighted to Senior Management and ARMCO with a periodic follow-up review on actions taken.
- Employees are bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers.
 Employees are expected to comply with the Code of Conduct and Ethics to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

- The Group is constantly assessing new trends and developments on fraud continuously. To this extent the Fraud & Corruption Control Policy has been approved by ARMCO in 2009 and has been disseminated to all employees.
- Training initiatives covering risk awareness are carried out to further strengthen MBSB's view on its nontolerant to fraud. In instances where fraud cases are brought to light, a formal investigation was conducted and stern action was taken against the relevant parties.
- Continuous education/training for employees on the importance of governance, risk management and internal control as part of their development programme.

Conclusion

The Board confirms that the system of internal control with the key elements highlighted above was in place during the financial year, except where stated otherwise. The system is subjected to regular reviews by the Board. The Board believes that the system of internal control of the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

The statement is made in accordance with a resolution of the Board of Directors dated 14 February 2011.

Report of The Audit & Risk Management Committee

During the financial year ended 31 December 2010, a total of ten (10) Audit & Risk Management Committee (Committee) meetings were held. The number of meetings has increased by three (3) from seven (7) last year due to the separation of the interim quarterly results deliberations from the operational reports. The Committee comprises the following members and details of their attendance of meetings held during the financial year are as follows:

Composition of The Committee Number of Meetings Attended/Held

Encik Lau Tiang Hua (Chairman/Independent Non-Executive Dire	10/10 ctor)
Encik Aw Hong Boo (Independent Non-Executive Director)	10/10
Encik Khalid Haji Sufat (Independent Non-Executive Director)	6/6
Joined in as member on 27 May 2010	
Puan Cindy Tan Ler Chin (Non-Independent Non Executive Director) Resigned with effect from 26 August 2010	6/6

Summary of Activities of The Audit & Risk Management Committee

During the financial year, the main activities undertaken by the Committee in accordance with its terms of reference are summarised as follows:

1. Financial Reporting

- a) Reviewed the quarterly unaudited financial results of MBSB and MBSB Group prior to recommending to the Board of Directors for approval.
- b) Reviewed the annual audited financial statements of MBSB and MBSB Group with the external auditors prior to recommending to the Board of Directors for approval.

The above reviews were done to ensure that the financial reporting and disclosures are in compliance with the:

- Provisions of the Companies Act 1965;
- · Listing Requirements of Bursa Malaysia Securities Berhad;
- · Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements

In the review of the annual audited financial statements, the Audit & Risk Management Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

2. Internal Audit

- a) Reviewed and approved the annual Internal Audit Plan to ensure adequacy of scope and coverage of the auditable areas including the Internal Audit resource requirements.
- Reviewed the status of completion of the Internal Audit Plan and assessed the performance of the Internal Audit Division.
- c) Reviewed the internal audit reports tabled during the year, which outlined the audit issues, recommendations and management's response thereof. Discussed with management and where appropriate, directed management to rectify and improve the system of internal controls and workflow processes based on the internal auditors' recommendations for improvement.
- d) Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed.

3. External Audit

- a) Reviewed with the external auditors:
 - Their audit planning memorandum for the year ended 31 December 2010 comprising their audit plan, audit strategy and scope of work for the year.
 - Their annual audit report and management letter together with Management's response to the findings of the external auditors.

- Updates of new developments on Financial Reporting Standards issued by the Malaysian Accounting Standards Board.
- b) Met the external auditors twice for discussion without the presence of the Management.
- c) Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their audit fees and for their reappointment to hold office until the conclusion of the next annual general meeting.

4. Policy Review and Other Matters

- a) Reviewed the revised MBSB Code of Ethics before recommending to the Board for approval.
- b) Reviewed the Report of the Audit & Risk Management Committee for inclusion in the MBSB's 2010 Annual Report before recommending to the Board for approval.
- c) Reviewed the disclosure statements on compliance with the Malaysian Code on Corporate Governance and the Statement on Internal Control on the annual audited financial statements for inclusion in the MBSB's 2010 Annual Report before recommending to the Board for approval.
- d) Tabled the minutes of each Audit & Risk Management Committee meeting to the Board for notation, and for further direction by the Board where necessary.

 e) Verified the allocation of options to ensure compliance with the criteria for allocation pursuant to the share scheme for employees.

Statement on Internal Audit Function

The internal audit function is performed inhouse and undertaken by MBSB's Internal Audit Division. The Internal Audit Division functionally reports to the Audit and Risk Management Committee ("ARMCO") as an independent unit that provides objective evaluation of risks and controls in the auditable activities. Its primary role is to assist ARMCO to discharge its duties and responsibilities by independently reviewing and reporting the adequacy and integrity of MBSB's system of internal controls. The ARMCO regularly appraises the resources and training needs of the Internal Audit Division to meet the competencies and skills required for effective performance of MBSB's internal audit.

During the financial year ended 31 December 2010, the Internal Audit Division carried out the following activities:

- a) Presented its audit plan, audit budget and scope of work to ARMCO for approval. The internal auditors have adopted a risk-based approach towards the planning and conduct of audits, which is designed to evaluate and monitor MBSB's internal controls system.
- b) Developed and implemented the Control Self-Assessment for MBSB's Sales & Service Centres as a tool to assist the line management to perform a self-review of controls over their respective operational functions. The Control Self-Assessment

- will be implemented to other business/process units and continuously refined and risk-based to ensure it serves the purpose as an additional tool to evaluate the effectiveness of the system of internal controls.
- c) Conducted the scheduled audits and tabled the audit reports to ARMCO highlighting the audit findings, issues and recommendations for improvement.
- d) Follow-up on management corrective actions on unresolved audit findings and reported the status to the ARMCO.
- e) Performed ad-hoc audit assignments and investigations at the request of the Committee on areas of concern identified by the Committee.
- f) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- g) Worked closely with the external auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by the Management.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2010 amounted to RM748,000.

Terms of Reference

1. Composition of The Committee

The Board of Directors shall appoint the Committee from amongst its members who fulfil the following requirements: -

- At least three (3) Non-Executive Directors, majority of whom are Independent Directors;
- ii) At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants (MIA) or any other equivalent qualifications recognised by the MIA; and
- iii) No alternate directors shall be appointed as a member of the Committee. The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.

All members of the Committee hold office only so long as they are Directors of the Company. In the event of any vacancy in the Committee arising from retirement or resignation, with the result that the number of members is reduced to below three (3), the Board of Directors must fill the vacancy within three (3) months.

2. Objectives

The primary objectives of the Committee are to:

 Assist the Board of Directors in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting; ii) Reinforce the independence and objectivity of the Internal Audit Division;

Act as

- iii) the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters pertaining to accounting, reporting, risks and controls; and provide a forum for discussion independent of the Management; and
- iv) Undertake additional duties as may be deemed appropriate and necessary to assist the Board of Directors.

3. Rights

The Committee shall:

- i) Have the authority to investigate any matter within its terms of reference;
- ii) Have the resources, which are required to perform its duties;
- iii) Have full and unrestricted access to any information pertaining to the Company and the Group;
- iv) Have direct communication channels with external auditors, internal auditors and risk managers;
- v) Be able to obtain independent professional or other advice; and
- vi) Have the authority to convene meetings with external auditors, internal auditors or both, in the absence of other directors and employees, at least twice a year.

4. Duties and Responsibilities

The following are the main duties and responsibilities of the Committee:

- To review with external auditors their audit plan, scope and nature of the audit;
- To review with external auditors their audit report and audit findings and Management's response thereto;
- iii) To review the Group's quarterly financial statements and reports, the Group's and Company's audited annual financial statements before submission to the Board of Directors for approval, focusing on:
 - a) Any change in accounting policies and practices;
 - b) Significant adjustments and issues arising from the audit;
 - c) Significant and unusual events;
 - d) The going concern assumption; and
 - e) Compliancewithapplicableapproved accounting standards, Bursa Malaysia and legal requirements.
- iv) Review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedures or course of conduct that raises questions of Management's integrity;
- v) To consider the appointment of external auditors, their audit fee and any question of their resignation or dismissal;

- vi) To recommend the nomination of a person or persons as external auditors;
- vii) To establish an internal audit function and identify a Head of Internal Audit who reports directly to the Audit Committee. The Head of Internal Audit will be responsible for the regular review and / or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company and the Group;

To do the following, in relation to the internal audit functions:

- a) Review the adequacy of the scope, functions, resources and competency of the Internal Audit Division and that it has the necessary authority to carry out its duties;
- b) Review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken based on the recommendation of the Internal Audit Division;
- Review any appraisal or assessment of the performance of members of the internal audit function;

- d) Approve any appointment or termination of senior staff members of the internal audit function; and
- e) Take cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- viii) To review the significant risks as identified by the Group Risk Management Division and their impact on operations;
- ix) To ensure the identified risks are continuously monitored and mitigated;
- x) To ensure risk exposure of the Company are within parameters set by the Board;
- xi) To review operational policies and processes of the Group and to formulate new ones where appropriate with a view to improving efficiency, cost effectiveness and control over the resources of the Group; and
- xii) To undertake any other activities as authorised by the Board of Directors.

5. Meetings

The Committee meets every quarter or more frequently as circumstances dictate.

The quorum for a meeting shall be two (2) members whereby one (1) of the members present must be an Independent Non-Executive Director.

As part of its duty to foster communication, the Chief Executive Officer, the Management Team and the Chief Internal Auditor are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities. The presence of the external auditors will be requested when required.

The Chairman of the Committee shall report and update the Board of Directors on significant issues and concerns discussed during the Committee meetings and, where appropriate, make the necessary recommendations to the Board of Directors.

The Chairman of the Committee should engage on continuous basis with Chairman and the senior management such as Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor and the external auditors in order to be kept informed of matters affecting the Company and the Group.

The Chief Internal Auditor shall be the Secretary to the Committee.

Analysis of Shareholdings As at 7 February 2011

Authorised Share Capital:-

1,800,000,000 Ordinary Shares of RM1.00 each

Ordinary Share

Class of Shares:-

Ordinary Shares of RM1.00 each

Issued and Fully Paid-up Capital:-

700,297,527 Ordinary Shares of RM1.00 each

Voting Rights:-

One Vote per Ordinary Share

Analysis of Ordinary Shareholdings

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital	
Less than 100	137	1.04	3,196	0.00	
100 - 1,000	7,032	53.19	6,913,935	0.99	
1,001 - 10,000	4,643	35.12	20,169,170	2.88	
10,001 - 100,000	1,222	9.24	39,368,349	5.62	
100,001 – less than 5% of the share	s 184	1.39	65,083,430	9.30	
5% and above	2	0.02	568,759,447	81.21	
Total	13,220	100.00	700,297,527	100.00	

Substantial Shareholders

Name of Shareholders	No. of Ordinary Shares	% of Ordinary Shares	
Employees Provident Fund Board	464,390,632	66.31	
Permodalan Nasional Berhad	104,368,815	14.90	
Total	568,759,447	81.21	

Directors' Shareholdings

Name of Director	Direct Shareholdings	%	Indirect Shareholdings	%	
Y.Bhg. Tan Sri Abdul Halim bin Ali	30,000	0.004	-	-	

	Thirty Largest Shareholders (As at 7 February 2011)		
	Name	No. of Shares	% of Shares
1	Citigroup Nominees (Tempatan) Sdn Bhd, Employees Provident Fund Board	462,890,632	66.10
2	Permodalan Nasional Berhad	104,368,815	14.90
3	Poseidon Sendirian Berhad	3,860,700	0.55
4	BHLB Trustee Berhad Exempt An For Phillip Capital Management Sdn Bhd (2)	2,964,900	0.42
5	BHLB Trustee Berhad Exempt An For Employees Provident Fund (PCM)	2,686,200	0.38
6	Maybest Enterprise Sdn Bhd	2,046,800	0.29
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Fong Siling (CEB)	2,000,000	0.29
8	Mayban Nominees (Tempatan) Sdn Bhd DBS Bank For Deva Dassan Solomon (270504)	1,808,900	0.26
9	Employees Provident Fund Board	1,500,000	0.21
10	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Tan Cheng Wha (MQ0162)	1,462,100	0.21
11	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Cheng Wha	1,287,200	0.18
12	Mary Yeow	1,200,000	0.17
13	Ong Tong Pheng @ Eng Ah Toon	1,187,100	0.17
14	Lim Gaik Bway @ Lim Chiew Ah	1,021,700	0.15
15	T.O. Lim Holdings Sdn Bhd	1,000,000	0.14
16	Philip A/L K.O Kunjappy	960,000	0.14
17	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noor Azman @ Noor Hizam B Mohd Nurdin (CEB)	855,000	0.12
18	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	815,000	0.12
19	Lee Kay Huat	705,000	0.10
20	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Goh Kim Kooi (MY0991)	700,000	0.10
21	HSBC Nominees (Asing) Sdn Bhd Exempt An For HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)	685,000	0.10
22	Jenny Wong	644,400	0.09
23	Gerald John Richards	617,100	0.09
24	Lee Yeow Teng	603,000	0.09
25	Yeap Chin Loon	600,900	0.09
26	Oriental Capital Assurance Berhad	600,000	0.09
27	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	576,000	0.08
28	Yeap Hooi Hooi	570,000	0.08
29	Cimsec Nominees (Asing) Sdn Bhd Pledged Securities Account For Noble Plan Sdn Bhd	562,000	0.08
30	BHLB Trustee Berhad Exempted - Trust Account For EPF Investment For Member Savings Scheme	546,500	0.08
	Total Shareholding of the Thirty Largest Shareholders	601,324,947	85.87

Schedule of Properties

No	o Location	Tenure	No. of Years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	Net Book Value (RM'000)
1	Lot 353, PW 7164, Kawasan Bandar VIII, District of Melaka Tengah.	Leasehold	99	29.08.2074	7,048.10	Hotel	12	60,474
2	PTB 19196-19199 Bandar Yahya, Awal, Johor Bahru, District of Johor Bahru, Johor. (Gadini Sdn Bhd)	Leasehold	99	08.03.2091	92,181.74	Vacant Land	Nil	61,000
3	Lot 141 (No. 13/15) Leboh Ampang, Kuala Lumpur.	Leasehold	999	23.02.2957	265.79	Office Building	52	6,692
	Lot 104, 105,106, 115 & 118, Section 12, Leboh Ampang, Town of Kuala Lumpur, Wilayah Persekutuan.	Freehold	Nil	Nil	635.00	Office Building	10	19,921
4	P.T 27758 / HS(D) 93832, P.T 27759 / HS(D) 93833, P.T 29301 / HS(D) 95375, Mukim of Sg Buloh, District of Petaling.	Freehold	Nil	Nil	57,362.68	Vacant Land	Nil	31,999
5	Lot PT 47, Pekan Tanjung Kling, Section 11, District of Melaka Tengah.	Freehold	Nil	Nil	83,160.00	Vacant Land	Nil	19,800
6	P.T 86, P.T 87, P.T 88, P.T. 89, Bandar Bukit Baru, Section IV, District of Melaka Tengah.	Leasehold	99	17.10.2099	38,267.00	Vacant Land	Nil	17,245
7	No. 48, Jalan Dungun, Damansara Heights, Kuala Lumpur.	Freehold	Nil	Nil	1,595.28	Office Building	24	32,767
8	No. 119, Jalan Macalister, Pulau Pinang.	Freehold	Nil	Nil	4,486.66	Heritage Bungalow	100	11,070
9	Lot 2947 / GM 296, Lot 2948 / Geran 12622, Mukim of Durian Tunggal, District of Alor Gajah, Melaka. (MDSB)	Freehold	Nil	Nil	47,848.81	Vacant Land	Nil	8,197
10	GRN NO. 60632 Lot 1520, Segamat, Johor.	Freehold	Nil	Nil	6,990.53	Vacant Land	Nil	2,519

Branch Network

NORTHERN

Kangar Lot G.05, Podium Block Bangunan KWSP Jalan Seruling 01000 Kangar, Perlis Tel: 04-976 6400 Fax: 04-977 4141

1578, Jalan Kota 05000 Alor Star, Kedah Tel: 04-731 4655 Fax: 04-731 7996

Sungai Petani 114, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani, Kedah Tel : 04-422 9302 Fax : 04-421 2046

Kulim No. 26, Jalan Raya 09000 Kulim, Kedah Tel: 04-495 1400 Fax: 04-490 4400

Penang No. 119, Jalan Macalister 10400 Georgetown, Penang Tel: 04-226 6275 Fax: 04-228 6275

Butterworth 2783, Jalan Chain Ferry Taman Inderawasih 13600 Prai, Penang Tel: 04-398 0145 Fax: 04-398 0898

lpoh 45, Persiaran Greenhill 30450 lpoh, Perak Tel: 05-254 5659 Fax: 05-254 4748

Taiping No. 82, Jalan Barrack 34000 Taiping, Perak Tel: 05-807 4000 Fax: 05-804 1444

Ground & 1st Floor No. 35, Persiaran PM3/2 Pusat Bandar Seri Manjung Seksyen 3, 32040 Manjung Perak

Tel: 05-688 2700 Fax: 05-688 2703

CENTRAL

Leboh Ampang Bangunan MBSB, Pusat Bandar 13/15 Leboh Ampang 50100 Kuala Lumpur Tel: 03-2031 9599 Fax: 03-2031 9526

Damansara Ground Floor Wisma MBSB 48, Jalan Dungun Damansara Heights 50490 Kuala Lumpur Tel : 03-2096 3333 Fax : 03-2096 3337

185, Jalan Sarjana Taman Connaught 56000 Cheras Kuala Lumpur Tel: 03-9132 2955 Fax: 03-9132 2954

Petaling Jaya No. 3, Jalan 52/16 46200 Petaling Jaya

Selangor Tel : 03-7956 9200 Fax : 03-7956 9627

Klang 74, Jalan Kapar 41400 Klang, Selangor Tel: 03-3342 6822 Fax: 03-3341 3611

Selavana 95, Jalan 2/3A Pusat Bandar Utara 68100 Batu Caves, Selangor Tel: 03-6136 8682 Fax: 03-6136 8679

Bandar Baru Bangi 195 & 195A, GF & 1st Floor Jalan Seksyen 8/1, Seksyen 8 43650 Bandar Baru Bangi

Selangor Tel : 03-8925 7584 Fax : 03-8925 7708

SOUTHERN Seremban

S-1, Kompleks Negeri Jalan Dato' Bandar Tunggal 70000 Negeri Sembilan Tel : 06-763 8455 Fax : 06-763 0701

Melaka Plots 203 & 204 Projek Melaka Raya Jalan Taman Off Jalan Bandar Hilir 75000 Melaka

Tel: 06-282 8255 Fax: 06-284 7270

13-3 &13-4, Ground Floor Jalan Sisi, 84000 Muar Johor

Tel: 06-953 2000 Fax: 06-953 3200

Batu Pahat 37-4, Jalan Rahmat 83000 Batu Pahat, Johor Tel: 07-431 6614 Fax: 07-431 7382

Kluang 6, Lot 9053 Jalan Haji Manan 86000 Kluang, Johor Tel: 07-771 7585 Fax: 07-772 6572

Tebrau No. 17 & 17 -1 Jalan Mutiara Emas 9/3 Austin Boulevard Taman Mount Austin 81100 Johor Bahru

Johor Tel: 07-358 1700 Fax: 07-358 1703

Johor Bahru 1st & 2nd Floor Bangunan KWSP Jalan Dato' Dalam 80000 Johor Bahru

Johor Tel: 07-223 8977 Fax: 07-224 0143

EAST COAST Kuantan

A157-A159 Sri Dagangan, Jalan Tun Ismail 25000 Kuantan, Pahang Tel: 09-515 7677 Fax: 09-514 5060

Kuala Terengganu 1A, Jalan Air Jernih 20300 Kuala Terengganu

Terengganu Tel : 09-622 7844 Fax : 09-622 0744

Kemaman No. K-10723 Taman Chukai Utama Jalan Kubang Kurus 54000 Kemaman, Terengganu Tel: 09-858 9490 Fax: 09-858 9402

EAST MALAYSIA

Kuching Ground Floor & 1st Floor Tunku Muhammad Al Idrus Building 439, Jalan Kulas Utara 1 93400 Kuching, Sarawak Tel: 082-248 240 Fax: 082-248 611

1115, Ground Floor Pelita Commercial Centre 98000 Miri, Sarawak Tel: 085-424 400 Fax: 085-424 141

Kota Kinabalu Ground Floor, 11 & 12 Block C Lintas Jaya Uptown Ship 88300 Kóta Kinabalu Sabah

Tel: 088-711 501/717 501 Fax: 088-713 503

Sandakan Lot 38, Block E Bandar Utama Mile 6 90000 Sandakan, Sabah Tel : 089-223 400 Fax : 089-223 544

Tawau Ground Floor TB 4535, Lot 60 Ba Zhong Commercial Centre Jalan Tawau Lama 91000 Tawau, Sabah Tel: 089-755 400 Fax: 089-749 400

Bintulu Ground Floor, Lot 4124 Jalan Tun Ahmad Zaid Jalan Kambar Bidin 97000 Bintulu, Sarawak Tel: 086-336 400 Fax: 086-339 400

Sibu Ground Floor, SL 166 Lorong Pahlawan 7B3 Jalan Pahlawan 96000 Sibu, Sarawak Tel: 084-210 703 Fax: 084-210 714

REPRESENTATIVE

OFFICE Kota Bharu Lot 364, 1st Floor Wisma Watan Jalan Sultan Yahya Petra 15000 Kota Bharu Kelantan

Tel: 09-741 8620 09-741 8621 Fax: 09-741 8619

Fax: 09-290 1763

Temerloh No.8, Ground Floor Jalan Dato' Bahaman 2 28000 Temerloh, Pahang Tel: 09-290 1626 09-290 1627

Dungun 1st Floor, No. 20, Block E Sura Gate Business Centre Jalan Besar Sura Gate

23000 Dungun, Terengganu Tel: 09-842 2611 09-842 2612 Fax: 09-842 2610



Notes to the Financial Statements

Directors' Report

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The principal activities of the Company are the granting of loans on the security of freehold and leasehold properties and provision of retail financing and related services. The principal activities of the subsidiaries are described in Note 12 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.

Results

	Group	Company
	RM'000	RM'000
Net profit for the year	146,025	141,549

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

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 the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has resulted in a decrease in the Group's and the Company's profit net of tax by RM42,552,000 as disclosed in Note 3(a) to the financial statements.

Dividends

The amount of dividends paid by the Company since 31 December 2009 were as follows:

In respect of the financial year ended 31 December 2009 as reported in the directors' report of that year:

RM′000

- First and final dividend of 4% less 25% taxation on 700,171,527 ordinary shares, declared on 29 April 2010, paid on 27 May 2010

21,005

At the forthcoming Annual General Meeting, a first and final dividend of 9.0% less 25% taxation (6.75 sen net per ordinary share) in respect of the financial year ended 31 December 2010, will be proposed for shareholders' approval. Based on the issued and paid up share capital as at 31 December 2010 of 700,297,527 ordinary shares, the total dividend payable would amount to RM47,270,083. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

Directors

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

YBhg Tan Sri Abdul Halim bin Ali YBhg Datuk Abdullah bin Haji Kuntom Encik Lau Tiang Hua Tuan Syed Zaid bin Syed Jaffar Albar Puan Tan Ler Chin Encik Khalid bin Haji Sufat Encik Aw Hong Boo Encik Jasmy bin Ismail

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company or its subsidiaries 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 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' interests

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

Name of director

Direct interest:

Ordinary shares of the Company

YBhg Tan Sri Abdul Halim bin Ali

Number of ordinary shares of RM1.00 each 1.1.2010 Acquired Sold 31.12.2010

- 30,000 - 30,000

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

Issue of shares

During the financial year, the Company increased its issued and paid up ordinary share capital from RM700,171,527 to RM700,297,527 by way of the issuance of 126,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Option Scheme at an exercise price of RM1.45 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Employee Share Option Scheme

The Malaysia Building Society Berhad Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 23(a) to the financial statements.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2010 is as follows:

Expiry date 11.08.15

Exercise price (RM) 1 45 Number of options 48,628,600 The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 200,000 ordinary shares of RM1.00 each. The names of option holders granted options to subscribe for 200,000 or more ordinary shares of RM1 each during the financial year are as follows:

			Exercise	< Number of Share Options		
Name	Grant Date	Expiry Date	Price RM	Granted	Exercised	31.12.2010
Dato' Ahmad Zaini bin Othman	11.09.2010	11.08.2015	1.45	530,000	106,000	424,000
Tang Yow Sai	11.09.2010	11.08.2015	1.45	344,500	-	344,500
Azman bin Aziz	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Kamarudin bin Samsudin	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Koh Ai Hoon	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Md Nordin bin Abdul Jalil	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Mohd Rozali bin Idris	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Mohd Tahir bin Haris	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Norhayati binti Mohd Daud	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Nur Zarina binti Ghazali	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Shamsudin bin Hj Md Yusoff	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Sheela Thaver A/P Gangatharan V' Thaver	11.09.2010	11.08.2015	1.45	265,000	-	265,000
Zaili bin Ismail	11.09.2010	11.08.2015	1.45	265,000	-	265,000

Other statutory information

- (a) Before the statements of financial position and statements of comprehensive income 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 provision 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 of 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 methods 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) As 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 other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 37 to the financial statements.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) 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 or of the Company for the financial year in which this report is made.

Subsequent events

Details of subsequent events are disclosed in Note 43 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 14 February 2011.

Tan Sri Abdul Halim bin Ali Chairman Lau Tiang Hua Director

Kuala Lumpur, Malaysia



We, Tan Sri Abdul Halim bin Ali and Lau Tiang Hua, being two of the directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 61 to 142 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards 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 2010 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 45 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2011.

Tan Sri Abdul Halim bin Ali Chairman Lau Tiang Hua Director

Kuala Lumpur, Malaysia

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

I, Tang Yow Sai, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 61 to 142 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 Tang Yow Sai at Kuala Lumpur in the Federal Territory on 14 February 2011

Tang Yow Sai

Before me,



Report on the financial statements

We have audited the financial statements of Malaysia Building Society Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, statements of comprehensive income, statements of changes in equity and statements of cash flow 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 61 to 142.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 and fair presentation of the financial statements 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.

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 2010 and of their financial performance and cash flows for the year then ended.

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 12 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 accounts 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.

Other matters

The supplementary information set out in Note 45 on page 143 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad. 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

14 February 2011

Chartered Accountants

Kuala Lumpur, Malaysia

Gloria Goh Ewe Gim No. 1685/04/11(J) Chartered Accountant

Statements of Financial Position As At 31 December 2010

			ıp	Company	
	Note	2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds	5	888,829	763,275	874,456	751,666
Trade receivables	6	1,182	3,298		751,000
Other receivables	7	187,636	126,632	160,513	99,072
Inventories	8	121,780	125,460	41,096	41,776
Loans, advances and financing	9	10,706,530	8,118,452	10,756,879	8,203,596
Investments held-to-maturity	10	200,000	43,070	200,000	43,070
Loans to subsidiaries	11		-	89,662	96,917
Investments in subsidiaries	12	-	-	69,047	70,371
Investment properties	13	1,425	1,473	-	-
Property, plant and equipment	14	106,814	111,628	49,008	17,657
Land use rights	15	9,786	9,951	-	-
Intangible assets	16	1,962	911	1,962	884
Total assets		12,225,944	9,304,150	12,242,623	9,325,009
Total assets		12,223,344	7,504,150	12,242,023	7,323,007
Liabilities and shareholders' equity					
Bank borrowings	18	200,119	-	200,119	-
Deposits from customers	17	10,483,743	7,562,410	10,483,743	7,562,410
Other borrowings	18	-	50,004	-	50,004
Trade payables	19	4,442	4,658	-	-
Other payables	20	89,588	88,581	103,500	102,489
Provision for taxation and zakat		83,581	27,619	83,532	27,568
Recourse obligation on loans sold to Cagamas Berhad	21	964,093	1,000,610	964,093	1,000,610
Deferred tax liabilities	22	19,256	17,704	2,201	575
Total liabilities		11,844,822	8,751,586	11,837,188	8,743,656
Share capital	23	700,298	700,172	700,298	700,172
Share premium	23	497,252	497,169	497,252	497,169
Share option reserve		2,085	-	2,085	-
Capital reserve		17,838	17,838	17,838	17,838
Capital redemption reserve		12,486	12,486	12,486	12,486
Accumulated losses		(848,837)	(675,101)	(824,524)	(646,312)
Total equity		381,122	552,564	405,435	581,353
Total liabilities and shareholders' equity		12,225,944	9,304,150	12,242,623	9,325,009

Statements of Comprehensive Income For The Year Ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	24	769,940	537,959	745,469	490,751
Interest income Interest expense	25 26	319,068 (142,552)	312,957 (151,210)	307,167 (142,552)	304,428 (151,210)
Net interest income		176,516	161,747	164,615	153,218
Net income from Islamic banking operations	44	173,918	68,537	173,918	68,537
Operating income Other income	27	350,434 91,154	230,284 74,414	338,533 78,293	221,755 33,846
Net income Other operating expenses	28	441,588 (121,957)	304,698 (114,485)	416,826 (101,583)	255,601 (61,817)
Operating profit Allowance for impairment losses on loans, advances and financing	31	319,631 (112,234)	190,213 (109,898)	315,243 (112,234)	193,784 (109,898)
Profit before taxation and zakat Taxation Zakat	32	207,397 (60,848) (524)	80,315 (22,573) (539)	203,009 (60,936) (524)	83,886 (22,647) (539)
Profit for the year Other comprehensive income		146,025 -	57,203 -	141,549 -	60,700 -
Total comprehensive income for the year		146,025	57,203	141,549	60,700
Earnings per share (sen) Basic Diluted	33 (a) 33 (b)	20.85 20.77	8.17 8.17		



Group	<	¢	Non Distri	butable	·····>		
					Capital Redemption Reserve -		
				Share	Redeemable Cumulative		
	Ordinary	Share	Capital	Option		Accumulated	
	Shares	Premium	Reserve	Reserve	Shares	Losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	700,172	497,169	17,838	-	12,486	(716,550)	511,115
Net profit for the year	-	-	-	-	-	57,203	57,203
Dividend (Note 34)		-	-		-	(15,754)	(15,754)
At 31 December 2009 Effects of adopting FRS 139	700,172	497,169 -	17,838 -	- -	12,486 -	(675,101) (298,785)	552,564 (298,785)
Total comprehensive income	700,172	497,169	17,838	-	12,486	(973,886)	253,779
for the year Dividend (Note 34)	-	-	-	-	-	146,025 (21,005)	146,025 (21,005)
Share options granted under ESOS recognised in income statement	-	-	-	2,141	-	-	2,141
Issue of ordinary shares pursuant to ESOS	126	83	-	(27)	-	-	182
Transfer of share option reserve to accumulated losses upon							
forfeiture of share options	-	-	-	(29)	-	29	-
At 31 December 2010	700,298	497,252	17,838	2,085	12,486	(848,837)	381,122

Capital reserve arose out of the transfer of the reserves of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

Company	<	¢	Non Distril	butable …	····>		
					Capital		
					Redemption		
					Reserve -		
					Redeemable		
				Share	Cumulative		
	Ordinary	Share	Capital	Option	Preference	Accumulated	
	Shares	Premium	Reserve	Reserve	Shares	Losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	700,172	497,169	17,838	_	12,486	(691,258)	536,407
Net profit for the year	-	_	-	_	-	60,700	60,700
Dividend (Note 34)		-	-		-	(15,754)	(15,754)
At 31 December 2009	700,172	497,169	17,838	_	12,486	(646,312)	581,353
Effects of adopting FRS 139	-	-	-	-	-	(298,785)	(298,785)
	700,172	497,169	17,838	-	12,486	(945,097)	282,568
Total comprehensive income							
for the year Dividend (Note 34)	-	-	-	-	-	141,549 (21,005)	141,549 (21,005)
Share options granted under ESOS						(21,003)	(21,003)
recognised in income statement	-	-	-	2,141	-	-	2,141
Issue of ordinary shares pursuant to ESOS	126	83	_	(27)	_	_	182
Transfer of share option reserve to accumulated losses upon	120	03		(27)			102
forfeiture of share options	-	-	-	(29)	-	29	-
At 31 December 2010	700,298	497,252	17,838	2,085	12,486	(824,524)	405,435

Capital reserve arose out of the transfer of the reserves of Malaya Borneo Building Society Limited as at 29 February 1972 to the Company on 1 March 1972 via a Scheme of Arrangement and is not distributable as cash dividends.

Capital redemption reserve arose out of the redemption of redeemable cumulative preference shares and is not distributable as cash dividends.

Statements of Cash Flows For The Year Ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities	207.207	00.245	202.000	02.004
Profit before taxation	207,397	80,315	203,009	83,886
Adjustments for:				
Depreciation: - investment properties	48	66		
- property, plant and equipment	6,780	7,030	1,993	1,570
Amortisation:	0,700	7,030	1,995	1,570
- land use rights	165	165	_	_
- intangible assets	366	895	338	859
Gain on disposal of property, plant and equipment	(7)	(1,608)	(7)	(18)
Gain on disposal of investment properties	-	(78)	-	-
Gain on disposal of foreclosed properties	(200)	(65)	(200)	(65)
Gain on disposal of inventories	(190)	(2,000)	(190)	-
Impairment loss on:				
- investments in subsidiaries	-	-	1,324	1,270
- foreclosed properties	6,710	-	6,710	-
Allowance for impairment of:				
- amount due from/loans to subsidiaries	-	-	9,480	(221)
- other receivables	19,164	18,110	-	-
- trade receivables	-	1,531	-	-
Allowance for losses on loans and financing, net of reversals	-	109,898	-	109,898
Interest/income-in-suspense, net of recoveries and write offs	112 224	394,054	112 224	421,486
Allowance for impairment losses on loans and financing Share options granted under ESOS	112,234	-	112,234	-
Share options granted under £303	2,141		2,141	
Operating profit before working capital changes	354,608	608,313	336,832	618,665
Increase in loans, advances and financing	(3,143,331)	(1,838,427)	(3,076,536)	(1,858,600)
Decrease in inventories	3,000	28,997	680	-
(Increase)/decrease in receivables	61,811	(17,177)	36,988	(1,411)
Increase in other investments	(156,930)	-	(156,930)	-
Increase in amount due (from)/to subsidiaries	-	-	(804)	778
Increase/(decrease) in bank borrowings	200,119	(305,235)	200,119	(305,235)
Increase in deposits from customers	2,921,333	1,261,029	2,921,333	1,261,029
Increase in payables	790	37,614	1,013	38,807
Proceeds from disposal of foreclosed properties	6,200	283	6,200	283
Cook managested frame (() and in) are quotient	247.600	(224 602)	260.005	(245.604)
Cash generated from/(used in) operations	247,600	(224,603)	268,895	(245,684)
Real property gains tax paid Tax paid	(11 522)	(1)	- (11 E22)	(1)
Tax refund	(11,533) 14	(16,902) 19	(11,533)	(16,888)
Zakat paid	(524)	(308)	(524)	(308)
Landt para	(524)	(500)	(324)	(300)
Net cash generated from/(used in) operating activities	235,557	(241,795)	256,838	(262,881)
5		(= ,)	0,000	(===,00.)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cook flows from investing a stirities				
Cash flows from investing activities	(2.206)	(5.004)	(22.606)	(2.412)
Purchase of property, plant and equipment	(2,306)	(5,894)	(33,606)	(3,412)
Purchase of intangible assets	(1,428)	(618)	(1,428)	(618)
Proceeds from disposal of property, plant and equipment	205	2,700	205	43
Proceeds from disposal of investment properties	-	871	-	-
Proceeds from disposal of inventories	870	-	870	-
No. 1. December 2019	(2.172)	(2.2.1)	(22.222)	(2.222)
Net cash used in investing activities	(2,659)	(2,941)	(33,959)	(3,987)
Cash flows from financing activities				
Repayment of other borrowings	(50,004)	(50,008)	(50,004)	(50,008)
Recourse obligation on loans sold to Cagamas Berhad	(36,517)	1,000,610	(36,517)	1,000,610
Dividends paid - Redeemable Convertible Preference Shares	-	(15,756)	-	(15,756)
Dividends paid - ordinary shares	(21,005)	-	(21,005)	-
Decrease in loans to subsidiaries	(21,003)	_	7,255	31,715
Proceeds from issuance of ordinary shares	182	_	182	-
The court is a second of the court is a second	102		.02	
Net cash (used in)/generated from financing activities	(107,344)	934,846	(100,089)	966,561
·	, ,	, , ,	, ,	
Net increase in cash and cash equivalents	125,554	690,110	122,790	699,693
Cash and cash equivalents at beginning of year	763,275	73,165	751,666	51,973
	,	., .,	,	, -
Cash and cash equivalents at end of year (Note 5)	888,829	763,275	874,456	751,666
			,	,



1. Corporate information

The Company is a public limited liability company, incorporated under the Companies Act, 1965, and domiciled in Malaysia, and listed on Bursa Malaysia Securities Berhad. The registered office of the Company is located at 11th Floor, Wisma MBSB, 48, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur.

The immediate and ultimate holding body of the Company is the Employees Provident Fund Board, a statutory body established in Malaysia.

The principal activities of the Company are the granting of loans on the security of freehold and leasehold properties and provision of retail financing and related services. The principal activities of the subsidiaries are described in Note 12 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 February 2011.

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 ("FRS") 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 2010 as described fully in Note 3.

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below. The financial statements incorporate those activities relating to Islamic business operations which have been undertaken by the Group and by the Company. Islamic business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

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

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

(b) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

(c) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

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

(c) Intangible assets (cont'd.)

(ii) Other intangible assets (cont'd.)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(iii) Software licences

The useful life of software licences is assessed to be finite and is amortised on a straight-line basis over 5 years.

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is provided for 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:

Buildings	2.5%
Building renovation	20.0%
Furniture and equipment	20.0%
Motor vehicles	20.0%
Data processing equipment	20.0%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(e) 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

(iii) Employee share option scheme

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees (including executive directors) other than subsidiaries which are dormant, to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

(f) Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having and appropriate recognised professional qualification and recent experience in the location and category of properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property in carried at fair value.

Investment properties are derecognised when either they have been disposed of when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfer are made to or from investment property only when there is change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

(g) Inventories

Inventories of completed properties are stated at the lower of cost (determined on the specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land, direct costs and appropriate development overheads.

(g) Inventories (cont'd.)

Inventories of land held for sale are stated at the lower of cost (determined on the specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land and direct costs.

Hotel inventories comprising food, beverage and hotel supplies are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reserved. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 and asset exceeds its recoverable amount, the asset 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there have been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(k) 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 loans and receivables and held-to-maturity investments.

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.

ii) Investments held-to-maturity

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and Company have the positive intention and ability to hold the investment to maturity.

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

A financial asset is derecognised when 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.

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 concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase of sell the asset.

(I) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

i) Trade and 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 characteristic. Objective evidence of impairment for 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.

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 receivables becomes uncollectible, it is written off against the allowance account.

(I) Impairment of financial assets (cont'd.)

i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, the previuosly 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.

For loans, refer to Note 3(a)(ii)

(m) 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, within the scope of FRS 139, 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.

The Group's and the Company's financial liabilities include deposits from customers, trade payables, other payables, bank borrowings and recourse obligations on loans sold to Cagamas Berhad.

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

Deposits from customers, bank and financial institutions are stated at placement values.

Bank borrowings and recourse obligations on loans sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowing are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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 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.

(n) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) 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.

(p) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidential to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(q) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and profit from operations of Islamic business

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis using the effective interest method. Profit from the Islamic business operations is recognised on an accrual basis in accordance with the principles of Shariah.

(ii) Sale of properties

Revenue from sale of completed properties is recognised upon transfer of significant risks and rewards of ownership to the buyer.

(iii) Fee income

Loan arrangement fees and commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment fees are recognised as income based on time apportionment.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(v) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vi)Other income

Revenue from rental of hotel rooms, sale of food and beverage, group tours and hotel arrangements, are recognised upon invoices being issued and services rendered.

(s) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. Changes in accounting policies

(a) Revised FRSs, amendment to FRSs and Interpretations adopted in the current financial year

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

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 Presentation of Financial Statements (Revised)

FRS 123 Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127

Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments:

Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

Improvements to FRSs issued in 2009

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions

IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts, IC Interpretation 13 Customer Loyalty Programmes and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

(i) FRS 101: Presentation of Financial Statements (FRS 101)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 39).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

3. Changes in accounting policies (cont'd.)

- (a) Revised FRS, amendment to FRS and Interpretations adopted in the current financial year (cont'd.)
 - (ii) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below.

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans, advances and financing. Prior to the adoption of FRS 139, specific allowances are made for bad and doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. In the case of loans, advances and financing are in arrears for six (6) months or more and where the estimated realisable value of the collateral is lower than the principal amount outstanding, specific allowances equivalent to the deficit were made. In addition, a general allowance based on a percentage of loans, advances and financing is also made to cover possible losses which are not specifically identified. An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, where in the judgement of the management, there is no prospect of recovery.

Upon the adoption of FRS 139, the Group and Company assesses at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

The Group and Company first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loans is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

As at 1 January 2010, The Group and the Company have remeasured the individual and collective impairement provisions for loans, advances and financing as of that date in accordance with FRS 139 and the differences is recognised as adjustments to the opening balance of accumulated losses as of that date.

(iii) Interest income recognition

FRS 139 prescribes that loans and receivables are measured at amortised cost using the effective interest method instead of the interest income being recognised based on contractual interest rates. Upon the full adoption of FRS 139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

In addition, prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

As at 1 January 2010, The Group and the Company have remeasured the interest income receivable in accordance with FRS 139 and the differences is recognised as adjustments to the opening balance of accumulated losses as of that date.

3. Changes in accounting policies (cont'd.)

(a) Revised FRS, amendment to FRS and Interpretations adopted in the current financial year (cont'd.)

(iv) Restatement due to day-one effect of FRS 139 on opening balances

Group RM'000	As previously stated	Effect of FRS 139	As restated
At 1 January 2010 Accumulated losses Loans, advances and financing	675,101 8,118,452	298,785 (298,785)	973,886 7,819,667
Company RM'000	As previously stated	Effect of FRS 139	As restated
At 1 January 2010 Accumulated losses Loans, advances and financing Effects arising from the changes in accounting policies due to adoption of FRS 139	646,312 8,203,596	298,785 (298,785)	945,097 7,904,811
Group RM'000	Pre FRS 139	Effect of FRS 139	Post FRS 139
At 31 December 2010 Net profit of the year	188,577	(42,552)	146,025
Company RM'000	Pre FRS 139	Effect of FRS 139	Post FRS 139
At 31 December 2010 Net profit of the year	184,101	(42,552)	141,549

(b) Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning
Description	on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132 Classification of Rights Issues	1 March 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011

Effective for annual

3. Changes in accounting policies (cont'd.)

(b) Standards issued but not yet effective (cont'd.)

	periods beginning
Description	on or after
Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2 Group Cash settled share-based payment Transactions	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
TR 3 Guidance on Disclosure of Transition to IFRSs	1 January 2011
TR i-4 Shariah Compliant Sale Contract	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 - Prepayments of a Minimum Funding Requirements	1 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
FRS 124 Related Party Disclosures	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

Revised FRS Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of contol and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

IC Interpretation 15 Agreements for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from expenses from the sale of real estate unit should be recognised if and agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the prosess of making an assessment of the impact of this Interpretation.

4. Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amount recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the provision of services or for administration purposes. If these properties could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the provision of services or for administration purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key sources of estimation uncertainty

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

(i) Impairment of the loans and receivables

The assessment for impairment performed by the management on impaired loans is based primarily on conditions prevailing and information available about the counterparty's financial position, fair value of the underlying collaterals and future recoverable cash flows in workout/restructuring arrangements.

Inherently, this assessment is subject to a significant degree of judgement and is heavily dependent on the estimates of collateral values and recoverable cash flows.

(ii) Employee benefits

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 23.

5. Cash and short term funds

Cash at banks and on hand Short term deposits with licensed banks Cash and short term funds, being the cash and cash equivalents for the purpose of the consolidated statement of cash flow

Gro	up	Company			
2010	2009	2010	2009		
RM'000	RM'000	RM'000	RM'000		
40,470	26,372	26,206	14,869		
848,359	736,903	848,250	736,797		
888,829	763,275	874,456	751,666		

Included in cash at banks of the Group is an amount of RM4,047,000 (2009: RM3,851,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

Short-term deposits are made for varying periods of between four days and three years depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2010 for the Group and the Company was 3.30% (2009: 2.19%).

Group

27,684

(1)

(744)

26,939

26,153

3,234

(1,688)

27,684

(15)

6. Trade receivables

Balance as at 1 January

Reversal of impairment losses: Rental from third parties

Completed properties

Charge for the year: Complete properties

	2010 RM'000	2009 RM'000
Third parties Less: Allowance for impairment	28,121 (26,939)	30,982 (27,684)
Less. Allowance for impairment	(20,939)	(27,004)
Trade receivables, net	1,182	3,298
Movements in allowance for impairment are as follows:		
	Gro	un
	2010	2009
	RM'000	RM'000

Included in trade receivables are retention sums on contracts amounting to RM59,000 (2009:RM59,000). The Group has no significant concentration of credit risk within trade receivables that may arise from exposures to a single debtor or to groups of debtors.

Trade receivables are non-interest bearing and are generally on 7 to 30 day (2009:7 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

7. Other receivables

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured advances in respect of certain projects Loan commitment fees Amount due from subsidiaries Interest waived under a restructuring scheme Foreclosed properties Sundry receivables	200,576 8,740 - - 86,806 51,645	180,666 8,740 - 40,578 45,021 38,684	8,740 65,991 - 86,806 58,284	8,740 66,046 40,578 45,021 44,750
Less: Allowance for impairment	347,767 (160,131)	313,689 (187,057)	219,821 (59,308)	205,135 (106,063)
	187,636	126,632	160,513	99,072

Movements in allowance for impairment are as follows:

	Gro	up	Comp	any
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	187,057	173,513	106,063	108,320
Charge for the year:				
Foreclosed properties	7,190	1,645	7,190	1,645
Unsecured advances in respect of certain projects	18,970	10,943	7,130	1,045
· · · · · · · · · · · · · · · · · · ·	10,970	•		056
Sundry receivables	-	956	-	956
Reversal of impairement losses:				
Amount due from subsidiaries	-	-	(859)	(4,858)
Written off:				
Sundry receivables	(11,153)	-	(11,153)	-
Foreclosed properties	(1,355)	-	(1,355)	-
Interest waived under a restructuring scheme	(40,578)	-	(40,578)	-
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	160,131	187,057	59,308	106,063

Details of allowance for impairment are as follows:

Unsecured advances in respect of certain projects	
Loan commitment fees	
Amount due from subsidiaries	
Interest to be waived under a restructuring scheme	2
Sundry receivables	
Foreclosed properties	

Group Company			oany	
2010	2009	2010 20		
RM'000	RM'000	RM'000	RM'000	
128,553	113,814	-	-	
8,718	8,718	8,718	8,718	
-	-	31,961	32,820	
-	40,578	-	40,578	
10,389	17,311	6,158	17,311	
12,471	6,636	12,471	6,636	
160,131	187,057	59,308	106,063	

7. Other receivables (cont'd.)

The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company.

The amounts due from subsidiaries are unsecured, bear interest of 3.39% (2009:3.36%) per annum and have no fixed terms of repayment.

Included in sundry receivables of the Group and of the Company are rental deposits paid to ultimate holding body amounting to RM75,000 (2009:RM104,000).

The Group has no significant concentration of credit risk within other receivables that may arise from exposure to a single debtor or to groups of debtors other than the unsecured advances in respect of certain projects.

8. Inventories

	Group		Comp	any
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At cost:				
Hotel inventories	160	160	-	-
At net realisable value:				
Inventories of completed properties	-	3,000	-	-
Land held for sale	121,620	122,300	41,096	41,776
	121,620	125,300	41,096	41,776
Total inventories	121,780	125,460	41,096	41,776

The cost of inventories recognised as an expense was RM974,000 (2009: RM26,987,000).

Included in the inventories are land previously acquired for development with the following carrying amounts:

	Group and	Company
	2010	2009
	RM'000	RM'000
Title registered under the name of a subsidiary	8,197	8,200
Pending transfer of title from a third party	-	680
	8.197	8.880

9. Loans, advances and financing

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
End finance:				
Normal housing programme	3,910,292	4,006,731	3,910,475	4,007,060
Low cost housing programme	21,008	20,329	21,008	20,329
Islamic:				
Property	1,873,299	1,603,197	1,873,299	1,603,197
Personal	3,981,833	1,362,312	3,981,833	1,362,312
Bridging, structured and term loans	4,688,898	4,782,810	4,973,324	5,069,507
Staff loans	22,303	17,183	22,303	17,183
Gross loans, advances and financing	14,497,633	11,792,562	14,782,242	12,079,588
Interest/income-in-suspense	-	(2,966,966)	-	(3,157,777)
Allowance for impairment:				
- General provision	-	(83,224)	-	(83,224)
- Specific provision	-	(623,920)	-	(634,991)
- Collectively assessed	(637,309)	-	(637,309)	-
- Individually assessed	(3,153,794)	-	(3,388,054)	-
Net loans, advances and financing	10,706,530	8,118,452	10,756,879	8,203,596

Included in bridging, structured and term loans granted by the Company in respect of joint venture projects are the following impaired amounts:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Loans to subsidiaries	-	-	59,032	97,284
Loans to joint venture partners	118,191	151,063	118,191	151,063
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	118,191	151,063	177,223	248,347
	· ·	•		

(i) The maturity structure of loans, advances and financing is as follows:

Group		Company	
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000
4,142,519	4,626,896	4,427,128	4,626,896
169,732	157,928	169,732	157,928
595,023	487,477	595,023	487,477
9,590,359	6,520,261	9,590,359	6,807,287
14,497,633	11,792,562	14,782,242	12,079,588
	2010 RM'000 4,142,519 169,732 595,023 9,590,359	2010 2009 RM'000 RM'000 4,142,519 4,626,896 169,732 157,928 595,023 487,477 9,590,359 6,520,261	2010 2009 2010 RM'000 RM'000 RM'000 4,142,519 4,626,896 4,427,128 169,732 157,928 169,732 595,023 487,477 595,023 9,590,359 6,520,261 9,590,359

9. Loans, advances and financing (cont'd.)(ii) Loans, advances and financing according to purpose are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Purchase of residential properties	5,544,938	5,358,558	5,544,938	5,358,558
Purchase of non-residential properties	276,520	288,362	276,520	288,362
Personal use	3,987,460	1,363,160	3,987,460	1,363,160
Property development	4,571,137	4,685,178	4,855,746	4,972,204
Working capital	90,900	97,304	90,900	97,304
Others	26,678	-	26,678	-
	14,497,633	11,792,562	14,782,242	12,079,588

(iii) Loans, advances and financing according to type of customer are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	90,900	97,304	90,900	97,304
Domestic business enterprises:				
- Small medium enterprises	4,474,231	4,621,113	4,758,840	4,908,139
- Others	123,584	64,065	123,584	64,065
Individuals	9,808,918	7,010,080	9,808,918	7,010,080
	14,497,633	11,792,562	14,782,242	12,079,588

(iv) Loans, advances and financing according to interest/profit rate sensitivity are as follows:

	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Fixed rate: Personal financing Variable rate: Cost of fund plus	3,987,460	1,363,160	3,987,460	1,363,160
	10,510,173	10,429,402	10,794,782	10,716,428
	14,497,633	11,792,562	14,782,242	12,079,588

Group

Company

9. Loans, advances and financing (cont'd.)

(v) Movements in the impaired loans, advances and financing are as follows:

	Group		Comp	Company	
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January	5,125,494	4,998,919	5,412,194	5,287,488	
Classified as impaired during the year	695,423	1,309,627	693,149	1,307,758	
Reclassified as non-impaired	(591,606)	(552,259)	(591,606)	(552,259)	
Amount recovered	(72,499)	(211,322)	(72,499)	(211,322)	
Amount written off	(248,823)	(419,471)	(248,823)	(419,471)	
Balance as at end of year	4,907,989	5,125,494	5,192,415	5,412,194	
Interest/income in suspense	-	(2,966,966)	-	(3,157,777)	
Specific allowances	-	(623,920)	-	(634,991)	
Allowance for impairment	(3,225,653)	-	(3,459,913)	-	
Net impaired loans, advances and financing	1,682,336	1,534,608	1,732,502	1,619,426	
Net impaired loans as a percentage of net loans,					
advances and financing	16%	19%	16%	20%	

(vi) Movements in the allowance for impairment are as follows:

	Group and Company	
	2010	2009
	RM'000	RM'000
Collective impairment		
Balance as at 1 January	-	-
- effects of FRS 139 adoption	591,346	-
- as restated	591,346	-
Written off	(27)	-
Impairment during the year	45,990	-
Balance as at end of year	637,309	-

Loans, advances and financing (cont'd.)
 (vi) Movements in the allowance for impairment are as follows: (cont'd.)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Individual Impairment				
Balance as at 1 January	-	-	-	-
- effects of FRS 139 adoption	3,337,327	-	3,571,587	-
- as restated	3,337,327	-	3,571,587	-
Impairment during the year	64,828	-	64,828	-
Written off	(248,361)	-	(248,361)	-
Recovered and written back	-	-	-	-
Balance as at end of year	3,153,794	-	3,388,054	-

(vii) Movements in the allowance for bad and doubtful debts are as follows:

	Group and Company	
	2010	2009
	RM'000	RM'000
General Allowance		
Balance as at 1 January	83,224	69,460
- effects of FRS 139 adoption	(83,224)	-
51.500 51.10 153 444 F 151.	(00)== 1)	
- as restated	_	69,460
Allowance made during the year	_	13,764
/ mortalize made daring the year		13,701
Balance as at end of year	_	83,224
balance as at end of year		03,227
General allowance % of gross loans, advances and		
		10/
financing less specific allowance	-	1%

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Specific Allowance				
Balance as at 1 January	623,920	548,134	634,991	555,205
- effects of FRS 139 adoption	(623,920)	-	(634,991)	-
- as restated	-	548,134	-	555,205
Allowance made during the year	-	126,728	-	126,728
Recovered and written back	-	(50,942)	-	(46,942)
Balance as at end of year	-	623,920	-	634,991

9. Loans, advances and financing (cont'd.)

(vii) Movements in the allowance for bad and doubtful debts are as follows: (cont'd.)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest/income-in-suspense				
Balance as at 1 January	2,966,966	2,978,111	3,157,777	3,141,494
- effects of FRS 139 adoption	(2,966,966)	-	(3,157,777)	-
- as restated	-	2,978,111	-	3,141,494
Allowance made during the year	-	465,606	-	493,034
Recovered and written back	-	(476,751)	-	(476,751)
Balance as at end of year	-	2,966,966	-	3,157,777

The Group's and Company's loans, advances and financing are mainly collateralised by properties. The value of collateral held in respect of its past due loans, advances and financing are as follows:

	Group and Company		
	2010	2009	
	RM'000	RM'000	
End finance and islamic property Bridging, structured and term loans	6,220,695 2,016,736	6,152,367 1,767,839	
	8,237,431	7,920,206	

10. Investments held-to-maturity

	2010 RM'000	2009 RM'000
Unquoted Private Debt Securities ("PDS") Unquoted Redeemable Convertible Secured Loans Stock,	200,000	-
("RCSLS"), at nominal value	-	43,070
	200,000	43,070

Group and Company

11. Loans to subsidiaries

	Group and Company		
	2010	2009	
	RM'000	RM'000	
Secured	41,347	39,970	
Unsecured	128,427	126,720	
	460 774	466.600	
	169,774	166,690	
Less: Allowance for impairment	(80,112)	(69,773)	
	89,662	96,917	

Movements in allowance for impairment are as follows:

	Company		
	2010	2009	
	RM'000	RM'000	
Balance as at 1 January	69,773	89,169	
Charge for the year:			
Secured	1,375	352	
Unsecured	8,964	2,483	
Reversal of impairment losses :			
Secured	-	(22,231)	
	80,112	69,773	

Details of allowance for impairment are as follows:

	Company	
	2010	2009
	RM'000	RM'000
Secured	32,160	30,785
Unsecured	47,952	38,988
	·	,
	80,112	69,773

The loans to subsidiaries are repayable on demand.

The secured loans are secured against landed properties.

The weighted average effective annual interest rates of loans to subsidiaries at the balance sheet date was 3.39% (2009: 3.36%) per annum.

12. Investments in subsidiaries

Unquoted shares at cost Less: Accumulated impairment losses

Company						
2010	2009					
RM'000	RM'000					
210,805 (141,758)	210,805 (140,434)					
69,047	70,371					

Details of the subsidiaries are as follows:

	Effective Inter	rest Held (%)	
Name of Subsidiaries	2010	2009	Principal Activities
MBSB Properties Sdn. Bhd.	100	100	Letting of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd.	92	92	Property development
Sigmaprise Sdn. Bhd.	100	100	Hotel operations
Gadini Sdn. Bhd.	100	100	Property development
Ganesha Sdn. Bhd.	100	100	Property development
Springtide Sdn. Bhd.	100	100	Property development
Trimonds Sdn. Bhd.	100	100	Investment holding
MBSB Project Management Sdn. Bhd.	100	100	Ceased operations
Definite Pure Sdn. Bhd.	100	100	Dormant
Malaya Borneo Building Society Limited ("MBBS") *	100	100	Dormant
Farawide Sdn. Bhd.	100	100	Hotel operations services
Raynergy Sdn. Bhd.	100	100	Dormant
Idaman Usahamas Sdn. Bhd.	100	100	Dormant

 $^{^{\}ast}$ $\,$ Audited by a firm of auditors other than Ernst & Young.

All the above subsidiaries are incorporated in Malaysia except for MBBS which is incorporated in Singapore.

13. Investment in properties

	Gro	oup
	2010	2010
	RM'000	RM'000
At cost:		
At 1 January	1,473	2,330
Less: Depreciation (Note 28)	(48)	(66)
Less: Disposals	-	(791)
At 31 December	1,425	1,473

Valuation of investment properties

Pending subdivision of titles

Charged to the ultimate holding body (a)

Investment properties are measured at cost, including transaction costs. The fair value of the investment properties as at 31 December 2010 amounted to approximately RM2,664,000 (2009: RM2,664,000), which has been determined based on valuations at 22 December 2009, 24 December 2009 and 30 December 2009 respectively. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method that involves the comparison of recent sales of similar properties in the area.

Included in investment properties of the Group are the following properties at net book value which are:

At net book value						
Group						
2010	2009					
RM'000	RM'000					
510	531					
396	401					

(a) As at 31 December 2010, loans from ultimate holding body, EPF have been fully repaid.

14. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000
Cost At 1 January 2010 Additions Disposals Reversal/Reclassification	26,412 - (162) -	167,061 - (144) -	16,439 671 (16) -	21,252 1,024 (108)	784 151 (76) -	12,757 460 (513) 11	244,705 2,306 (1,019) 11
At 31 December 2010	26,250	166,917	17,094	22,168	859	12,715	246,003
Accumulated depreciation and impairment losses At 1 January 2010: Accumulated depreciation Accumulated impairment losses	- 371 371	50,170 40,793 90,963	10,683 - 10,683	19,232 - 19,232	521 521	11,307 - 11,307	91,913 41,164 133,077
Depreciation charge for the year	-	3,639	1,550	975	137	479	6,780
Disposals	-	(107)	-	(50)	-	(511)	(668)
At 31 December 2010	371	94,495	12,233	20,157	658	11,275	139,189
Analysed as: Accumulated depreciation Accumulated impairment losses	- 371	53,724 40,771	12,233 -	20,157	658 -	11,275 -	98,047 41,142
·	271		12.222	20.157	650	11 275	
	371	94,495	12,233	20,157	658	11,275	139,189
Net book value At 31 December 2010	25,879	72,422	4,861	2,011	201	1,440	106,814

Cost At 1 January 2009 Additions	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Total RM'000 240,316 5,894
Disposals	(606)	(753)	-	(4)	(142)	-	(1,505)
At 31 December 2009	26,412	167,061	16,439	21,252	784	12,757	244,705
Accumulated depreciation and impairment losses At 1 January 2009: Accumulated depreciation Accumulated impairment losses	371 371	45,921 40,793 86,714	9,570 - 9,570	18,425 - 18,425	547 - 547	10,834	85,297 41,164 126,461
Depreciation charge for the year Disposals	- -	4,520 (271)	1,113 -	808 (1)	116 (142)	473 -	7,030 (414)
At 31 December 2009	371	90,963	10,683	19,232	521	11,307	133,077
Analysed as: Accumulated depreciation Accumulated impairment losses	- 371	50,170 40,793	10,683 -	19,232 -	521 -	11,307 -	91,913 41,164
	371	90,963	10,683	19,232	521	11,307	133,077
Net book value At 31 December 2009	26,041	76,098	5,756	2,020	263	1,450	111,628

Company				Furniture		Data	
	Freehold		Building	and	Motor	processing	
	land	Buildings	renovation	equipment	vehicles	equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2010	10,588	8,542	6,239	7,490	668	11,806	45,333
Additions	9,968	18,579	3,798	803	-	458	33,606
Disposals	(162)	(144)	(16)	(108)	-	(511)	(941)
Reversal/Reclassification	` -	` _	` -	` -	-	11	11
At 31 December 2010	20,394	26,977	10,021	8,185	668	11,764	78,009
Accumulated depreciation and impairment losses							
At 1 January 2010:							
Accumulated depreciation	-	897	3,311	5,958	379	10,625	21,170
Accumulated impairment losses	-	6,506	-	-	-	-	6,506
	-	7,403	3,311	5,958	379	10,625	27,676
Depreciation charge for the year	-	210	782	470	100	431	1,993
Disposals	-	(107)	-	(50)	-	(511)	(668)
At 31 December 2010	-	7,506	4,093	6,378	479	10,545	29,001
Analysed as:							
Accumulated depreciation	_	1,022	4,093	6,378	479	10,545	22,517
Accumulated impairment losses	_	6,484	7,075	0,570	- 775	10,545	6,484
Accumulated impairment losses		0,404	-	-	-	-	0,404
	-	7,506	4,093	6,378	479	10,545	29,001
Net book value							
At 31 December 2010	20,394	19,471	5,928	1,807	189	1,219	49,008

Cost At 1 January 2009 Additions Disposals	Freehold land RM'000	Buildings RM'000	Building renovation RM'000 4,357 1,882	Furniture and equipment RM'000 6,665 829 (4)	Motor vehicles RM'000 495 212 (39)	Data processing equipment RM'000	Total RM'000 41,964 3,412 (43)
At 31 December 2009	10,588	8,542	6,239	7,490	668	11,806	45,333
Accumulated depreciation and impairment losses At 1 January 2009: Accumulated depreciation Accumulated impairment losses	- -	684 6,506 7,190	2,781 - 2,781	5,636 - 5,636	325 - 325	10,214 - 10,214	19,640 6,506 26,146
Depreciation charge for the year Disposals	- -	213 -	530 -	323 (1)	93 (39)	411 -	1,570 (40)
At 31 December 2009	_	7,403	3,311	5,958	379	10,625	27,676
Analysed as: Accumulated depreciation Accumulated impairment losses	- - -	897 6,506 7,403	3,311 - 3,311	5,958 - 5,958	379 - 379	10,625 - 10,625	21,170 6,506 27,676
Net book value At 31 December 2009	10,588	1,139	2,928	1,532	289	1,181	17,657

Included in freehold land and buildings are the net book value of properties which are:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Pending subdivision of titles	1,023	6,006	248	257
Charged to the ultimate holding body	35,401	36,746	-	200

15. Land use rights

	Group	
	2010	2009 RM'000
At 1 January Amortisation for the year (Note 28)	9,951 (165)	10,116 (165)
At 31 December	9,786	9,951
Amount to be amortised: More than 5 years	9,786	9,951
Included in land use rights are the net book value of properties which are:		
	Gr	oup
	2010 RM'000	2009 RM'000
Charged to the ultimate holding body	3,930	3,953

16. Intangible assets

	Group		Comp	any
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Software licences				
At 1 January	911	1,188	884	1,125
Additions	1,428	618	1,428	618
Reclassification	(11)	-	(11)	-
Less: Amortisation (Note 28)	(366)	(895)	(339)	(859)
At 31 December	1,962	911	1,962	884

17. Deposits from customers

	Group and	Company
	2010 RM'000	2009 RM'000
By type of products:		
Savings	31,223	28,079
Fixed deposits	10,452,520	7,534,331
	10,483,743	7,562,410
By type of customers:		
Government and statutory bodies	2,813,014	3,441,550
Business enterprises	6,372,195	2,832,146
Individuals	1,266,630	1,255,030
Others	31,904	33,684
	10,483,743	7,562,410

18. Bank and other borrowings

	Group and
	2010
	RM'000
Short Term Borrowings	
Bank borrowings	200,119
Secured debenture loans	-
T + 10	
Total Borrowings	200.110
Bank borrowings	200,119
Secured debenture loans	
Secured depending loans	
Maturity of borrowings:	
Within one year	200,119
Michill One year	200,119
	200.110
	200,119

The weighted average effective annual interest rates of borrowings at the balance sheet date were as follows:

	Group and	Group and Company	
	2010	2009	
	%	%	
Bank borrowings	3.45	-	
Debenture loans	-	3.28	

Bank borrowings represent unsecured revolving credit and interest charged on these borrowings from licensed commercial banks based on the lenders' cost of funds plus 0.50% .The bank borrowings are due within one year.

The debenture loans were provided by the Employees Provident Fund Board. These debenture loans were secured by way of a first floating charge on the Company's assets except for assets arising from the Low Cost Housing Finance Programme and the Public Low Cost Housing Programme.

19. Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 (2009: 30 to 60) days.

20. Other payables

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Consultants' and contractors'				
fee payable	583	583	583	583
Due to subsidiaries	-	-	17,891	17,893
Deposit for disposal of				
properties for sale	2,000	2,000	-	-
Deposit for disposal of				
foreclosed properties	828	828	828	828
Others	86,177	85,170	84,198	83,185
	89,588	88,581	103,500	102,489

The amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

21. Recourse obligation on loans sold to Cagamas Berhad

	Group and Company	
	2010 RM'000	2009 RM'000
Mature within 12 months Mature after 12 months	47,004 917,089	46,104 954,506
	964,093	1,000,610

These amounts relate to proceeds received from conventional housing loans sold to Cagamas Berhad with recourse to the Company. Under the agreement, the Company undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined criteria.

22. Deferred taxation

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	17,704	1,203	575	(16,000)
Recognised in the income statement (Note 32)	1,552	16,501	1,626	16,575
At 31 December	19,256	17,704	2,201	575
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	19,256	17,704	2,201	575
	19,256	17,704	2,201	575

22. Deferred taxation (cont'd.)

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

Deferred tax (assets)/liabilities of the Group:

beterred tax (assets)/mashines of the Group.		Fair value adjustment arising from	Droporty		
	Unused	business	Property, plant and		
	tax losses RM'000	combination RM'000	equipment RM'000	Others RM'000	Total RM'000
At 1 January 2010 Recognised in income statement	- -	16,679 (74)	575 1,626	450 -	17,704 1,552
At 31 December 2010	_	16,605	2,201	450	19,256
At 1 January 2009 Recognised in income statement	(16,000) 16,000	16,753 (74)	- 575	450 -	1,203 16,501
At 31 December 2009	-	16,679	575	450	17,704

Deferred tax (assets)/liabilities of the Company:

	Unused tax losses RM'000	Accelerated capital allowances RM'000	Total RM′000
At 1 January 2010 Recognised in income statement	-	575 1,626	575 1,626
At 31 December 2010	-	2,201	2,201
At 1 January 2009 Recognised in income statement	(16,000) 16,000	- 575	(16,000) 16,575
At 31 December 2009	-	575	575

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

	Group		Comp	any
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Unused tax losses	129,361	139,994	-	-
Allowance for impairment	130,772	164,853	259,068	283,448
Impairment losses on inventories of land held for sale	66,076	66,368	49,023	49,317
Collective impairment/General provision	70,365	40,631	112,352	83,224
Unabsorbed capital allowances	19,316	15,367	-	6,506
Others	49,716	33,818	32,681	9,260
	465.606	461.031	453.124	431.755

22. Deferred taxation (cont'd.)

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Company's dormant subsidiaries are subject to no substantial changes in shareholdings of the Company and of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act, 1967.

23. Share capital

	Number of Shares			
	of RM1.00 Each		Amount	
	2010	2009	2010	2009
	Units'000	Units'000	RM'000	RM'000
Authorised:				
- Ordinary Shares				
At 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
- Redeemable Cumulative Preference Shares				
At 1 January/31 December	300,000	300,000	300,000	300,000
- Redeemable Convertible Preference Shares ("RCPS")				
At 1 January/31 December	500,000	500,000	500,000	500,000
	1 000 000	4 000 000		1 000 000
	1,800,000	1,800,000	1,800,000	1,800,000
	Number	of Shares		
	of RM1.00 Each		Amount	
	2010	2009	2010	2009
	Units'000	Units'000	RM'000	RM'000
Issued and fully paid:				
- Ordinary Shares	700 170	700 170	700 170	700 170
At 1 January	700,172	700,172	700,172	700,172
Issued during the year:	126		126	
Issued for cash pursuant to ESOS	126	-	126	-
At 31 December	700,298	700,172	700,298	700,172

23. Share capital (cont'd.)

(a) Employee Share Option Scheme ("ESOS")

The Malaysia Building Society Berhad's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010. The ESOS was implemented on 12 August 2010 and is to be in force for a period of 5 years from date of implementation.

The salient features of the ESOS are as follows:

- (i) Eligible persons are employees of the Group who are on the payroll of the Group other than a subsidiary which is dormant.
- (ii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.
- (iii) The option price for each share shall be the average of the mean market quotation of the shares of the Company in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer, or the par value of the shares of the Company of RM1, whichever is higher.
- (iv) The actual number of new shares which may be offered to an eligible employee shall be at the discretion of the Option Committee and, subject to any adjustments that may be made under Clause 15 of the by-laws, shall not be less than 200 shares but not more than maximum allowable allocation and shall always be in multiple of 200 shares.
- (v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 12 August 2010 in respect of all or any part of the Company's shares comprised in the option, such part in multiples of 200 shares. Any partial exercise of an option shall not preclude the grantee from exercising the option in respect of the balance of the Company's shares comprised in the option.
- (vi) No option shall be granted to an Executive Director of the Company unless the specific grant of option and the related allotment of the Company's shares to the Executive Director shall have first been approved by the shareholders of the Company in general meeting.

The number of Company's shares allocated, in aggregate, to the Executive Directors and senior management of the Group shall not exceed 50% of the total Company's shares available under the Scheme.

The number of Company's shares allocated to any individual Executive Director or employee who, either singly or collectively through persons connected (which term shall have the same meaning as that assigned to "a person connected with a director" in Section 122A of the Malaysian Companies Act), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total Company's shares available under the Scheme.

- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company
- (viii) In respect of ESOS granted in year ended 31 December 2010, 20% of the options granted are exercisable immediately and the remaining 80% of the options shall become exercisable in subsequent years during the validity of the option provided that the employee has been in continuous service with the Group throughout the period.
- (ix) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

Granted on

23. Share capital (cont'd.)

(b) Movement of ESOS during the financial year

The following table illustrates the number and movements in, ESOS during the year:

	Group			
	2010		2009	
	No.'000	WAEP (RM)	No.'000	WAEP (RM)
Outstanding at 1 January	-	-	-	-
- Granted	49,552	1.45	-	-
- Exercised	(126)	1.45	-	-
- Lapsed	(798)	1.45	-	-
Outstanding at 31 December	48,628	1.45	-	-
Exercisable at 31 December	9,625	1.45	-	_

- The weighted average fair value of options granted during the financial year was RM0.22 (2009: Nil).
- The weighted average share price at the date of exercise of the options excercised during the financial year was RM1.51 (2009: Nil).
- The exercise price for options outstanding at the end of the year was RM1.45 (2009: Nil). The weighted average remaining contractual life for these options is 4.60 years (2009: Nil).

(c) ESOS exercised during the year

ESOS exercised during the financial year resulted in the issuance of 126,000 ordinary shares at an average price of RM1.45 each.

(d) Fair value of ESOS granted during the year

The fair value of ESOS granted in the current year was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	12.08.2010
Fair value per ESOS granted (RM)	0.22
Weighted average share price (RM)	1.44
Weighted average exercise price (RM)	1.45
Expected volatility (%)	20.00
Expected life (years)	5
Risk free rate (%)	3.91%
Expected dividend yield (%)	3%

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

24. Revenue

Revenue of the Company comprises of gross interest income, fee and commission income, other income and income derived from granting of loans for Islamic banking operations as disclosed in Notes 25, 27 and 44 to the financial statements.

Revenue of the Group comprises all types of revenue derived from the business of granting of loans, property development, property management, letting of real property and hotel operations.

25. Interest income

Interest income from:

- Loans, advances and financing
- Investment held to maturity
- Deposits and placements with banks and other financial institutions

Gro	oup	Com	pany
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000
293,411	308,958	281,510	300,429
3,809	-	3,809	-
21,848	3,999	21,848	3,999
319,068	312,957	307,167	304,428

26. Interest expense

Bank borrowings Other borrowings Deposits from customers Loans sold to Cagamas Berhad

Group and Company					
2010	2009				
RM'000	RM'000				
443	3,951				
5,314	6,962				
136,795	136,371				
-	3,926				
142,552	151,210				

27. Other income

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Other revenue:				
Rental income	295	257	48	13
Sale of completed properties	3,288	29,261	-	-
Revenue from hotel operations	9,034	9,173	-	-
Loan agency fees	130	159	130	159
Loan processing fees	55,103	20,683	55,103	20,683
Insurance commission	11,676	7,020	11,676	7,020
Others	1,893	539	1,893	539
Other income:				
Gain on disposal of property, plant and equipment	7	1,608	7	18
Gain on disposal of investment properties	-	78	-	-
Gain on disposal of foreclosed properties	200	65	200	65
Gain on disposal of inventories	190	2,000	190	-
Others	9,338	3,571	9,046	5,349
	91,154	74,414	78,293	33,846

28. Other operating expenses

Personnel expenses (Note 29)
Cost of completed properties sold
Establishment related expenses
Promotion and marketing related expenses
General administrative expenses
Allowance for impairment of investments in subsidiaries
Allowance for impairment of amount due from/loans to subsidiaries
Allowance for impairment of foreclosed properties

Group			Com	oany
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
	59,463	40,769	56,905	38,462
	3,000	28,729	-	-
	6,862	6,578	9,162	8,589
	3,399	1,970	3,205	1,748
	42,523	36,439	14,797	11,969
	-	-	1,324	1,270
	-	-	9,480	(221)
	6,710	-	6,710	-
	121,957	114,485	101,583	61,817

28. Other operating expenses (cont'd.)

Included in other operating expenses are the following:

The second of th	Gro	up	Comp	oany
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Statutory audits	344	223	298	178
Non-audit fees	66	99	25	58
Amortisation:				
- land use rights	165	165	-	-
- intangible assets	366	895	339	859
Depreciation:				
- investment properties	48	66	-	-
- property, plant and equipment	6,780	7,030	1,993	1,570
Directors' remuneration (Note 30)	754	506	754	506
Allowance for impairment of:				
- other receivables	19,164	18,110	-	956
- trade receivables	-	1,531	-	-
Rental of buildings	-	-	6,453	6,233

29. Personnel expenses

	RM'000	RM'000	RM'000	RM'000
Wages and salaries Social security costs	45,641 426	32,588 358	43,610 389	30,706 322
Pension costs: - Employees Provident Fund Voluntary/Mutual Separation Scheme	7,100	5,032 130	6,896	4,849 130
Share options granted under ESOS Other staff related expenses	2,141 4,155	- 2,661	2,141 3,869	- 2,455
	59.463	40.769	56.905	38.462

Company

2009

2010

2009

30. Directors' remuneration

	Group and	Group and Company	
	2010	2009	
	RM'000	RM'000	
Directors of the Company			
Non-Executive: Fees	530	421	
Other emoluments	224	85	
Total	754	506	

30. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following band is as follows:

	Number o	TDirectors
	2010	2009
	RM'000	RM'000
Non-executive directors:		
RM10,000 - RM50,000	-	1
RM50,000 - RM100,000	8	7

31. Allowance for impairment losses on loans, advances and financing

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans, advances and financing:				
- Collective impairment	45,990	-	45,990	-
- Individual impairment	64,828	-	64,828	-
- General allowance	-	13,764	-	13,764
- Specific allowance	-	94,217	-	94,217
- Settlement costs	305	735	305	735
Bad debts on loans and financing				
- Written off	1,111	1,182	1,111	1,182
	112,234	109,898	112,234	109,898

32. Taxation

	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax: Malaysian income tax	62,388	6,272	62,388	6,258
Over provision in prior years: Malaysian income tax	(3,092)	(200)	(3,078)	(186)
	59,296	6,072	59, 310	6,072
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	1,552	15,886	1,626	15,960
Under provision in prior years	-	615	-	615
	1,552	16,501	1,626	16,575
Total income tax expense	60,848	22,573	60,936	22,647

Group

Company

32. Taxation (cont'd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2010 has reflected these changes.

The Company had, in October 2010, submitted an application to Ministry of Finance ("MoF") seeking approval to apply the Guidelines on Income Tax Treatment from Adopting FRS 139 - Financial Instruments: Recognition and Measurement ("Guidelines"). The Guidelines were issued by MoF on 1 April 2008 and are only applicable to financial institutions regulated by Bank Negara Malaysia ("BNM") that are licensed pursuant to the Banking and Financial Institutions Act 1989, or the Islamic Banking Act 1983 or prescribed pursuant to the Development Financial Institutions Act 2002.

Pending the said approval as at the date of this report, provision for tax payable for the financial year ended 31 December 2010 was made without adopting the Guidelines.

If the approval been obtained, provision for tax payable for the financial year ended 31 December 2010 would be revised.

A reconciliation of income tax expense applicable to profit 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	2010 RM'000	2009 RM'000
Profit before taxation	207,397	80,315
Taxation at Malaysian statutory tax rate of 25% (2009: 25%) Effect of income not subject to tax Effect of expenses not deductible for tax purpose Effect of utilisation of previously unrecognised tax losses	51,849 (12,425) 12,149	20,079 (12,433) 13,214
and unabsorbed capital allowances Deferred tax assets not recognised Overprovision of income tax in prior years Underprovision of deferred tax in prior years Recognition of deferred tax on fair value adjustment upon consolidation	395 12,046 (3,092) - (74)	(22,205) 23,577 (200) 615 (74)
Tax income for the year	60,848	22,573
Company		
Profit before taxation	203,009	83,886
Taxation at Malaysian statutory tax rate of 25% (2009: 25%) Effect of expenses not deductible for tax purposes Effect of utilisation of previously unrecognised tax losses and unubsorbed capital allowances	50,752 1,781 -	20,972 2,479 (21,961)
Deferred tax assets not recognised Overprovision of income tax in prior years Underprovision of deferred tax in prior years	11,481 (3,078) -	20,728 (186) 615
Tax income for the year	60,936	22,647

32.	Faxation	(con	t'd.)

Tax savings during the financial year arising from:

RM'000	RM'000	RM'000	RM'000
	21.000		21.061
-	21,989	-	21,961

2000

Company

2000

2010

Group

Utilisation of current year tax losses

33. Earnings per share

(a)Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2010	2009
Net profit for the year (RM'000)	146.025	57,203
Weighted average number of ordinary shares in issue ('000)	700,199	700,172
Basic earnings per share (sen)	20.85	8.17

(b)Diluted

For the purpose of calculating diluted earnings per share, the net profit for the 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. Employee Share Option Scheme ("ESOS").

	2010	2009
Net profit for the year (RM'000)	146,025	57,203
Weighted average number of ordinary shares in issues ('000) Weighted average effect of dilution on ESOS ('000)	700,199 2,927	700,172 -
Adjusted weighted average number of ordinary shares in issue ('000)	703,126	700,172
Diluted earning per share (sen)	20.77	8.17

34. Dividends

Recognised during the year

Final 4.0% less 25% taxation, on 700,171,527 ordinary shares at 31 December 2009

Proposed for approval at AGM

Final 9.0% less 25% taxation, on 700,297,527 ordinary shares at 31 December 2010

Dividends in respect of financial year			Net Dividends per Ordinary Share		
	2010 RM'000	2009 RM'000	2010 Sen	2009 Sen	
	-	21,005	-	3.00	
	47,270	-	6.75	-	
	47,270	21,005	6.75	3.00	

34. Dividends (cont'd.)

Balances

Purchase of land and building

Bridging, structured and term loans

Loans to subsidiaries

Amount due from

End finance loans

Amount due to

At the forthcoming Annual General Meeting, a first and final dividend of 9.0% less 25% taxation (6.75 sen net per ordinary share) in respect of the financial year ended 31 December 2010, will be proposed for shareholders' approval. Based on the issued and paid up share capital as at 31 December 2010 of 700,297,527 ordinary shares, the total dividend payable would amount to RM47,270,083. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2011.

Group

RM'000

RM'000

RM'000

32,000 169,774

252,045

65,991

17,891

229

RM'000

166,716

97,284

66,046

17,893

609

Company

35. Significant related party transactions/balances

(a) Transactions/balances with Employees Provident Fund Board, the ultimate holding body:

	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Expenses Interest on loans Rental paid Agency fees		875 276 1	3,400 299 4	875 276 1	3,400 299 4
Balances Debenture loans	18		50,004	-	50,004
(b) Transactions/balances with subsidiaries:		Grou		Comp	
Income/(Evnences)		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income/(Expenses) Interest charged on loans/advances Interest charged on loans for joint venture projects Interest waived on loans for joint venture projects		-	- - -	18,503 238 (367)	19,744 660
Rental paid			-	(5,458)	(5,223)
		Grou	ıp	Comp	any
	Note	2010	2009	2010	2009

The directors are of the opinion that all the transactions/balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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(c)	The remuneration o	f directors	s and other m	embers of key mana	agement during the v	ear was as follows:

	Group and	d Company
	2010	2009
	RM'000	RM'000
Short-term employee benefits	3,089	2,007
Share-based payment	38	-
	3,127	2,007
	3,127	2,007
Included in the total key management personnel are:		
metaded if the total key management personner are.	Group and	d Company
	2010	2009
	RM'000	RM'000
	MVI 000	INVI 000
Directors' remuneration (Note 30)	754	506
Directors Territaries (Note 30)	/34	300
(d) Transporting and halong an with disasters and low representation		
(d) Transactions and balances with directors and key management:	Croup and	d Company
	2010	2009
	RM'000	RM'000
Income/(expenses)	(<i>(-</i>)
Interest cost incurred on savings and deposits	(21)	(8)
Amount due to in respect of savings and deposits	1,163	459

Executive directors of the Group and other members of key management of the Group and the Company have been granted the following number of options under the Employee Share Option Scheme:

	Group and	d Company
	2010	2009
	RM'000	RM'000
At 1 January	-	-
Granted	875	-
Exercised	(106)	-
Expired	-	
At 31 December	769	-

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

36. Commitments and contingencies				
	Gı	roup	Con	npany
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(i) Operational Commitments				
Loan commitments not provided for in the financial statements:				
End finance	104,870	230,584	104,870	230,584
Islamic	147,824	342,907	147,824	342,907
Bridging, structured and term loans	174,234	175,045	174,234	175,045
	426, 928	748,536	426, 928	748,536
Property development:				
Approved and contracted for	421,528	421,528	1,667	1,667
Total	848,456	1,170,064	428,595	750,203
(ii) Capital Commitments				
Property, plant and equipment:	44014	12.165	44.01.4	12.165
Approved but not contracted for	44,914	12,165	44,914	12,165
(iii) Contingonsies				
(iii) Contingencies				
Fully secured:				
Financial guarantee to secure payments by a borrower	19,405	47,430	19,405	47,430
i mancial guarantee to secure payments by a portower	19,403	77,430	19,403	47,430

The fully secured contingency is secured by way of a fixed charge over the borrower's development project, and a debenture creating a fixed and floating charge over the entire assets of the borrower.

37. Contingent liabilities (Unsecured)

(i) A contractor appointed by one of the Company's borrowers has instituted civil suits against the Company for an alleged breach of contract and is claiming damages amounting to RM2.54 million.

The Court has fixed 14 May 2010 for further Case Management and the trial dates have been fixed from 21 June 2010 to 25 June 2010.

However, the above mentioned dates had been vacated as the contractor's solicitor made an oral application for a stay of trial pending disposal of the contractor's appeal to amend the Writ Summons and Statement of Claim to include negotiations between the contractor and the Company's borrower. No change in the status.

(ii) A creditor of a wound-up unrelated company has alleged that a subsidiary of the Company ("Subsidiary"), together with three (3) other defendants as co-conspirators, were involved in a scheme to sell off a major asset of the unrelated company and had thereafter allowed the 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 good sold and delivered.

The full trial has been completed. The matter has been decided in favour of the Subsidiary. The creditor has filed an appeal on 19 March 2010 against the decision. The appeal is pending a hearing date.

(iii) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting up to RM43.311 million. The Company had terminated the said facility due to the former borrower's breach of facility agreement and had subsequently sold the loan asset to an unrelated company.

On 30 September 2010, the Court dismissed the borrower's claim with costs. The Borrower has filed an appeal on 25 October 2010. The appeal is pending a hearing date.

(iv) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM5 million with interest and costs thereon.

The Company had on 22 May 2009 filed a Notice of Appeal following the Court's dismissal of the Company's application to hold a trial of preliminary issue. No date has been fixed by the Court of Appeal.

On 8 February 2011, the Court has fixed the main suit for trial on 13 and 16 May 2011.

(v) A former borrower of the Company has instituted a civil suit against the Company for an alleged breach of facility agreement and is claiming damages amounting to RM16.136 million with interest and costs thereon.

On 6 May 2009, the Court allowed the Company's application to strike out the Plaintiff's claim with costs.

The borrower's solicitors have filed a Notice of Appeal to the Court of Appeal on 29 May 2009. No hearing date has been fixed as yet.

(vi) The Company had instituted civil suits against the borrower for its failure to repay term loans amounting to RM239 million in relation to uncompleted development projects in Melaka ("Melaka Project") and Penang ("Penang Project").

For the Melaka Project, the borrower has subsequently filed a counterclaim seeking damages amounting to RM453 million against the Company's subsidiary for an alleged breach of contract.

For the Penang Project, the Company's Solicitors have filed the Notice of Appeal to the Court on 15 April 2009 against the Judge in Chambers decision of the Company's application for Summary Judgement on 13 April 2009, which was dismissed with costs.

The parties have entered into a settlement and the above mentioned suits have collectively been withdrawn pursuant to the Deed of Proposed Settlement dated 26 October 2010.

37. Contingent liabilities (Unsecured) (cont'd.)

(vii) A third party and its holding company (collectively "Plaintiffs") have instituted a civil suit against the Company and its subsidiary for an alleged breach of facility agreement.

The Company and its subsidiary had filed its defence and counterclaim in response to the suit. The Company and its subsidiary had also filed an application to strike out the Plaintiff's suit which was dismissed with costs on 24 May 2010. The Company filed the appeal on 4 June 2010 against the said decision. No hearing date has been fixed yet.

The parties are in the midst of negotiations towards settlement.

The Company's application for security for costs against the Plaintiff is fixed on 30 March 2011 for further case management pending settlement.

As for the main suit, the Court has fixed 10 March 2011 for case management pending settlement.

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.

38. Financial Risk Management

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Group's the Company's activities and remains an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group and the Company are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Group's and the Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to the endorsement by the Group Risk Management Division and submitted to Audit & Risk Management Committee ("ARMCO") and/ or Board Committees for approvals.

In essence, the objectives of the Group's and the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposures and risk requirements;
- (ii) Ensure risk taking activities are consistent with the approved policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- (iii) Help create shareholder value through proper allocation of risk and facilitate the risk assessments of new business and products independently.

(b) Risk Management Framework

The Group and the Company employs an Enterprise-wide Risk Management framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group and the Company; implemented through a number of committees established by Board of Directors. This framework provides the Board and its management with a tool to anticipate and manage both existing and potential risks, taking into consideration the dynamic risk profiles, as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

(c) Risk Organisation

At the apex of the Group's and the Company's risk management structure is the Board of Directors, which comprises executive and non-executive directors of the Group and the Company. In line with best practices, the Board determines the risk policy objectives for the Group and the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the ARMCO who undertakes the oversight function for overall risk limits and ensures that the Group and the Company is within the risk appetite as established by the Board. Other than ARMCO, the Board is also supported by specialised and supervisory committees, details of which are as follows:

38. Financial Risk Management (cont'd.)

(c) Risk Organisation (cont'd.)

- (i) Executive Committee ("EXCO"): EXCO assists the Board to evaluate and approve loan applications within their approval authority limits and consider recommendation from ARC on all matters relating to impaired loans as well as the capital expenditure and operating expenditure of the Group and the Company.
- (ii) Arrears & Recovery Committee ("ARC"): ARC deliberates on proposals for recovery of impaired loans, approve proposals within its authority and recommends to the Board on proposals beyond ARC's authority. Additionally, ARC also monitors the progress of recovery of impaired loans and formulates recovery strategies.
- (iii) Asset & Liability Committee ("ALCO"): ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (iv) Credit & Rehabilitation Assessment Committee ("CARAC"): CARAC deliberates and recommends to the relevant Board or Board Committee for Corporate Loan and Mortgage applications and decide whether to proceed with the preparation of the Board paper based on completed credit assessment report. CARAC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by Board or Board Committees. CARAC also deliberates and approves the submission of the relevant corporate rehabilitation papers for Board or Board Committees.
- (v) Retail Loans Committees ("RLCs"): RLCs deliberates and approves or recommends to the relevant Board for new mortgage loan applications as well as any appeal on variations to the earlier approved terms and conditions of the loan within the approval authority limit.
- (vi) Management Committee ("MANCO"): MANCO deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market and operational and strategic risks and also resolve operational issues within the policies established by the Board and recommending policy changes to the Board.

(d) Risk Reporting & Monitoring

The Group's and the Company's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through implementation of risk remediation strategies. All business units undertake regular and comprehensive analysis of their credit portfolios and report to the relevant committees and overseen by Group Risk Management Division (GRM). GRM provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Group and the Company to the Board.

(e) Credit Risk Mitigation

All credit facilities are granted on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Group and the Company are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the borrower's credit worthiness is insufficient to justify granting credit facilities.

(f) Concentration Risk

Concentration of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitors its portfolios, to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. GRM conducts analysis and reporting of concentration risk to ARMCO on a quarterly basis.

38. Financial Risk Management (cont'd.) Credit Risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and consequently their inability to discharge their contractual obligations to the Group and the Company Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group's and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

A new credit platform was established in 2010 with the primary objective of enhancing the efficiency and effectiveness of the credit oversight as well as credit approval process for all retail and corporate loans of the Group and the Company. The platforms include two credit committees, being Retail Loans Committee Team A for credit exposures of up to RM 600,000 and the Retail Loans Committee Team B for the smaller exposures of retail portfolios. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to GRM for independent assessment. Credit exposures are evaluated by GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

(i) Maximum Exposure

The maximum exposure without taking into account the fair value of collateral for each class of financial assets is the carrying value of these assets as below:

	Group	Company
	2010	2010
	RM'000	RM'000
Financial Assets: Loans, Advances and Financing:		
End finance and islamic property	5,353,777	5,353,960
Personal financing	3,885,061	3,885,061
Bridging, structured and term loans	1,467,692	1,517,858
Loans to subsidiaries	-	89,662
	10,706,530	10,846,541
Deposits with Financial Institutions and Bank Balance:		
Cash at banks and on hand	40,470	26,206
Short term deposits with licensed banks	848,359	848,250
	888,829	874,456
Other Financial Assets:		
Trade receivables	1,182	_
Other receivables	187,636	160,513
Investments held-to-maturity	200,000	200,000
	388,818	360,513

38. Financial Risk Management (cont'd.)

(ii) Credit Quality

The analysis below summarises the credit quality of the Group's and the Company's financial assets as at 31 December 2010.

a) High Grade

This refers to cash at banks and short term deposits with licensed financial institutions.

b) Standard Grade

This refers to financial assets in respect of loans, advances and financing which have been disbursed in previous years and are neither past due nor impaired. Standard Grade financial assets also include other financial assets that are neither past due nor impaired.

c) New Loans During The Year

This refers to financial assets in respect of loans, advances and financing which were disbursed during the year and are neither past due nor impaired.

d) Impaired

This refers to financial assets in respect of loans, advances and financing which exposure are assessed individually and considered impaired based on the Company policies.

Distribution of financial assets by credit quality as at 31 December is as follows:

Group

	2010					
	<	···· Rated		···>		
Financial Assets:	High Grade RM'000	Standard Grade RM'000	New Loans During The Year RM'000	Impaired RM'000		
Loans, Advances and Financing:						
End finance and islamic property Personal financing Bridging, structured and term loans	- - -	4,395,542 660,697 166,019	657,730 3,281,000 428,656	768,003 45,763 4,094,223		
bhaghig, stractared and term loans		100,015	120,030	1,05 1,225		
	-	5,222,258	4,367,386	4,907,989		
Deposits with Financial Institutions and Bank Balance: Cash at banks and on hand Short term deposits with licensed banks	40,470 848,359		-			
	200 000					
Other Financial Assets:	888,829	-	-			
Trade receivables	-	1,182	-	-		
Other receivables	-	187,636	-	-		
Investments held-to-maturity	-	200,000	-	-		
	-	388,818	-	-		

38. Financial Risk Management (cont'd.) (ii) Credit Quality (cont'd.) Company

	<	··· Rated	·····>		
			New Loans		
	High	Standard	During The		
	Grade	Grade	Year	Impaired	
	RM'000	RM'000	RM'000	RM'000	
Financial Assets:					
Loans, Advances and Financing:					
End finance and islamic property	-	4,395,725	657,730	768,003	
Personal Financing	-	660,697	3,281,000	45,763	
Bridging, structured and term loans	-	166,019	428,656	4,378,649	
	-	5,222,441	4,367,386	5,192,415	
Loans to Subsidiaries		-	-	169,774	
Deposits with Financial Institutions and Bank Balance:					
Cash at banks and on hand	26,206	-	-	-	
Short term deposits with licensed banks	848,250	-	-	-	
	874,456	-	-		
Other Financial Assets:					
Other receivables	-	160,513	-	-	
Investments held-to-maturity	-	200,000	-	-	
	-	360,513	-	-	

2010

38. Financial Risk Management (cont'd.) (iii) Aging Analysis

Group

	2010					
	Neither	Past Due	Past Due	Past Due	Impaired	Total
	Past Due	Up To	1 To 3	3 To 6		
	Nor Impaired	1 Month	Months	Months		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Assets:						
Loans, Advances and Financing:						
End finance and islamic property	2,649,186	1,038,193	899,923	465,970	768,003	5,821,275
Personal Financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460
Bridging, structured and term loans	591,525	-	1,271	1,879	4,094,223	4,688,898
	5,665,268	2,075,493	1,351,089	497,794	4,907,989	14,497,633
Deposits with Financial Institutions and Bank Balance:						
Cash at banks and on hand	40,470	-	-	-	-	40,470
Short term deposits with licensed banks	848,359	-	-	-	-	848,359
	888,829	-	-	-	-	888,829
Other Financial Assets:						
Trade receivables	-	1,128	34	-	26,959	28,121
Other receivables	29,675	250	5	_	317,837	347,767
Investments held-to-maturity	200,000	-	-	-	-	200,000
	229,675	1,378	39	-	344,796	575,888

38. Financial Risk Management (cont'd.) (iii) Aging Analysis (cont'd.)

Company

		2010				
	Neither	Past Due	Past Due	Past Due	Impaired	Total
	Past Due	Up To	1 To 3	3 To 6		
	Nor Impaired	1 Month	Months	Months		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Assets:						
Loans, Advances and Financing:						
End finance and islamic property	2,649,186	1,038,193	899,923	466,153	768,003	5,821,458
Personal Financing	2,424,557	1,037,300	449,895	29,945	45,763	3,987,460
Bridging, structured and term loans	591,525	-	1,271	1,879	4,378,649	4,973,324
	5,665,268	2,075,493	1,351,089	497,977	5,192,415	14,782,242
Loans to subsidiaries		-	-	-	169,774	169,774
Deposits with Financial Institutions and Bank Balance:						
Cash at banks and on hand	26,206	_	_	_	_	26,206
Short term deposits with licensed banks	848,250	-	-	-	-	848,250
	874,456	-	-	-	-	874,456
Other Financial Assets:						
Other receivables	42,220	_	-	_	177,601	219,821
Investments held-to-maturity	200,000	-	-	-	-	200,000
	242,220	-	-	-	177,601	419,821

38. Financial Risk Management (cont'd.) (iv) Industry Analysis

Group

31 December 2010	Property development RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Services ¹ RM'000	Others RM'000	Total RM'000
Financial Assets:								
Cash and short term funds	8,582	874,468	-	-	-	5,779	-	888,829
Trade receiveables	464	-	-	-	-	718	-	1,182
Other receivables	75,071	-	-	-	-	865	111,700	187,636
Loans, advances and financing:								
- End finance and islamic property	-	-	-	-	5,353,777	-	-	5,353,777
- Personal financing	-	-	-	_	3,885,061	_	_	3,885,061
- Bridging, structured and term loans	1,361,650	81,984	11,822	12,236	· · ·	_	_	1,467,692
Investments held-to-maturity	-	-	, -	· -	-	-	200,000	200,000
	1,445,767	956,452	11,822	12,236	9,238,838	7,362	311,700	11,984,177
Company								

31 December 2010	Property development RM'000	Financial services RM'000	Telecom- munication RM'000	Food RM'000	Consumer RM'000	Services ¹ RM′000	Others RM'000	Total RM'000
Financial Assets:								
Cash and short term funds	-	874,456	-	-	-	-	-	874,456
Trade receiveables	-	-	-	-	-	-	-	-
Other receivables	74,335	-	-	-	-	-	86,178	160,513
Loans, advances and financing:								
 End finance and islamic property 	-	-	-	-	5,353,960	-	-	5,353,960
- Personal financing	-	-	-	-	3,885,061	-	-	3,885,061
 Bridging, structured and term loans 	1,411,816	81,984	11,822	12,236	-	-	-	1,517,858
Investments held-to-maturity	-	-	-	-	-	-	200,000	200,000
Loans to subsidiaries	-	9,535	-	-	-	80,127	-	89,662
	1,486,151	965,975	11,822	12,236	9,239,021	80,127	286,178	12,081,510

¹ Services includes hotel operation

38. Financial Risk Management (cont'd.)

(v) Financial assets exposed to credit risk which were past due and impaired

The estimated fair value of the collateral held on financial assets that were past due or impaired is as follows:

	Fair Value of Collateral
Group and Company	RM'000
Loans, advances and financing:	
End finance and islamic property	6,220,695
Bridging, structured and term loans	2,016,736
	8,237,431

(vi) Financial assets which had been renegotiated during the year

Financial assets that had been renegotiated during the year that would otherwise be past due or impaired are as follows:

Group and Company

2010 Carrying Amounts Of Financal Assets RM'000

Loans, advances and financing: End finance and islamic property Personal financing

204,554

14,298

Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instrument caused by the movement in market variables such as interest rates, equity pricing and other related macro economic factors that will eventually affect the Group's and the Company's profitability and capital preservation.

The Group's and the Company's market risk management includes the monitoring of fluctuations in net interest income or investment value due changes in relevant market risk factors. ALCO monitors the exposure on a monthly basis through reports being produced by the Treasury Division. GRM, via its presence in the ALCO, provides advisory services and input on the Group's and the Company's market risk management.

In managing interest rate risk, the Group and the Company intends to maximise net Interest income and net interest margin; and minimise the significant volatility in relation to the Group's and the Company's assets and liabilities.

38. Financial Risk Management (cont'd.) Market risk (cont'd.)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax and shareholders' equity would have been RM63,537,000 higher/lower, arising mainly as a result of changes in interest expenses and interest income from fixed rate loans, advances and financing.

Liquidity risk

The Group's and the Company's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Group and the Company is governed by established risk tolerance levels as defined in the Group's and the Company's Market Risk Framework. ALCO would be informed of management action triggers to alert management to potential and emerging liquidity pressures. The Group's and the Company's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALM & Funding Unit which is responsible for the independent monitoring of the Group's and the Company's liquidity risk profile works closely with Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

		RM'0	00	
	On demand or within	One to	Over five	
	one year	five years	years	Total
Group				
Financial liabilities:				
Bank borrowings	200,119	-	-	200,119
Deposits from customers	9,356,396	1,127,347	-	10,483,743
Trade and other payables	75,851	2,102	16,077	94,030
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720
	9,668,518	1,248,440	851,654	11,768,612
		201 RM'0	_	
	On demand			
	or within	One to	Over five	
	one year	five years	years	Total
Company Financial liabilities:				
Bank borrowings	200,119	_	-	200,119
Deposits from customers	9,356,396	1,127,347	_	10,483,743
Trade and other payables	87,423	-	16,077	103,500
Recourse obligation on loans sold to Cagamas Berhad	36,152	118,991	835,577	990,720
	9.680.090	1.246.338	851.654	11.778.082

38. Financial Risk Management (cont'd.) Liquidity risk (cont'd.)

At the reporting date, the counterparties to the financial guarantees does not have a right to demand cash as the default event has not occured. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

39. Capital Management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company 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 and the Company 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 during the years ended 31 December 2010 and 31 December 2009.

The Group and the Company monitors capital using an internally developed risk weighted capital adequacy ratio ("RWCR"), which is capital base divided by total risk weighted assets. The Group's and the Company's policy is to set the internal RWCR at a minimum of

40. Fair values

(a) The carrying amount and estimated fair values of financial instruments of the Group and of the Company as at the financial year end are as follows:

Note Carrying amount Fair value Carrying amount Fair value Carrying amount Fair value Carrying amount Fair value Carrying amount Carrying amount Fair value Carrying amount Carrying	
Cash and short term funds 5 888,829 888,829 874,456 874,456	
Financial assets Cash and short term funds 5 888,829 888,829 874,456 874,4 Trade receivables Other receivables (excluding amount due from subsidiaries) Amount due from subsidiaries Constant of the function of the fun	lue
Cash and short term funds 5 888,829 888,829 874,456 874,456 Trade receivables 6 1,182 1,182 - - Other receivables (excluding amount due from subsidiaries) 7 187,636 187,636 126,483 126,483 126,483 Amount due from subsidiaries 7 - - - 34,030 Loans, advances and financing 9 10,706,530 10,756,879 <td></td>	
Trade receivables 6 1,182 1,182 -<	456
Other receivables (excluding amount due from subsidiaries) 7 187,636 187,636 126,483 126,483 Amount due from subsidiaries 7 - - 34,030 Loans, advances and financing 9 10,706,530 10,706,530 10,756,879 10,756,879 Investments held-to-maturity 10 200,000 203,940 200,000 203,95 Loans to subsidiaries 11 - - 89,662 Financial liabilities Bank borrowings 18 200,119 200	1 56
due from subsidiaries) 7 187,636 187,636 126,483 126,483 Amount due from subsidiaries 7 - - 34,030 Loans, advances and financing 9 10,706,530 10,706,530 10,756,879 <td></td>	
Amount due from subsidiaries 7 - 34,030 Loans, advances and financing 9 10,706,530 10,756,879 10,756,879 lnvestments held-to-maturity 10 200,000 203,940 200,000 203,95 Loans to subsidiaries 11 - 89,662 Financial liabilities Bank borrowings 18 200,119 200,119 200,119 200,119 Deposits from customers 17 10,483,743 10,475,756 10,483,743 10,475,75 Trade payables (excluding amount due to subsidiaries) 20 89,588 89,588 85,609 85,60 Amount due to subsidiaries 20 - 17,891 2009 Financial assets	402
Loans, advances and financing 9 10,706,530 10,706,530 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 10,756,879 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,000 203,940 200,119 <td< td=""><td>₽83 *</td></td<>	₽83 *
Investments held-to-maturity	~
Time	
Financial liabilities Bank borrowings 18 200,119)4U *
Bank borrowings 18 200,119 <td></td>	
Bank borrowings 18 200,119 <td></td>	
Deposits from customers 17 10,483,743 10,475,756 10,483,743 10,475,757 Trade payables 19 4,442 4,442 - Other payables (excluding amount due to subsidiaries) 20 89,588 89,588 85,609 85,609 Amount due to subsidiaries 20 - - 17,891 -	110
Trade payables 19 4,442 4,442 - Other payables (excluding amount due to subsidiaries) 20 89,588 89,588 85,609 85,6 Amount due to subsidiaries 20 - - 17,891	
Other payables (excluding amount due to subsidiaries) Amount due to subsidiaries 20 89,588 89,588 85,609 85,609 85,600 9 9,5	-
due to subsidiaries) 20 89,588 89,588 85,609 85,6 Amount due to subsidiaries 20 - - 17,891 2009 Financial assets	
Amount due to subsidiaries 20 17,891 2009 Financial assets	509
2009 Financial assets	*
Financial assets	
Cash and short term funds 5 763,275 763.275 751.666 751.6	
	566
Trade receivables 6 3,298 -	-
Other receivables (excluding amount	
due from subsidiaries) 7 126,632 126,632 65,846 65,8	346
Amount due from subsidiaries 7 33,226	*
Loans, advances and financing 9 8,118,452 7,424,856 8,203,596 7,510,0	000
Investments held-to-maturity 10 43,070 65,095 43,070 65,0)95
Loans to subsidiaries 11 96,917	*
Financial liabilities	
Deposits from customers 17 7,562,410 7,557,491 7,562,410 7,557,4	
Other borrowings 18 50,004 50,004 50,004 50,004)04
Trade payables 19 4,658 4,658 -	-
Other payables (excluding amount	
due to subsidiaries) 20 88,581 88,581 84,596 84,5	
Amount due to subsidiaries 20 17,893	*

^{*} It is not practical to estimate the fair values of amount due from/to subsidiaries due principally to lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

40. Fair values (cont'd.)

Fair value information has not been disclosed for the Group's and the Company's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group and the Company does not intend to dispose of this investment in the foreseeable future. The Group and the Company intends to eventually dispose of this investment through sale to institutional investors.

(b) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivables	6
Other receivables	7
Trade payables	19
Other payables	20
Loans, advances and financing	9

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate the carrying amount. For fixed rate loans with maturities of more than one year, the fair value are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates offered for similar loans to new borrowers with similar credit profiles as of the reporting date.

The fair value of impaired fixed and variable rates loans is represented by their carrying amount, net of individual impairement provisions, being the expected recoverable amount.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Amounts due from subsidiaries, loan to/ from subsidiaries, staff loans, finance lease obligations, fixed rate bank loans and bonds and Convertible Redeemable Preference Shares

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Unquoted equity instruments

These investments are valued using valuation models which uses both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

41. Interest rate risk

The table below summarises the Group's and the Company's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group								
2010								Average
						Non-		interest
	Up to 1	>1-3	>3-12	>1-5	Over 5	interest		rate
	month	months	months	years	years	sensitive	Total	% per
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	annum
Assets	700 560	20.206	22.604	2.000		40.470	000 000	2.20
Cash and short term funds	780,560	30,296	33,694	3,809	-	40,470	888,829	3.30
Trade receivables Other receivables	-	-	-	-	-	1,182 187,636	1,182 187,636	
Loans, advances	_	_	_	-	-	167,030	167,030	
and financing:								
- performing	3,113	339	4,118	149,577	8,867,047	_	9,024,194	7.94
- non-performing	3,1.13	-			-	1,682,336	1,682,336	,.,
Other investments	_	_	_	200,000	_	-	200,000	5.25
Other assets	-	-	-	-	-	241,767	241,767	
Total assets	783,673	30,635	37,812	353,386	8,867,047	2,153,391	12,225,944	
Liabilities								
Bank borrowings	200,119	-	-	-	-	-	200,119	3.45
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	-	4 4 4 2	10,483,743	3.27
Trade payables Other payables	-	-	-	-	-	4,442	4,442	
Recourse obligation	-	-	-	-	-	89,588	89,588	
on loans sold to								
Cagamas Berhad	11,226	11,319	67,635	873,913	_	_	964,093	5.60
Other liabilities			-	-	_	102,837	102,837	3.00
						,		
Total liabilities	4,449,612	3,285,316	1,911,767	2,001,260	-	196,867	11,844,822	
Shareholders' equity	-	-	-	-	-	381,122	381,122	
Takal Balabbara and								
Total liabilities and	4 440 612	2 205 216	1 011 767	2.001.260		F77.000	12 225 044	
shareholders' equity	4,449,612	3,285,316	1,911,767	2,001,260		577,989	12,225,944	
On-balance sheet								
interest sensitivity								
gap	(3,665,939)	(3,254,681)	(1,873,955)	(1,647,874)	8,867,047	1,575,402	_	
Off-balance sheet	(=,===,===,	(=,===,,===,	(1,212,122,	(1,0 11,011 1,	2,221,211	.,		
interest sensitivity								
gap	-	-	-	_	-	-	-	
Total interest								
sensitivity gap	(3,665,939)	(3,254,681)	(1,873,955)	(1,647,874)	8,867,047	1,575,402	-	

41. Interest rate risk (cont'd.)

Group								
2009								Average
						Non-		interest
	Up to 1	>1-3	>3-12	>1-5	Over 5	interest		rate
	month	months	months	years	years	sensitive	Total	% per
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	annum
Assets								
Cash and short term funds	310,178	423,349	3,395	-	-	26,353	763,275	2.16
Trade receivables	-	-	-	-	-	3,298	3,298	
Other receivables	_	-	-	-	_	126,632	126,632	
Loans, advances								
and financing:								
- performing	9,178	441	5,559	162,221	6,406,447	-	6,583,846	6.36
- non-performing	-	-	-	-	-	1,534,606	1,534,606	
Other investments	-	-	-	-	43,070	-	43,070	2.00
Other assets	-	-	-	-	-	249,423	249,423	
Total assets	319,356	423,790	8,954	162,221	6,449,517	1,940,312	9,304,150	
Liabilities								
Deposits from customers	2,909,437	2,137,934	1,876,265	638,774	-	-	7,562,410	2.73
Other borrowings	4,175	8,334	37,495	-	-	-	50,004	3.28
Trade payables	-	-	-	-	-	4,658	4,658	
Other payables	-	-	-	-	-	88,581	88,581	
Recourse obligation								
on loans sold to								
Cagamas Berhad	22,740	-	56,800	921,070	-	-	1,000,610	5.60
Other liabilities	-	-	-	-	-	45,323	45,323	
Total liabilities	2,936,352	2,146,268	1,970,560	1,559,844	-	138,562	8,751,586	
CL LIL / '						552.564	552.564	
Shareholders' equity	-	-	-	-	-	552,564	552,564	
Total liabilities and								
Total liabilities and	2 026 252	2 146 260	1 070 560	1 550 044		601 126	0.204.150	
shareholders' equity	2,936,352	2,146,268	1,970,560	1,559,844	_	691,126	9,304,150	
On-balance sheet								
interest sensitivity								
•	(2,616,996)	(1,722,478)	(1,961,606)	(1,397,623)	6,449,517	1,249,186	_	
gap Off-balance sheet	(2,010,990)	(1,/22,4/0)	(1,901,000)	(1,397,023)	0,449,317	1,249,100	-	
interest sensitivity								
gap	_			_		_		
gap							_	
Total interest								
sensitivity gap	(2,616,996)	(1,722,478)	(1,961,606)	(1,397,623)	6,449,517	1,249,186	_	
Schistitity gap	(2,010,000)	(1,1,22,710)	(1,501,000)	(1,557,025)	0,115,517	1,2 15,100		

41. Interest rate risk (cont'd.)

Company								Average	
2010						Non-		interest	
	Up to 1	>1-3	>3-12	>1-5	Over 5	interest		rate	
	month	months	months	years	years	sensitive	Total	% per	
			RM'000			RM'000			
	RM'000	RM'000	KIVI UUU	RM'000	RM'000	KIVI UUU	RM'000	annum	
Assets									
Cash and short term funds	780,451	30,296	33,694	3,809	-	26,206	874,456	3.30	
Other receivables									
(excluding amount									
due from									
subsidiaries)	-	-	-	-	-	126,483	126,483		
Amount due from						·			
subsidiaries	_	_	_	_	_	34,030	34,030		
Loans, advances and						3 1,030	31,030		
financing:									
_	2 1 1 2	220	4 1 1 0	140.577	0.067.220		0.024.277	7.04	
- performing	3,113	339	4,118	149,577	8,867,230		9,024,377	7.94	
- non-performing	-	-	-	-	-	1,732,502	1,732,502		
Other investments	-	-	-	200,000	-	-	200,000	5.25	
Loans to subsidiaries	-	-	-	-	-	89,662	89,662		
Other assets	-	-	-	-	-	161,113	161,113		
Total assets	783,564	30,635	37,812	353,386	8,867,230	2,169,996	12,242,623		
Liabilities									
Bank borrowings	200,119	_	_	_	_	_	200,119	3.45	
Deposits from customers	4,238,267	3,273,997	1,844,132	1,127,347	_	_	10,483,743	3.27	
Recourse obligation	7,230,207	3,213,991	1,044,132	1,127,347			10,705,775	3.27	
on loans sold to	11 226	11 210	67.635	072.012			064.003	F 60	
Cagamas Berhad	11,226	11,319	67,635	873,913	-	-	964,093	5.60	
Other payables	-	-	-	-	-	103,500	103,500		
Other liabilities	-	-	-	-	-	85,733	85,733		
Total liabilities	4,449,612	3,285,316	1,911,767	2,001,260	-	189,233	11,837,188		
Shareholders' equity	-	-	-	-	-	405,435	405,435		
•									
Total liabilities and									
shareholders' equity	4,449,612	3,285,316	1,911,767	2,001,260	_	594,668	12,242,623		
shareholders equity	1,115,012	3,203,310	1,511,707	2,001,200		371,000	12,2 12,023		
On-balance sheet									
interest sensitivity	(2.555.040)	(2.254.604)	(4.072.055)	(4 6 47 07 4)	0.047.000	4 575 000			
gap	(3,666,048)	(3,254,681)	(1,873,955)	(1,647,874)	8,867,230	1,575,328	-		
Off-balance sheet									
interest sensitivity									
gap	-	-	-	-	-	-	-		
Total interest									
sensitivity gap	(3,666,048)	(3,254,681)	(1,873,955)	(1,647,874)	8,867,230	1,575,328	_		
, , ,	. , , . ,	., , ,							

41. Interest rate risk (cont'd.)

Company 2009	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
Assets Cash and short term funds Other receivables	310,053	423,349	3,395	-	-	14,869	751,666	2.16
(excluding amount due from								
subsidiaries) Amount due from	-	-	-	-	-	65,846	65,846	
subsidiaries Loans, advances	-	-	-	-	-	33,226	33,226	
and financing: - performing	9,178	441	5,559	162,221	6,406,745	-	6,584,144	6.36
- non-performing Other investments	-	-	-	-	-	1,619,452 43,070	1,619,452 43,070	2.00
Loans to subsidiaries Other assets	-	-	-	-	-	96,917 130,688	96,917 130,688	
Total assets	319,231	423,790	8,954	162,221	6,406,745	2,004,068	9,325,009	
Liabilities Deposits from customers Other borrowings Recourse obligation on loans sold to	2,909,437 4,168	2,137,934 8,334	1,876,265 37,502	638,774 -	-	-	7,562,410 50,004	2.73 3.28
Cagamas Berhad Other payables Other liabilities	22,740 - -	- - -	56,800 - -	921,070 - -	- - -	- 102,489 28,143	1,000,610 102,489 28,143	5.60
Total liabilities	2,936,345	2,146,268	1,970,567	1,559,844	-	130,632	8,743,656	
Shareholders' equity	-	-	-	-	-	581,353	581,353	
Total liabilities and shareholders' equity	2,936,345	2,146,268	1,970,567	1,559,844	-	711,985	9,325,009	
On-balance sheet interest sensitivity gap Off-balance sheet interest sensitivity gap	(2,617,114)	(1,722,478)	(1,961,613)	(1,397,623)	6,406,745	1,292,083	-	
Total interest sensitivity gap	(2,617,114)	(1,722,478)	(1,961,613)	(1,397,623)	6,406,745	1,292,083	-	

42. Segment information

(a) Business segments:

The Group is organised into four major business segments:

- (i) Financing the granting of loans on the security of freehold and leasehold properties and provision of retail financing and related services;
- (ii) Property development the development of residential and commercial properties;
- (iii) Letting of real property the letting of office buildings; and
- (iv) Hotel operations the letting of hotel rooms, sale of food and beverage and other related income.

Other business segments include project management and investment holding, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

42. Segment information (cont'd.)

	egment informati a) Business segmer		u.)												
,	.,	Finar 2010	2009	Prope Develop 2010	ment 2009	Lettin Real Pro 2010	operty 2009	Hotel ope	2009	Other	2009	Elimina 2010	2009	2010	lidated 2009
	Revenue and	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	expenses														
	Revenue														
	External sales Inter-segment sales	713,658 31,811	457,270 33,481	3,288	29,261	247 5,458	244 5,223	11,592 -	11,481 -	-	-	41,155 (37,269)	39,703 (38,704)	769,940 -	537,959
	Total revenue													769,940	537,959
	Result														
	Segment results Taxation Zakat	203,009	83,885	(22,243)	2,965	9,083	(8,123)	(3,818)	(3,456)	(81)	(37)	21,447	5,081	207,397 (60,848) (524)	
	Net profit for the year Assets												•	146,025	57,203
	Segment assets Unallocated corporate assets Consolidated total assets	12,242,623	9,325,009	42,559	47,372	45,654	60,246	62,474	67,659	390	390	(167,756)	(196,526)	12,225,944	_
	Liabilities												-		
	Segment liabilities Unallocated corporate liabilities Consolidated total liabilities	11,837,190	8,743,656	289,382	274,166	122,498	146,328	113,001	109,184	2,287	2,207	(519,536)	(561,642)	11,844,822	37,687
	Other Information														
	Capital expenditure Depreciation and amortisation of land use rights, investment properties and property, plant	35,723	4,029	-	-	16	1,940	610	542	-	-	-	-	36,349	6,511
	and equipment Amortisation Impairment loss on: - property, plant and	1,993 338	1,570 859	- -	-	1,995 23	2,664 23	2,612 28	2,634 178	-	-	228	228	6,828 389	7,096 1,060
	equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Investment properties - investments in	1 224	1 270	-	-	-	-	-	-	-	-	(1.224)	(1.270)	-	-
	subsidiaries Reversal of impairment loss on:	1,324	1,270	-	-	-	-	-	-	-	-	(1,324)	(1,270)	-	-
	- other investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Non-cash expenses other than depreciation, amortisation and impairment losses	128,424	489,967	19,166	(6,212)							(9,480)		138,110	483,755
	ampairment 1033e3	120,724	707,707	12,100	(0,212)		-		_	_		(2,400)	_	150,110	- CC 1,COF

(b) Geographical Segments:

 $Segmental\ reporting\ is\ not\ analysed\ by\ geographical\ locations\ as\ the\ Group's\ activities\ are\ pre-dominantly\ in\ Malaysia.$

43. Events occurring after the reporting date

There have been no events occurring after the reporting date which requires adjustment of or disclosure in the consolidated financial statements or notes thereto except for the following announcement dated 14 February 2011 made by RHB Investment Bank Berhad on behalf of the Company:

- (a) proposed renounceable rights issue of new ordinary shares of RM1.00 each in the Company together with new free detachable warrants to raise gross proceeds of approximately RM500 million;
- (b) proposed change in the composition of the existing authorised share capital of the Company comprising 1,000,000,000 ordinary shares of RM1.00 each, 300,000,000 redeemable cumulative preference shares of RM1.00 each ("RPS") and 500,000,000 redeemable convertible preference shares of RM1.00 each ("RCPS") to 1,800,000,000 ordinary shares of RM1.00 each since the Company no longer has any RPS and/or RCPS outstanding ("Proposed Change In Composition");
- (c) proposed increase in the authorised share capital from RM1,800,000,000 to RM2,800,000,000 comprising 2,800,000,000 ordinary shares of RM1.00 each by the creation of 1,000,000,000 new ordinary shares of RM1.00 each following the Proposed Change In Composition ("Proposed Increase In Authorised Share Capital"); and
- (d) proposed amendments to the Memorandum and Articles of Association of the Company to effect the Proposed Change In Composition and Proposed Increase In Authorised Share Capital.

44. The operations of Islamic business

Statements of financial position as at 31 December 2010

Note 2010	2009
	RM'000
Assets	
Cash and short term funds (a) 307,480	257,889
	390,991
	186,524
Total assets 6,678,363 3,6	535,404
Liabilities	
Deposits from customers (d) 6,392,104 3,7	70,744
\cdot \cdot	883,463
Provision for taxation 61,234	27,974
Provision for zakat 355	508
Total liabilities 6,651,222 3,5	582,689
A 000	4.000
Islamic fund 4,000 Retained profits 23,141	4,000 48,715
netalleu profits	40,/13
27,141	52,715
Total liabilities and Islamic fund 6,678,363 3,6	35,404

Statements of comprehensive income for the year ended 31 December 2010

		Group and	Company
	Note	2010	2009
		RM'000	RM'000
Income derived from investment of general investment			
deposits and Islamic capital funds	(f)	379,190	159,210
Income attributable to depositors		(205,272)	(90,673)
Net income from financing operations		173,918	68,537
Other income		73,730	30,106
Other expenses	(g)	(26,082)	(19,152)
Allowance for losses on advances and financing		(88,528)	(34,395)
Profit before taxation and zakat		133,038	45,096
Taxation	(i)	(33,260)	(14,789)
Zakat		(524)	(539)
Profit after taxation and zakat		99,254	29,768

Statements of changes in equity For the year ended 31 December 2010

Group and Company

	Islamic fund RM'000	Retained profits RM'000	Total RM′000
At 1 January 2009	4,000	18,947	22,947
Profit after taxation and zakat	-	29,768	29,768
At 31 December 2009	4,000	48,715	52,715
At 1 January 2010	4,000	48,715	52,715
Effect of adopting FRS 139	-	(124,828)	(124,828)
	4,000	(76,113)	(72,113)
Profit after taxation and zakat	-	99,254	99,254
At 31 December 2010	4,000	23,141	27,141

Cash flow statements for the year ended 31 December 2010

	Group and	Company
	2010	2009
	RM'000	RM'000
Cash flows from operating activities		
Cash nows from operating activities		
Profit before taxation and zakat	133,038	45,096
Adjustments for:		
Income-in-suspense	-	6,544
Allowance for losses on advances and financing	76,665	34,395
Operating profit before working capital changes	209,703	86,035
Increase in financing, advances and other loans	(3,016,927)	(1,490,711)
(Increase)/decrease in other receivables	(177,931)	265,669
Increase in deposits from customers	3,221,360	1,058,366
(Decrease)/increase in other payables	(185,934)	285,193
Cash generated from operations	50,271	204,552
Zakat paid	(680)	(309)
Net cash generated from operating activities	49,591	204,243
Net increase in cash and short term funds	49,591	204,243
Cash and short term funds at beginning of financial year	257,889	53,646
Cash and short term funds at end of financial year	307,480	257,889

(a) Cash and short term funds

	Group and	Group and Company	
	2010	2009	
	RM'000	RM'000	
Cash at banks	11,979	19,183	
Deposits with licensed banks	295,501	238,706	
	307,480	257,889	

The weighted average effective yield rates of deposits with licensed banks at the balance sheet date was 2.79% (2009: 2.76%).

The average maturities of deposits with licensed banks as at the end of the financial year were from overnight placement to 365 days (2009: 270 days).

(b) Loans, advances and financing

		Group and	
		2010	2009
(;)	Dutuno	RM'000	RM'000
(i)	By type:		
	Term financing		
	Corporate financing	130,933	5,283
	Property financing	4,891,191	4,140,151
	Personal financing	7,163,897	2,180,264
	Staff financing	5,588	902
	Less: Unearned income	(6,203,043)	(3,354,961)
		5,988,566	2,971,639
	Income-in-suspense	-	(13,865)
	Allowance for bad and doubtful financing:		
	- Collective assessment	(282,138)	-
	- General	-	(29,147)
	- Specific	-	(37,636)
	Net financing, advances and other loans	5,706,428	2,890,991
	Net illialicing, advances and other loans	3,700,428	2,090,991
(ii)	By contract:		
. ,	Bai Bithaman Ajil (deferred payment sale)	1,693,560	1,573,456
	Bai Al-Inah (cost-plus)	3,885,154	1,317,535
	Contract financing	127,714	-
	·		
		5,706,428	2,890,991
(iii)	Movements in impaired financing, advances and other loans (including income receivable)		
(111)	movements in impaned infancing, advances and other loans (including income receivable)		
	Impaired loans		
	At beginning of year	135,414	77,352
	Classified as impaired during the year	179,380	199,227
	Reclassified as non-impaired during the year	(155,591)	(141,165)
	Amount written off	(27)	
	At end of year	159,176	135,414
	Specific provision	-	(37,636)
	Income-in-suspense	-	(13,865)
	Individual /Collective assessment	(13,043)	
	Net impaired loans, advances and financing	146,133	83,913
	Ratio of net impaired loans and financing to gross		
	loans and financing less income-in-suspense	3%	3%
	iouris and infancing less income-in-suspense	J 70	3 70

- (b) Loans, advances and financing (cont'd.)
 - (iv) Movements in allowance for bad and doubtful debts and income-in-suspense are as follows:

Collective Impairment 2010 PRM/000 PRM/000 Balance as at 1 January - effects of FRS 139 adoption 193.637 - 193.63		Group and	
Balance as at 1 January		2010	2009
Balance as at 1 January	Callantina lunna inna ant	RM'000	RM'000
FREST 139 adoption 133,637 -	Collective impairment		
FREST 139 adoption 133,637 -	Balance as at 1 January	_	_
Impairment during the year 88,528 - Write off (27) - Balance as at end of year 282,138 -		193,637	
Mine off 88,528 -			-
Group and Company 2010 2009 RM/000 2009 RM/000 At beginning of year - effects of FRS 139 adoption - as restated 29,147 14,508 - 14,508 - 14,508 Allowance made during the year 29,147 - 14,508 - 14,639 At end of year 29,147 - 14,639 As % of gross loans, advances and financing less specific allowance and interest-in-suspense 37,636 - 17,887 - 18,87 - 18,87 - 17,887 - 17,887 - 18,87	Impairment during the year		-
General allowance 29,147 (29,147) 14,508 (29,147) 14,508 (29,147) - 29,147 (29,147) - 29,147 (29,147) - 3,508 (29,147)	Write off	(27)	-
General allowance 29,147 (29,147) 14,508 (29,147) 14,508 (29,147) - 29,147 (29,147) - 29,147 (29,147) - 3,508 (29,147)			
General allowance 2010 RM/000 2009 RM/000 At beginning of year - effects of FRS 139 adoption - as restated - 14,508 allowance made during the year - 14,639 29,147 - 14,508 - 14,508 - 14,639 At end of year - 29,147 - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% - 1% Specific Allowance - effects of FRS 139 adoption - as restated - 17,887 - as restated - 24,530 and an adoption - 38,636 and an adoption - 38,63	Balance as at end of year	282,138	
General allowance 2010 RM/000 2009 RM/000 At beginning of year - effects of FRS 139 adoption - as restated - 14,508 allowance made during the year - 14,639 29,147 - 14,508 - 14,508 - 14,639 At end of year - 29,147 - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% - 1% Specific Allowance - effects of FRS 139 adoption - as restated - 17,887 - as restated - 24,530 and an adoption - 38,636 and an adoption - 38,63			
General allowance 2010 RM/000 2009 RM/000 At beginning of year - effects of FRS 139 adoption - as restated - 14,508 allowance made during the year - 14,639 29,147 - 14,508 - 14,508 - 14,639 At end of year - 29,147 - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% - 1% Specific Allowance - effects of FRS 139 adoption - as restated - 17,887 - as restated - 24,530 and an adoption - 38,636 and an adoption - 38,63		Group and	Company
General allowance At beginning of year 29,147 14,508 (29,147) - as restated (29,147) - 14,508 (29,147) - 14,508 (29,147) - 2 (29,147) - 3 (29,147)			
At beginning of year 29,147 14,508 (29,147) effects of FRS 139 adoption (29,147) as restated 14,639 At end of year - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% Specific Allowance At beginning of year 37,636 17,887 - effects of FRS 139 adoption (37,636) as restated 9 17,887 Allowance made during the year 9 24,530 Amount recovered 9 2 24,530 Amount reclassed to interest-in suspense 9 - (2)			
At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year At end of year As % of gross loans, advances and financing less specific allowance and interest-in-suspense At beginning of year - as restated At beginning of year - effects of FRS 139 adoption - as restated Allowance and during the year At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Allowance made during the year Amount recovered Amount reclassed to interest-in suspense - (2)			
At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year At end of year As % of gross loans, advances and financing less specific allowance and interest-in-suspense At beginning of year - as restated At beginning of year - effects of FRS 139 adoption - as restated Allowance and during the year At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Allowance made during the year Amount recovered Amount reclassed to interest-in suspense - (2)			
- effects of FRS 139 adoption - as restated Allowance made during the year At end of year As % of gross loans, advances and financing less specific allowance and interest-in-suspense At beginning of year - effects of FRS 139 adoption - as restated At beginning of year - as restated Allowance made during the year Amount recovered Amount recovered Amount reclassed to interest-in suspense - 14,508 - 14,639 - 29,147 - 29,147 - 14,639 - 19,147 - 29,147 - 11,639 - 11	General allowance		
- effects of FRS 139 adoption - as restated Allowance made during the year At end of year As % of gross loans, advances and financing less specific allowance and interest-in-suspense At beginning of year - effects of FRS 139 adoption - as restated At beginning of year - as restated Allowance made during the year Amount recovered Amount recovered Amount reclassed to interest-in suspense - 14,508 - 14,639 - 29,147 - 29,147 - 14,639 - 19,147 - 29,147 - 11,639 - 11			
- as restated Allowance made during the year At end of year - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% Specific Allowance At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount recovered Amount reclassed to interest-in suspense - 14,508 - 14,639 Allowance made during the year Amount reclassed to interest-in suspense - 10,887 - (2)			14,508
At end of year - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% Specific Allowance At beginning of year - 17,887 - effects of FRS 139 adoption - 2 as restated - 17,887 Allowance made during the year - 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)			- 11500
At end of year - 29,147 As % of gross loans, advances and financing less specific allowance and interest-in-suspense - 1% Specific Allowance At beginning of year 37,636 17,887 - effects of FRS 139 adoption (37,636) as restated 17,887 - as restated 17,887 - as restated 17,887 - 24,530			
As % of gross loans, advances and financing less specific allowance and interest-in-suspense Specific Allowance At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense As % of gross loans, advances - 1% 37,636 - 17,887 - 17,887 - 24,530 - (4,779) - (4,779)	Allowance made during the year	-	14,639
As % of gross loans, advances and financing less specific allowance and interest-in-suspense Specific Allowance At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense As % of gross loans, advances - 1% 37,636 - 17,887 - 17,887 - 24,530 - (4,779) - (4,779)	At end of year	_	29 147
and financing less specific allowance and interest-in-suspense Specific Allowance At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense - 1% Sample of the suspense of	At the or year		25,117
and financing less specific allowance and interest-in-suspense Specific Allowance At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense - 1% Sample of the suspense of			
allowance and interest-in-suspense - 1% Specific Allowance At beginning of year 37,636 17,887 - effects of FRS 139 adoption (37,636) as restated Allowance made during the year - 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)	As % of gross loans, advances		
At beginning of year - effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense Specific Allowance 37,636 17,887 - 17,887 - 24,530 - (4,779) - (4,779)			
At beginning of year 37,636 17,887 - effects of FRS 139 adoption (37,636) as restated 17,887 Allowance made during the year 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)	allowance and interest-in-suspense	-	1%
At beginning of year 37,636 17,887 - effects of FRS 139 adoption (37,636) as restated 17,887 Allowance made during the year 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)			
- effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense (37,636) - 17,887 - 24,530 - (4,779) - (2)	Specific Allowance		
- effects of FRS 139 adoption - as restated Allowance made during the year Amount recovered Amount reclassed to interest-in suspense (37,636) - 17,887 - 24,530 - (4,779) - (2)	At heginning of year	27.626	17 007
- as restated - 17,887 Allowance made during the year - 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)			17,007
Allowance made during the year - 24,530 Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)		(57,050)	17.887
Amount recovered - (4,779) Amount reclassed to interest-in suspense - (2)		_	
Amount reclassed to interest-in suspense - (2)		-	
	Amount reclassed to interest-in		,
At end of year - 37,636	suspense	-	(2)
At end of year - 37,636			
	At end of year	-	37,636

Business enterprises

Individuals

44. The operations of Islamic business (cont'd.)		
(b) Loans, advances and financing (cont'd.)		
	Group and 0 2010	Company 2009
Income in suspense	RM'000	RM'000
Income-in-suspense At beginning of year	13,865	7,321
- effects of FRS 139 adoption - as restated	(13,865)	7,321
Income suspended during the year Amount recovered	-	14,462 (7,920)
Amount reclassed from specific provision	-	2
At end of year		13,865
(c) Other receivables		
	Group and	Company
	2010 RM'000	2009 RM'000
Due from Head Office	663,556	486,060
Others	899	464
	664,455	486,524
(d)Deposits from customers		
(i) By type of deposit:		
	Group and 2010	Company 2009
	RM'000	RM'000
Al-Wadiah savings account Mudharabah Fund	18,106 6,373,998	13,900 3,156,844
	6,392,104	3,170,744
(ii) By type of customer:		
(ii) by type of customer.		

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Group and Company 2010 2009

RM'000

3,144,226

3,170,744

26,518

RM'000

6,332,057

6,392,104

60,047

44. The operations of Islamic business (cont'd.)		
(e) Other payables		
	Group and C	
	2010 RM'000	2009 RM'000
Profit payable Others	- 197,529	11,283 372,180
	197,529	383,463
(f) Income derived from investment of General Investment Deposits and Islamic capital funds		
	Group and C	Company
	2010	2009
	RM'000	RM'000
Financing, advances and other loans	374,020	164,673
Deposits with financial institutions	5,170 379,190	1,081 165,754
Less: Income suspended	-	(6,544)
	379,190	159,210
(g)Other expenses		
	Group and C	ompany
	2010	2009
	RM'000	RM'000
Personnel expenses (Note 44(h)) Promotion and marketing related expenses	3,309	1,526
General administrative expenses	190 22,583	162 17,464
	26,082	19,152
	20,002	19,132
(h)Personnel expenses		
	Group and C	
	2010 RM'000	2009 RM'000
Wages and salaries Social security costs	2,771 47	1,295 23
Pension costs - Employees Provident Fund	491	208
	3,309	1,526
	3,309	1,320

(i) Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

A reconciliation of the income tax expense applicable to profit before taxation and zakat 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 and	Company
	2010	2009
	RM'000	RM'000
Profit before taxation and zakat	133,038	45,096
Taxation at Malaysian statutory tax rate of 25% (2009: 25%) Deferred tax assets not recognised during the year	33,260 -	11,274 3,515
Tax expense for the year	33,260	14,789

Deferred tax assets amounting to RMNil (2009: RM29,147,000) have not been recognised in respect of the following items:

	Group and Company	
	2010	2009
	RM'000	RM'000
Allowance for doubtful debts	-	29,147

(j) Yield/profit rate risk

The table below summarises the Group's and the Company's exposure to yield/profit rate risk for the Islamic business operations. The table indicates effective average yield/profit rates at the balance sheet date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group and Company 2010

								Average
						Non-yield/		yield/profit
	Up to 1	>1-3	>3-12	>1-5	Over 5	profit rate		rate
	month	months	months	years	years	sensitive	Total	% per
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	annum
Assets								
Cash and short term funds Loans, advances	292,027	236	3,238	-	-	11,979	307,480	2.79
and financing:	220	132	2 124	110 554	E 420 255		F F60 20F	8.47
performingnon-performing		132	2,134	118,554	5,439,255	- 146,133	5,560,295 146,133	8.47
Other receivables	_	_	_	_	_	664,455	664,455	
Other receivables						007,733	004,433	
Total assets	292,247	368	5,372	118,554	5,439,255	822,567	6,678,363	
Liabilities								
Deposits from customers	2 040 202	2 160 204	950 470	E1E 020			6 202 104	3.24
Other liabilities	2,848,203	2,169,394	859,479	515,028	-	- 259,118	6,392,104 259,118	3.24
Total liabilities	2,848,203	2,169,394	859,479	515,028		259,118	6,651,222	
Equity	2,040,203	2,109,394	- (CO)	313,020	_	27,141	27,141	
Total liabilities						=/,		
and equity	2,848,203	2,169,394	859,479	515,028	-	286,259	6,678,363	
On-balance sheet yield/profit	()		4					
sensitivity gap Off-balance sheet yield/profit	(2,555,956)	(2,169,026)	(854,107)	(396,474)	5,439,255	536,308	-	
sensitivity gap	-	-	-	-	-	-	-	
Total yield/profit								
sensitivity gap	(2,555,956)	(2,169,026)	(854,107)	(396,474)	5,439,255	536,308	-	

44. The operations of Islamic business (cont'd.) (j) Yield/profit rate risk (cont'd.)

Group and Company 2009

2009								
								Average
						Non-yield/		yield/profit
	Up to 1	>1-3	>3-12	>1-5	Over 5	profit rate		rate
	month	months	months	years	years	sensitive	Total	% per
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	annum
Assets								
Cash and short	55,003	100 202	2.401			10.102	257.000	2.16
term funds	55,003	180,302	3,401	-	-	19,183	257,889	2.16
Loans, advances								
and financing: - performing	198	94	1,896	123,112	2,630,277		2,755,577	5.50
- non-performing	190	94	1,090	123,112	2,030,277	135,414	135,414	3.30
Other receivables	_	_	_	_	_	486,524	486,524	
Other receivables						400,324	400,324	
Total assets	55,201	180,396	5,297	123,112	2,630,277	641,121	3,635,404	
Liabilities								
Liabilities								
Deposits from								
customers	1,483,126	1,213,081	473,459	1,078	-	-	3,170,744	2.45
Other liabilities	-	-	-	-	-	411,945	411,945	
Total liabilities	1,483,126	1,213,081	473,459	1,078	-	411,945	3,582,689	
Equity	-	-	-	-	-	52,715	52,715	
Total liabilities								
and equity	1,483,126	1,213,081	473,459	1,078	-	464,660	3,635,404	
On-balance sheet								
yield/profit								
sensitivity gap	(1,427,925)	(1,032,685)	(468,162)	122,034	2,630,277	176,461	-	
Off-balance sheet	.,,,,	. , , ,	` , ,	,		·		
yield/profit								
sensitivity gap	-	-	-	-	-	-	-	
Total yield/profit								
sensitivity gap	(1,427,925)	(1,032,685)	(468,162)	122,034	2,630,277	176,461	-	

45. Supplementary information - realised and unrealised profits and losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and format required.

The breakdown of accumulated losses of the Group and the Company as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	Group December 2010 RM'000
Total accumulated losses of the Group: - Realised - Unrealised in respect of deferred tax recognised in the	(1,274,713)
income statement Add: Consolidated adjustments	(1,552) (1,276,265) 427,428
Total Group accumulated losses as per accounts	(848,837)
	Company December 2010
Total accumulated losses of the Company: - Realised - Unrealised in respect of deferred tax recognised in the	RM'000 (822,898)
income statement Total Company accumulated losses as per accounts	(1,626)

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

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





Proxy Form

I/We _		ot			
being	a member/members of MALAYSIA BUILDIN	NG SOCIETY BERHAD hereby ap	point		
		of			
		or failing him	of		
Comp	ng him, the Chairman of the Meeting as r any to be held at Ballroom 1, 1st Floor, Sim 2011 at 11.00 a.m. and at any adjournmer	ne Darby Convention Centre, 1/			_
My/O	ır proxy to vote as indicated hereunder.				
NO.	RESOLUTIONS			FOR	AGAINST
1	To receive and adopt the Audited Financy year ended 31 December 2010 and Repo				
2	To declare a first and final dividend of 9% less 25% income tax for the financial year ended 31 December 2010. Resolution 2				
3	To approve payment of Directors' Fees amounting to RM530,000 for the financial year ended 31 December 2010. Resolution 3				
4	To re-elect the following Directors who Articles of Association and who being eli-				
	(i) Tan Sri Abdul Halim bin Ali (ii) Syed Zaid bin Syed Jaffar Albar		Resolution 4 Resolution 5		
5	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. Resolution 6				
	Special Business:				
6	To approve the Proposed Amendment to Article 116 of the Company's Articles of Association. Resolution 7				
7.	To approve the Proposed Insertion of New Article 94A to the Company's Articles of Association. Resolution 8				
Number of Shares Held					
Dat	e S	Signed	in the presence of _		

Notes:

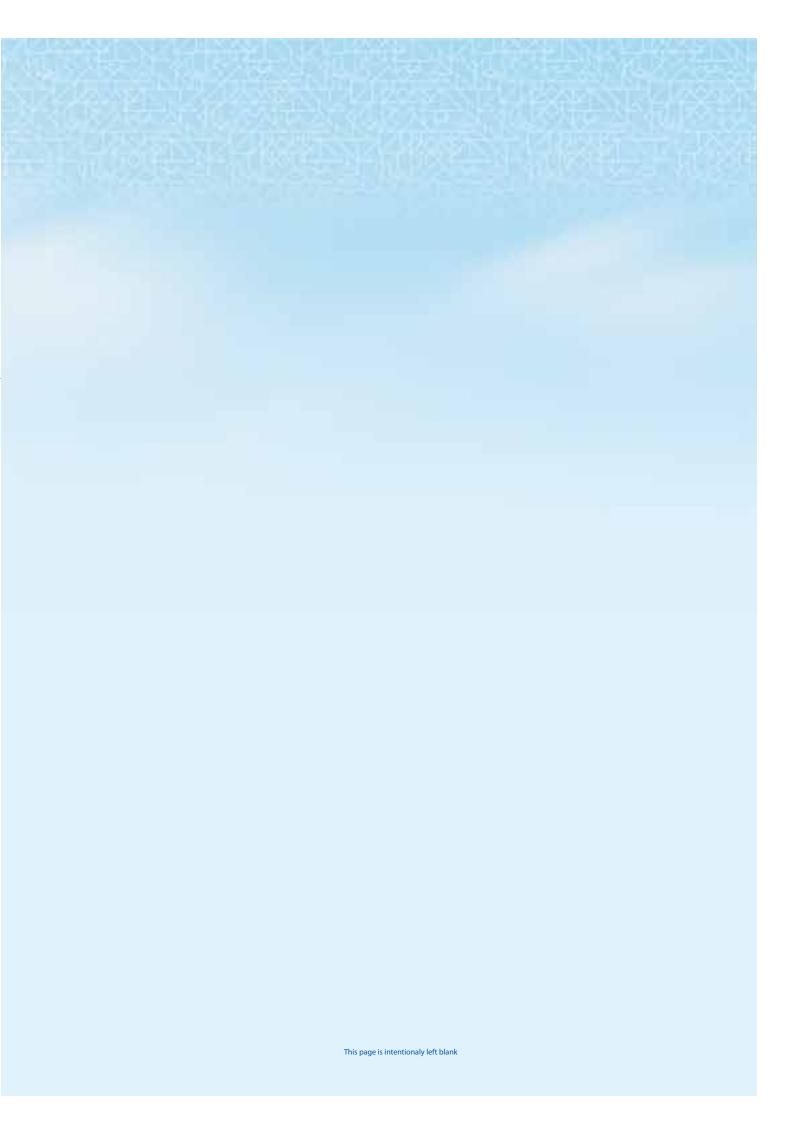
- 1. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2. To be valid, this form duly completed must be deposited at the Company's registered office at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
- 3. A member entitled to attend and vote at the abovementioned meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company.
- 4. In the case of a corporate body, the proxy appointed must be in accordance with its Memorandum & Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
- 5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 7. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.



(STAMP]

Secretarial Department MALAYSIA BUILDING SOCIETY BERHAD (9417-K) 8th Floor, Wisma MBSB No. 48, Jalan Dungun Damansara Heights 50490 Kuala Lumpur

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