

THIS CIRCULAR AND EXPLANATORY STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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MALAYSIA BUILDING SOCIETY BERHAD
(Registration No. 197001000172 (9417-K))
(Incorporated in Malaysia)

**CIRCULAR AND EXPLANATORY STATEMENT TO THE SHAREHOLDERS OF
MALAYSIA BUILDING SOCIETY BERHAD (“MBSB” OR THE “COMPANY”)
PURSUANT TO SECTION 369 OF THE COMPANIES ACT, 2016 (“ACT”)**

IN RELATION TO THE

**PROPOSED DISPOSAL BY MBSB OF ITS RESIDUAL A&L (AS DEFINED HEREIN)
TO EMERALD UNITY SDN BHD, A SPECIAL PURPOSE VEHICLE BY WAY OF A PROPOSED
SCHEME OF ARRANGEMENT PURSUANT TO SECTION 366 AND SECTION 370 OF THE ACT**

AND

NOTICE OF COURT-CONVENED MEETING

Principal Adviser



AmInvestment Bank

AmInvestment Bank Berhad
(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Court-Convened Meeting (“**CCM**”) of MBSB together with the respective Proxy Forms are enclosed in this Circular and Explanatory Statement. This CCM will be held on a virtual basis through live streaming via Tricor Investor & Issuing House Services Sdn Bhd (“**Tricor**”)’s digital platform, TIIH Online at <https://tiih.online>.

You are entitled to vote at the CCM. If you are unable to attend the CCM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. In such event, you should complete and deposit the relevant Proxy Form(s) at the Share Registrar’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, to submit your electronic Proxy Form via TIIH Online at <https://tiih.online>, not less than 48 hours before the date and time fixed for holding the CCM, or at any adjournment thereof. Please refer to the procedure for lodgement of Proxy Form in the Administrative Guide for submission of electronic Proxy Form. The lodging of the relevant Proxy Form(s) will not preclude you from attending and voting in person at the CCM should you subsequently wish to do so.

Last date and time for lodging of the Proxy Form for the CCM : Wednesday, 22 November 2023 at 10:00 a.m.

Date and time for CCM : Friday, 24 November 2023 at 10:00 a.m.

Broadcast Venue of the CCM : Level 4, Menara MBSB Bank, PJ Sentral, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor (“**Broadcast Venue**”)

This Circular and Explanatory Statement is dated 30 October 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and Explanatory Statement:-

88 Legacy	:	88 Legacy Sdn. Bhd. (Registration No. 201401028909 (1104995-A))
Act	:	Companies Act, 2016
Administrative Trust Deed	:	Trust Deed to be entered into between Emerald Unity and the Administrative Trustee in respect of the management and administration of Emerald Unity
Administrative Trustee	:	TMF Trustees Malaysia Berhad (Registration No. 200301008392 (610812-W))
AmlInvestment Bank or Principal Adviser	:	AmlInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
Board	:	Board of Directors of MBSB
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd.
Bursa Securities	:	Bursa Malaysia Securities Berhad
CCM	:	Court-Convened Meeting
Circular and Explanatory Statement	:	This Circular and Explanatory Statement to Shareholders dated 30 October 2023
Court	:	The High Court of Malaya
Definite Pure	:	Definite Pure Sdn. Bhd. (Registration No. 199601006810 (379156-D))
Emerald Unity	:	Emerald Unity Sdn. Bhd. (Registration No. 202301012098 (1506020-M)), the special purpose vehicle for the Proposed Scheme
Emerald Unity Shares	:	The ordinary shares of Emerald Unity
EPS	:	Earnings per share
FYE	:	Financial year(s) ended/ending
FPE	:	Financial period ended/ending
Jana Kapital	:	Jana Kapital Sdn Bhd (Registration No. 201301012769 (1042607-U))
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	3 October 2023, being the latest practicable date prior to the date of this Circular and Explanatory Statement
Main Market	:	The Main Market of Bursa Securities

DEFINITIONS (CONT'D)

Major Shareholders	: A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:- (a) 10% or more of the total number of voting shares in the Company; or (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, "interest in shares" shall have the meaning given to it in Section 8 of the Act
MBSB Bank	: MBSB Bank Berhad (Registration No. 200501033981 (716122-P))
MBSB Development	: MBSB Development Sdn Bhd (Registration No. 199201011105 (242608-P))
MBSB Group or Group	: Collectively, MBSB and its subsidiaries
MBSB or Company	: Malaysia Building Society Berhad (Registration No. 197001000172 (9417-K))
MBSB Properties	: MBSB Properties Sdn. Bhd. (Registration No. 198001001895 (55678-T))
MBSB Share(s)	: Ordinary shares in MBSB
MBSB Tower	: MBSB Tower Sdn Bhd (Registration No. 201201039931 (1024409-X))
MIDF	: Malaysian Industrial Development Finance Berhad (Registration No. 196001000082 (3755-M))
MIDF Group	: MIDF and its subsidiaries
NA	: Net assets
Non-Financial Subsidiaries and each, a Non-Financial Subsidiary	: The identified non-financial subsidiaries of MBSB under the Proposed Scheme namely:- (a) MBSB Development; (b) Definite Pure; (c) MBSB Properties; (d) 88 Legacy; and (e) Prudent Legacy
PNB	: Permodalan Nasional Berhad
Proposed Scheme	: The scheme of arrangement pursuant to Sections 366 and 370 of the Act, details of which are set out in Section 2.2 hereof and upon such terms and subject to such conditions as may be finally sanctioned by the Court
Prudent Legacy	: Prudent Legacy Sdn. Bhd. (Registration No. 199601010638 (382987-W)) (<i>in liquidation</i>)

DEFINITIONS (CONT'D)

Record of Depositors	:	Record of securities holders established by Bursa Depository pursuant to the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
Residual A&L	:	The remaining identified residual conventional financial assets and liabilities of MBSB, which comprise the Non-Financial Subsidiaries and all the Subject Loans as at the date hereof, or such of the remaining assets and liabilities, which cannot otherwise be disposed of or resolved, as at or by the respective transfer dates
RM	:	Ringgit Malaysia
Shareholders	:	Shareholders of our Company
Share Trust Deed	:	Trust Deed to be entered into between MBSB, the Share Trustee and Emerald Unity in respect of the transfer of the Emerald Unity Shares to the Share Trustee for the benefit of a nominated charity(ies) to be identified
Share Trustee	:	TMF Trustees Malaysia Berhad (Registration No. 200301008392 (610812-W))
SPA	:	Sale and purchase agreement to be entered into between MBSB and Emerald Unity for the implementation of the Proposed Scheme
Subject Loans	:	Such of the non-performing residual conventional loans forming part of the Residual A&L which remain in MBSB until the transfer to Emerald Unity
Trust Deeds	:	Collectively, the Share Trust Deed and Administrative Trust Deed

All references to “you” or “Shareholder” in this Circular and Explanatory Statement are to the Shareholders of MBSB. All references to “we”, “us”, “our” and “ourselves” are in respect of MBSB or the MBSB Group, where relevant. References to persons shall include corporations, unless otherwise specified.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Any reference in this Circular and Explanatory Statement to any enactment, rules or regulations is a reference to that enactment, rules or regulations as for the time being amended or re-enacted.

Any reference to a time of day in this Circular and Explanatory Statement shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the figures included in this Circular and Explanatory Statement between the amounts stated and the actual amount thereof is due to rounding.

Certain statements in this Circular and Explanatory Statement may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular and Explanatory Statement should not be regarded as a representation or warranty that the MBSB Group’s plans and objectives will be achieved.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Scheme in this Circular and Explanatory Statement. You are advised to read and carefully consider the contents of this Circular and Explanatory Statement and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Scheme before voting at our forthcoming CCM.

Salient information	Description
Summary of the Proposed Scheme <i>(Section 2 of the Circular and Explanatory Statement)</i>	<p>The Proposed Scheme entails the following:-</p> <ul style="list-style-type: none">(i) the proposed transfer by MBSB of its entire shareholding in Emerald Unity to a Share Trustee, which shall hold the same for the benefit of a nominated charity(ies) to be identified; and(ii) the proposed disposal by MBSB of the Residual A&L to Emerald Unity for the following consideration:-<ul style="list-style-type: none">(a) for the shares of the direct Non-Financial Subsidiaries, based on a nominal sum of RM2.00 for each of the direct Non-Financial Subsidiaries; and(b) for the Subject Loans, at a consideration to be determined based on the net book value at the end of the month prior to the transfer of the Subject Loans subject to a maximum of the amount owed under the respective Subject Loans as at a date to be determined by our Company, <p>(collectively referred to as the “Consideration”).</p> <p>The consideration for the Subject Loans payable by Emerald Unity shall be settled in cash and on a deferred basis, as and when Emerald Unity receives proceeds arising from the settlement or recovery of the amounts and interest which remain outstanding under the respective Subject Loans. The consideration for the Subject Loans will be on a deferred basis as Emerald Unity's only source of cash flow will be from the settlement or recovery of the Subject Loans. As such, MBSB can only be paid once Emerald Unity manages to settle or recover money from the Subject Loans. The consideration for the direct Non-Financial Subsidiaries payable by Emerald Unity shall be settled in cash on the transfer date to Emerald Unity.</p> <p>The deferred payment of the consideration for the Subject Loans will be settled with compensation at the rate of 6.75% - 8.75% per annum which is the prevailing interest rate range of the respective Subject Loans, from the date of transfer of the Subject Loans to the date of settlement of the respective Subject Loans.</p> <p>For each of the Subject Loans, any remaining amount after settling the costs and expenses of disposal, the accrued compensation and the deferred cash consideration shall be paid to MBSB as additional consideration. For the avoidance of doubt, the additional consideration is not subject to compensation.</p>

EXECUTIVE SUMMARY (CONT'D)

Salient information**Description**

In the event that the amount of proceeds arising from the settlement or recovery of any indebtedness under the respective Subject Loans is lower than the deferred cash consideration and the accrued compensation, MBSB shall have the right to waive any part of the deferred cash consideration and the accrued compensation payable by Emerald Unity under the respective Subject Loans in excess of the amount of proceeds which are recovered by Emerald Unity under the respective Subject Loans. For the avoidance of doubt, waiver of any portion of the deferred cash consideration by MBSB upon settlement is to be applied first to the principal portion of the deferred cash consideration, and thereafter to the accrued compensation payable.

For each of the Subject Loans, any remaining amount shall be paid to MBSB as additional consideration after settling any outstanding costs and expenses of the successful foreclosure and/or successful sale or disposal of the charged properties under the respective Subject Loans, the accrued compensation, and the deferred cash consideration. For the avoidance of doubt, the additional consideration is not subject to compensation. MBSB shall have the right to vary and/or lower the amount of the additional consideration payable by Emerald Unity, if any, at its sole discretion.

Any excess amounts after settling all indebtedness of the customer or borrower under the relevant security documentation of the respective Subject Loans shall be paid by Emerald Unity to such customer or borrower.

Some of the Non-Financial Subsidiaries own properties which are subject to on-going sale and disposal to third parties, which has not yet been completed. Such completion shall take place either before or after the Non-Financial Subsidiaries are transferred to Emerald Unity. The proceeds from such sale will be paid by such Non-Financial Subsidiaries to MBSB or MBSB Bank, as the case may be, in consideration for the existing amounts owed to MBSB or MBSB Bank. If the sale and disposal to any third parties is aborted or terminated at any time, it is envisaged that such relevant property held by the Non-Financial Subsidiary will be transferred to MBSB Bank in consideration for the existing amount owed to MBSB or MBSB Bank, as the case may be subject to approval from relevant authorities (if required).

Rationale for the Proposed Scheme

(Section 4 of the Circular and Explanatory Statement)

The rationale of the Proposed Scheme is to enable MBSB to be an investment holding company with no loans and no direct interest in companies which are not involved in financial services.

EXECUTIVE SUMMARY (CONT'D)

Salient information	Description
Approvals required for the Proposed Scheme <i>(Section 7 of the Circular and Explanatory Statement)</i>	The Proposed Scheme is subject to the following approvals being obtained:- (i) the MBSB Shareholders' approval for the Proposed Scheme. The Proposed Scheme requires approval of at least 75% in total value of the Shareholders, present and voting at the CCM for the Proposed Scheme; (ii) the approval of the Court for the CCM of the Shareholders pursuant to Section 366(1) of the Act to obtain the requisite approval for the Proposed Scheme; (iii) final sanction of the Court in respect of the Scheme, including the grant of a vesting order by the Court, pursuant to Section 366(2) and Section 370 of the Act; and (iv) such other relevant approvals and/or consents, if required.
Conditionality of the Proposed Scheme <i>(Section 8 of the Circular and Explanatory Statement)</i>	The Proposed Scheme is not conditional upon any other proposals undertaken or to be undertaken by MBSB.
Interests of the Directors, Major Shareholders, chief executive and/or persons connected to them <i>(Section 10 of the Circular and Explanatory Statement)</i>	As at the LPD, none of our Directors, Major Shareholders, chief executive and/or persons connected to them have any interest, direct or indirect, in the Proposed Scheme.
Directors' statement and recommendation <i>(Section 11 of the Circular and Explanatory Statement)</i>	Our Board, after having considered all aspects of the Proposed Scheme, including the basis and justification and rationale, and effects, of the Proposed Scheme, as well as the terms and conditions of the Proposed Scheme, the SPA and the Trust Deeds, respectively, is of the opinion that the Proposed Scheme is in the best interests of our Company. Accordingly, our Board recommends that YOU VOTE IN FAVOUR of the resolution pertaining to the Proposed Scheme to be tabled at the forthcoming CCM.



MALAYSIA BUILDING SOCIETY BERHAD
(Registration No. 197001000172 (9417-K))
(Incorporated in Malaysia under the Companies Act, 1965
and deemed registered under the Companies Act, 2016)

Registered Office

Level 25, Menara MBSB Bank,
PJ Sentral,
Lot 12, Persiaran Barat, Seksyen 52,
46200, Petaling Jaya,
Selangor Darul Ehsan

30 October 2023

Board of Directors

Puan Lynette Yeow Su-Yin (*Acting Chairman*)
Encik Sazaliza bin Zainuddin (*Non-Independent Executive Director*)
Ir. Moslim bin Othman (*Independent Non-Executive Director*)
Encik Mohamad Abdul Halim bin Ahmad (*Independent Non-Executive Director*)
Dr. Loh Leong Hua (*Independent Non-Executive Director*)
Datin Hoi Lai Ping (*Independent Non-Executive Director*)

To: The Shareholders of our Company

Dear Sir/Madam,

PROPOSED SCHEME

1. INTRODUCTION

On 18 September 2023, AmInvestment Bank as the Principal Adviser, on behalf of our Board, announced that MBSB is proposing to undertake a proposed members' scheme of arrangement pursuant to Sections 366 and 370 of the Act ("**Proposed Scheme**") as detailed in Section 2 of this Circular and Explanatory Statement.

On 11 October 2023, AmInvestment Bank had, on behalf of our Board, announced that the Court had, on 5 October 2023, granted an order for our Company to convene the CCM for the Shareholders to obtain their approval for the Proposed Scheme within 90 days from the date of the court order.

Further details of the Proposed Scheme are set out in the ensuing sections in this Circular and Explanatory Statement.

THE PURPOSE OF THIS CIRCULAR AND EXPLANATORY STATEMENT IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED SCHEME AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED SCHEME TO BE TABLED AT THE FORTHCOMING CCM. THE NOTICE OF CCM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR AND EXPLANATORY STATEMENT.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND EXPLANATORY STATEMENT BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SCHEME TO BE TABLED AT THE FORTHCOMING CCM.

2. THE PROPOSED SCHEME

2.1 Background

On 6 November 2017, MBSB had entered into a conditional share purchase agreement to acquire the entire equity interest in MBSB Bank (then known as Asian Finance Bank Berhad) for an aggregate purchase consideration of approximately RM645.0 million. The said acquisition was completed on 7 February 2018.

Pursuant to the said acquisition, MBSB had entered into a scheme of arrangement with its members in respect of the merger of our Company with MBSB Bank, which was approved by the members of our Company at a CCM held on 23 January 2018.

Under the said scheme of arrangement, MBSB obtained a vesting order dated 28 February 2018 to transfer its Shariah-compliant business, assets, and liabilities to MBSB Bank and dispose of to third parties, identified residual conventional financial assets and liabilities, which cannot be converted to Shariah-compliant assets and liabilities, and the Non-Financial Subsidiaries, within a period of three (3) years ending 1 April 2021. Our Company had further obtained an order by the Court on 21 July 2021 for an extension of time to do so by 1 April 2024.

As at the LPD, the Residual A&L comprises the Non-Financial Subsidiaries and the Subject Loans.

2.2 Details of the Proposed Scheme

The Proposed Scheme entails the following:-

2.2.1 Proposed transfer by MBSB of the Emerald Unity Shares

MBSB proposes to transfer its entire shareholding in Emerald Unity to the Share Trustee, which shall hold the same for the benefit of a nominated charity(ies) to be identified.

The Share Trustee shall be the registered owner of the Emerald Unity Shares, holding the Emerald Unity Shares on trust with power to distribute any and all distributions and entitlements to the Emerald Unity Shares to the nominated charity(ies) to be identified.

2.2.2 Proposed disposal by MBSB of the Residual A&L to Emerald Unity

After the proposed transfer by MBSB of the Emerald Unity Shares, to the Share Trustee, MBSB proposes to dispose of and transfer its Residual A&L to Emerald Unity for the following consideration:-

- (a) for the shares of the direct Non-Financial Subsidiaries, based on a nominal sum of RM2.00 for each of the direct Non-Financial Subsidiaries; and
- (b) for the Subject Loans, at a consideration to be determined based on the net book value at the end of the month prior to the transfer of the Subject Loans subject to a maximum of the amount owed under the respective Subject Loans as at a date to be determined by our Company,

(collectively referred to as the “**Consideration**”).

The consideration for the Subject Loans payable by Emerald Unity shall be settled in cash and on a deferred basis, as and when Emerald Unity receives proceeds arising from the settlement or recovery of the amounts and interest which remain outstanding under the respective Subject Loans. The consideration for the Subject Loans will be on a deferred basis as Emerald Unity's only source of cash flow will be from the settlement or recovery of the Subject Loans. As such, MBSB can only be paid once Emerald Unity manages to settle or recover money from the Subject Loans. The consideration for the direct Non-Financial Subsidiaries payable by Emerald Unity shall be settled in cash on the transfer date to Emerald Unity.

The deferred payment of the consideration for the Subject Loans will be settled with compensation at the rate of 6.75% - 8.75% per annum which is the prevailing interest rate range of the respective Subject Loans, from the date of transfer of the respective Subject Loans to the date of settlement of the respective Subject Loans.

In the event that the amount of proceeds arising from the settlement or recovery of any indebtedness under the respective Subject Loans is lower than the deferred cash consideration and the accrued compensation, MBSB shall have the right to waive any part of the deferred cash consideration and the accrued compensation payable by Emerald Unity under the respective Subject Loans in excess of the amount of proceeds which are recovered by Emerald Unity under the respective Subject Loans. For the avoidance of doubt, waiver of any portion of the deferred cash consideration by MBSB upon settlement is to be applied first to the principal portion of the deferred cash consideration, and thereafter to the accrued compensation payable.

For each of the Subject Loans, any remaining amount shall be paid to MBSB as additional consideration after settling any outstanding costs and expenses of the successful foreclosure and/or successful sale or disposal of the charged properties under the respective Subject Loans, the accrued compensation, and the deferred cash consideration. For the avoidance of doubt, the additional consideration is not subject to compensation. MBSB shall have the right to vary and/or lower the amount of the additional consideration payable by Emerald Unity, if any, at its sole discretion.

Any excess amounts after settling all indebtedness of the customer or borrower under the relevant security documentation of the respective Subject Loans shall be paid by Emerald Unity to such customer or borrower.

The Non-Financial Subsidiaries comprise the following:-

Non-Financial Subsidiary	Principal activities	Net liabilities as at FYE 31 December 2022 (RM'000)	Loss after tax and minority interest (RM'000)
MBSB Development	Property development	(81,465)	(4,305)
MBSB Properties	Letting of real property	(238,921)	(17,317)
88 Legacy	Property development	(79,271)	(5,448)
Definite Pure	Property development	(706,157)	(70,011)
<u>Subsidiary of MBSB Development</u>			
Prudent Legacy	In liquidation	-	-

The NA of each Non-Financial Subsidiary prior to the proposed disposal shall be nominal at RM2.00 after taking into consideration, *inter-alia*, disposal of properties to third parties, transfer of properties to MBSB Bank, write-off of intercompany balances and declaration of dividends by the respective Non-Financial Subsidiaries.

No financial adviser has been appointed to carry out an independent valuation on the Non-financial Subsidiaries. It is envisaged that the proforma net assets of RM2.00 will be derived as follows:-

	MBSB Development RM'000	MBSB Properties RM'000	88 Legacy RM'000	Definite Pure RM'000
Net liabilities as at 31 December 2022	(81,465)	(238,921)	(79,271)	(706,157)
Add:				
Gain on disposal of properties to 3 rd parties	-	2,529	5,666	-
Gain on disposal of properties to MBSB Bank	-	-	872	-
Intercompany balances written-off ^(a)	81,465	236,392	72,733	706,157
Adjusted Net Assets	-	-	-	-

Note:-

(a) *The intercompany balances written-off will have no effect to MBSB Group as the transactions are eliminated upon consolidation.*

As at LPD, 88 Legacy and MBSB Properties own properties which are subject to on-going sale and disposal to third parties, which has not yet been completed. Such completion shall take place either before or after the said Non-Financial Subsidiaries are transferred to Emerald Unity. The proceeds from such sale will be paid by such Non-Financial Subsidiaries to MBSB or MBSB Bank, as the case may be, in consideration for the existing amounts owed to MBSB or MBSB Bank.

If the sale and disposal to any third parties is aborted or terminated at any time, it is envisaged that such relevant property held by the Non-Financial Subsidiary will be transferred to MBSB Bank in consideration for the the existing amount owed to MBSB or MBSB Bank, as the case may be subject to approval from relevant authorities (if required). For avoidance of doubt, the proforma NA will remain as RM2.00 or less and the sale consideration for each of the direct Non-Financial Subsidiaries shall remain as RM2.00 (with or without the said property(ies)) upon their disposal to Emerald Unity.

The proposed disposal of the Residual A&L shall be implemented through the Proposed Scheme by way of a vesting order obtained from the Court. Our Company and Emerald Unity shall enter into the SPA to set out the terms and conditions relating to the proposed disposal and transfer by MBSB of its Residual A&L to Emerald Unity which will be executed after the approval of the Court is obtained.

The administrative Trustee will be appointed to manage the operations of Emerald Unity, primarily managing the proceeds that Emerald Unity receives from the settlement or recovery of the amounts and interest which remain outstanding under the Subject Loans. The trustee will, amongst other matters, manage the bank account(s) of Emerald Unity as well as the payments from the said bank account(s) to settle any outstanding costs and expenses, and the deferred cash consideration and additional consideration.

Emerald Unity may appoint a servicing agent, which may be a subsidiary of the MBSB Group, to amongst others, manage and supervise the litigation process together with the appointed solicitors and legal counsels handling such litigation matters. The agency fee, if any, is to be agreed between the parties.

Our Company agrees with Emerald Unity to satisfy any ongoing liabilities as may arise in respect of judgements or order made against Emerald Unity, in any on-going litigation, which is transferred to Emerald Unity, as part of the Residual A&L and bear the following costs and expenses of Emerald Unity and its subsidiaries:-

- (a) costs and expenses of Emerald Unity and its subsidiaries, including administration expenses incurred, directors' fees, trustees' fees, agent's fees and liquidators' fees;
- (b) costs and expenses incurred in relation to the Subject Loans, including maintenance costs, insurance costs, quit rent and assessment expenses, and fees of the receiver and managers; and
- (c) legal costs for the conduct of the litigation on the Subject Loans and for the foreclosure and/or sale or disposal of the charged properties under the respective Subject Loans;

(collectively, the "**Post-Completion Expenses**").

Emerald Unity will be liquidated and/or dissolved once the disposal by Emerald Unity of all the Residual A&L being completed and/or resolved.

The salient terms of the draft SPA and Trust Deeds are included in Appendix I and II of this Circular and Explanatory Statement respectively. The SPA and Trust Deeds will only be executed after the Court has sanctioned the Proposed Scheme.

2.3 Information on Emerald Unity

Emerald Unity was incorporated on 30 March 2023. Emerald Unity serves as a special purpose vehicle which was incorporated to hold the Residual A&L upon the implementation of the Proposed Scheme.

As at the LPD, the issued and paid-up share capital of Emerald Unity is RM1.00 comprising 1 ordinary share in Emerald Unity held by MBSB as the sole shareholder of Emerald Unity.

As at the LPD, the directors of Emerald Unity are Dato' Azlan Bin Shahrim and Jesleigh Bin Johari. The directors of Emerald Unity will change upon the implementation of the Proposed Scheme.

Upon completion of the proposed transfer of the Emerald Unity Shares to the Share Trustee, MBSB will no longer have legal or beneficial ownership in the shares of Emerald Unity.

2.4 Basis and justification for the Consideration

The Consideration is based on the following:-

Subject Loans

The Subject Loans' Consideration to be determined based on the net book value at the end of the month prior to the transfer of the Subject Loans subject to a maximum of the amount owed under the respective Subject Loans.

MBSB proposes to transfer all of the remaining eight (8) Subject Loans. As at LPD, all of the Subject Loans are non-performing conventional loans.

As the date of transfer will be in the future, the consideration of Subject Loans can only be finalised then. For information, the net book value of the Subject Loans as at 30 June 2023 is RM279 million. The amount of the final net book value will vary depending on, amongst others, the loan outstanding amount and the expected credit loss (ECL) provisioning to be made.

Non-Financial Subsidiaries

For the direct Non-Financial Subsidiaries, the sale consideration is expected to be up to RM8.00, based on the adjusted NA of each Non-Financial Subsidiary prior to the proposed disposal of RM2.00 after taking into consideration, *inter-alia*, disposing of properties to third parties, transfer of properties to MBSB Bank, write-off of intercompany balances and declaration of dividends as detailed in Section 2.2 above.

2.5 Assumption of liabilities

Save as disclosed below, there are no liabilities, including contingent liabilities and/or guarantees, to be assumed by MBSB arising from the Proposed Scheme.

The Subject Loans save and except for one are subject to litigation initiated by MBSB for recovery purposes. Countersuits have been filed for some cases. It is a term of the proposed disposal that MBSB will have an obligation to pay for certain operational costs and expenses of Emerald Unity and to satisfy any ongoing liabilities as may arise in respect of judgments or orders made against Emerald Unity, in any on-going litigation, which is transferred to Emerald Unity, as part of the Residual A&L. As at LPD, the amount of the countersuits that can be reasonably quantified is approximately RM5 million. The other counterclaims are not monetary in nature and some are also subject to Court's assessment.

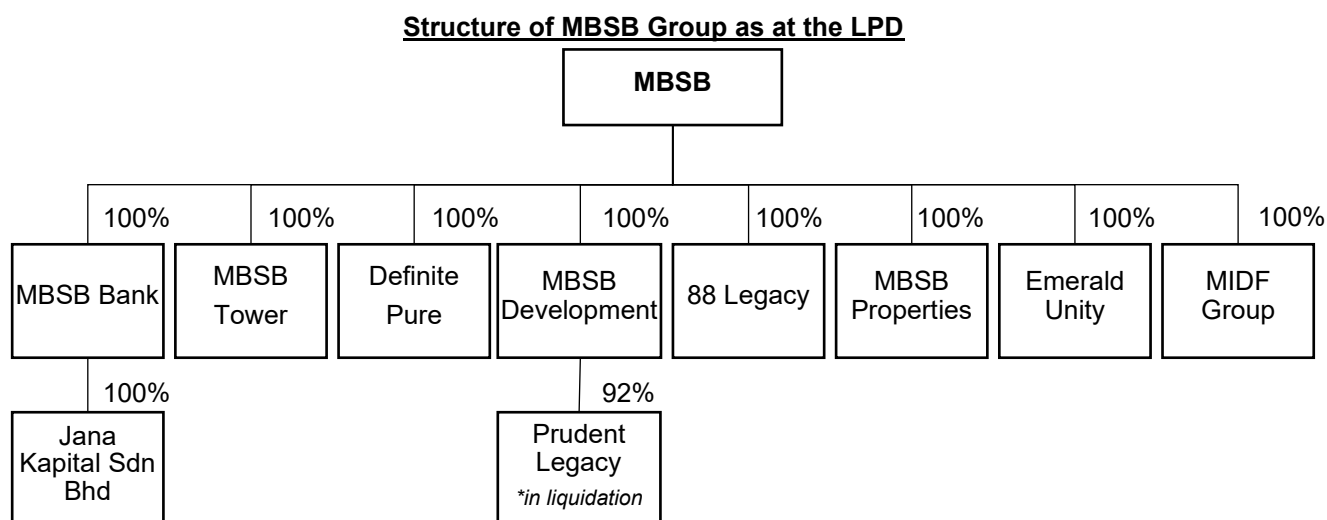
2.6 Utilisation of proceeds

MBSB intends to utilise cash proceeds if any, as and when received from the proposed disposal for the internal working capital of the MBSB Group within twelve (12) months from the date of receipt.

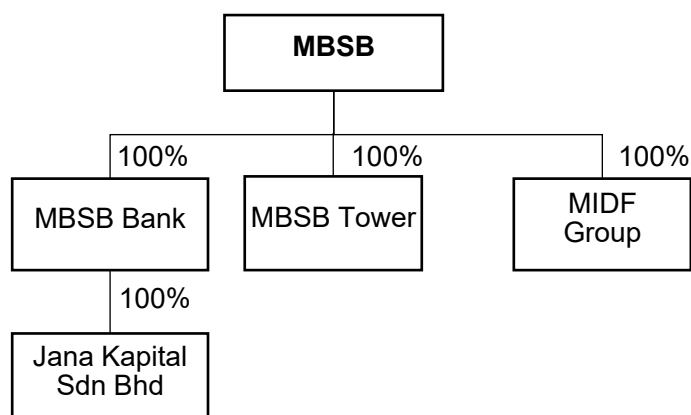
Pending utilisation, the cash proceeds from the proposed disposal will be deposited with licensed financial institutions and/or invested in money market instruments as our Board may deem fit.

3. CORPORATE STRUCTURE BEFORE AND AFTER THE PROPOSED SCHEME

The corporate structure of the MBSB Group before and after the Proposed Scheme, based on the direct shareholdings of MBSB's substantial shareholders as at the LPD, are as follows:-



Structure of MBSB Group after the implementation of the Proposed Scheme



For the avoidance of doubt, the Proposed Scheme will not have any effect on the shareholding structure of MBSB.

4. RATIONALE FOR THE PROPOSED SCHEME

The rationale of the Proposed Scheme is to enable MBSB to be an investment holding company with no loans and no direct interest in companies which are not involved in financial services.

5. RISKS RELATING TO THE PROPOSED SCHEME

5.1 Non-completion of the Proposed Scheme

The completion of the Proposed Scheme is conditional upon the approvals for the Proposed Scheme. Such approvals include obtaining the requisite Shareholders' approval and Court sanction for the Proposed Scheme.

There can be no assurance that all of the approvals for the Proposed Scheme will be fulfilled. Nevertheless, MBSB will manage such risk by engaging proactively with the relevant authorities and parties with the objective of obtaining the necessary approvals and documents required for the implementation of the Proposed Scheme.

In the event that any of the relevant regulatory approvals are not obtained, the Proposed Scheme may be delayed or terminated.

6. EFFECTS OF THE PROPOSED SCHEME

We have set out below the effects of the Proposed Scheme on MBSB's financial position as at 31 December 2022.

MBSB had on 2 October 2023 announced that the acquisition of MIDF has been completed, resulting in MIDF becoming a wholly owned subsidiary of MBSB. However, the MBSB financial effects herein have not taken into account our acquisition of MIDF.

In addition, the effects below are based on the assumption that a subsidiary of MBSB is appointed by Emerald Unity as a servicing agent to amongst others, manage and supervise the litigation process.

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Scheme is not expected to have any effect on the issued share capital and substantial shareholders' shareholdings in MBSB as it does not involve issuance of new MBSB Shares.

6.2 NA per share and gearing

The proforma effects of the Proposed Scheme on the NA and gearing of MBSB Group based on MBSB's latest audited consolidated financial statements as at 31 December 2022 are as follows:-

	Audited as at 31 December 2022	After the Proposed Scheme
	RM'million	RM'million
Ordinary share capital	7,198.1	7,198.1
Reserve	(341.4)	(341.4)
Retained earnings	2,102.5	^(a) 2,087.0
Total Equity	8,959.2	8,943.7
No. of MBSB Shares	7,171.5	7,171.5
NA per share	1.25	1.25
Borrowings ^(b)	6,813.5	6,813.5
Gearing	0.76	0.76

Notes:-

(a) After taking into account estimated expenses of RM15.5 million.

(b) Inclusive of lease liabilities and recourse obligations on financing sold for MBSB.

Notwithstanding that MBSB has sold the financial assets to Emerald Unity and Emerald Unity is the legal and beneficial owner of the disposed financial assets, the financial assets (i.e., the Subject Loans) sold to Emerald Unity will continue to be recognised in MBSB's books pursuant to Malaysian Financial Reporting Standards 9 Financial Instruments (MFRS 9) until the financial assets are sold / settled to / by external parties. MBSB's financial statements shall disclose the sale, and that Emerald Unity is the legal and beneficial owner of the disposed financial assets.

The above is due to MBSB's exposure to the variability of the disposed assets' cash flows would not change significantly as a result of the proposed disposal. MBSB is regarded as still retaining substantially all the risks and rewards of the financial assets' ownership.

Emerald Unity will also be consolidated into MBSB's consolidated financial statements pursuant to Malaysian Financial Reporting Standard 10 Consolidated Financial Statements (MFRS 10), if a subsidiary of MBSB is appointed by Emerald Unity as a servicing agent to amongst others, manage and supervise the litigation process. For clarification, MBSB will not have legal or beneficial ownership of Emerald Unity.

6.3 Earnings and EPS

For illustration purposes, based on MBSB's latest available audited consolidated income statement for FYE 31 December 2022 and assuming that the Proposed Scheme had been effected at the beginning of FYE 31 December 2022, the proforma effects on the MBSB's profitability are as follows:-

	RM'million
MBSB's consolidated profit after tax after non-controlling interest for FYE 31 December 2022	460.2
Estimated expenses ^(a)	(15.5)
After the Proposed Scheme	444.7
Existing weighted average number of MBSB Shares	7,171.5
Basic earnings per share (sen)	
- Existing	6.42
- After the Proposed Scheme	6.20

Note:-

(a) *The estimated expenses amounting to RM15.5 million comprise of, amongst others, the following:-*

- (i) *professional fees, authority fees, stamp duty provision, miscellaneous expenses; and*
- (ii) *expenses of Emerald Unity comprising, trustee fee, directors and other administrative expenses in view that MBSB has agreed to bear the expenses of Emerald Unity as well as Emerald Unity will be consolidated into MBSB's consolidated financial statements as explained in Section 6.3 above.*

For information, after the completion of the proposed disposal, MBSB will continue to bear the above Post-Completion Expenses.

7. APPROVALS REQUIRED

The Proposed Scheme is subject to the following approvals being obtained:-

- (i) the Shareholders' approval for the Proposed Scheme. The Proposed Scheme requires approval of at least 75% in total value of the Shareholders, present and voting at the CCM for the Proposed Scheme;
- (ii) the approval of the Court for the CCM of the Shareholders pursuant to Section 366(1) of the Act to obtain the requisite approval for the Proposed Scheme;
- (iii) final sanction of the Court in respect of the Scheme, including the grant of a vesting order by the Court, pursuant to Section 366(2) and Section 370 of the Act; and
- (iv) such other relevant approvals and/or consents, if required.

8. CONDITIONALITY OF THE PROPOSED SCHEME

The Proposed Scheme is not conditional upon any other proposals undertaken or to be undertaken by MBSB.

9. HIGHEST PERCENTAGE RATIO

The sale by MBSB of its loan assets is deemed to be a part of MBSB's ordinary course of business and hence does not fall within the definition of "transaction" pursuant to paragraph 10.02(l) of the Listing Requirements. The disposal of the Non-Financial Subsidiaries is deemed to be a "transaction". However, the consideration for the direct Non-financial Subsidiaries is nominal.

Even if the proposed disposal by MBSB of the loan assets and the Non-Financial Subsidiaries fall within the meaning of "transaction" under paragraph 10.02(l) of the Listing Requirements, the highest percentage ratio applicable to the said proposed disposal pursuant to paragraph 10.02(g) of the Listing Requirements is 3.11% based on the audited consolidated financial statements of MBSB for FYE 31 December 2022.

10. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

As at the LPD, none of our Directors, Major Shareholders, chief executive and/or persons connected to them have any interest, direct or indirect, in the Proposed Scheme.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Scheme, including the basis and justification and rationale and effects, of the Proposed Scheme, as well as the terms and conditions of the Proposed Scheme, the SPA and the Trust Deeds, respectively is of the opinion that the Proposed Scheme is in the best interests of our Company.

Accordingly, our Board recommends that **YOU VOTE IN FAVOUR** of the resolution pertaining to the Proposed Scheme to be tabled at the forthcoming CCM.

12. ADVISER

AmlInvestment Bank has been appointed as Principal Adviser to our Company for the Proposed Scheme.

13. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Scheme, there are no other corporate exercises/schemes that have been announced but pending completion as at the LPD.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals (as set out in Section 7 of this Circular and Explanatory Statement) being obtained in a timely manner, the tentative timeline for the implementation of the Proposed Scheme is as set out below:-

<u>Key milestones</u>	<u>Tentative Timeline</u>
- CCM for the Proposed Scheme	24 November 2023
- Sanction of the Scheme by the Court	Mid-February 2024
- Completion	End March 2024

15. CCM

The CCM in relation to the Proposed Scheme, the notice of which is enclosed in this Circular and Explanatory Statement, will be conducted as a virtual meeting through live streaming from the broadcast venue at Level 4, Menara MBSB Bank, PJ Sentral, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor ("**Broadcast Venue**") on Friday, 24 November 2023 at 10:00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing the resolution so as to give effect to the Proposed Scheme.

If you are unable to attend and vote in person at the CCM, please complete, sign and send the enclosed relevant Proxy Forms in accordance with the instructions therein as soon as possible and in any event so as to arrive at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the CCM or any adjournment thereof. Alternatively, you may also submit the Form of Proxy electronically, via TIIH Online at website <https://tiih.online>, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid. Please refer to the procedure for lodgement of Proxy Form in the Administrative Guide for submission of electronic Proxy Form. The lodging of the Proxy Forms will not preclude you from attending and voting in person at the CCM should you subsequently wish to do so.

16. FURTHER INFORMATION

You are advised to refer to the appendices to this Circular and Explanatory Statement for further information.

Yours faithfully,
For and on behalf of the Board
MALAYSIA BUILDING SOCIETY BERHAD

Puan Lynette Yeow Su-Yin
Acting Chairman

SALIENT TERMS OF THE DRAFT SPA

The following are the salient terms of the draft SPA. All capitalised terms not defined herein used under this Appendix I shall have the same meaning as assigned to them under the draft SPA:-

1. CONSIDERATION

1.1 In consideration for the disposal of and transfer of the Residual A&L by MBSB to Emerald Unity, Emerald Unity shall agree to purchase and acquire the Residual A&L for the following consideration:-

- (a) for the shares of the direct Non-Financial Subsidiaries, based on a nominal sum of Ringgit Malaysia Two (RM2.00) for each of the direct Non-Financial Subsidiaries; and
- (b) for the non-performing residual conventional loans, at a consideration to be determined based on the net book value at the end of the month prior to the transfer of the non-performing residual conventional loans subject to a maximum of the amount owed under the respective non-performing residual conventional loans as at a date to be determined by MBSB,

(collectively referred to as, the "**Consideration**"), payable in the manner stated in Clauses 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7 below.

1.2 The consideration for the direct Non-Financial Subsidiaries payable by Emerald Unity shall be settled in cash on the transfer date to Emerald Unity.

1.3 The consideration for the non-performing residual conventional loans payable by Emerald Unity shall be settled in cash and on a deferred basis, as and when Emerald Unity receives proceeds arising from the settlement or recovery of the amounts and interests which remain outstanding under the respective non-performing residual conventional loans ("**DCC**"). The deferred payment of the consideration for the non-performing residual conventional loans will be settled with a compensation at the prevailing interest rate of the respective non-performing residual conventional loans per annum, from the date of transfer of the respective non-performing residual conventional loans to the date of settlement of the respective non-performing residual conventional loans. The compensation shall be calculated and/or determined on the amount of the DCC remaining unpaid after the Completion Date and on the basis of the actual number of days elapsed on a three hundred and sixty-five (365) day year, shall accrue from day to day, and shall be payable by Emerald Unity until the date of the full settlement of the respective non-performing residual conventional loans.

1.4 In the event that the amount of proceeds arising from the settlement or recovery of any indebtedness under the respective non-performing residual conventional loans is lower than the DCC and the accrued compensation, MBSB shall have the right to waive any part of the DCC and the accrued compensation payable by Emerald Unity under the respective non-performing residual conventional loans in excess of the amount of proceeds which are recovered by Emerald Unity under the respective non-performing residual conventional loans. For the avoidance of doubt, waiver of any portion of the DCC by MBSB upon settlement is to be applied first to the principal portion of the DCC, and thereafter to the accrued compensation payable.

1.5 For each of the non-performing residual conventional loans, any remaining amount shall be paid to MBSB as additional consideration after settling any outstanding costs and expenses of the successful foreclosure and/or successful sale or disposal of the charged properties under the respective non-performing residual conventional loans, the accrued compensation, and the DCC ("**Additional Consideration**"). For the avoidance of doubt, the Additional Consideration is not subject to compensation. MBSB shall have the right to vary and/or lower the amount of the Additional Consideration payable by Emerald Unity, if any, at its sole discretion.

1.6 Any excess amounts after settling all indebtedness of the customer or borrower under the relevant security documentation of the respective non-performing residual conventional loans, shall be paid by Emerald Unity to such customer or borrower.

SALIENT TERMS OF THE DRAFT SPA (CONT'D)

- 1.7 Emerald Unity and/or any person authorised by Emerald Unity shall notify MBSB of the outcome of any recovery or settlement of the non-performing residual conventional loans within five (5) Business Days from the date of any judgement entered, foreclosure order, auction, or the receipt of any cash proceeds from the resolution and/or settlement, of any litigation or negotiations in relation to the litigation proceedings on the relevant non-performing residual conventional loans. The accrued compensation, the Consideration, and the Additional Consideration or such relevant part thereof, shall be paid by Emerald Unity to MBSB within seven (7) Business Days from the date of receipt of cash resources by Emerald Unity arising from the successful recovery or settlement of the non-performing residual conventional loans (or such later time as parties may mutually agree in writing), after the deduction of any costs and expenses as may be incurred by Emerald Unity, including the costs and expenses as may be incurred under Clause 3 below.

2. CONDITIONS PRECEDENT

- 2.1 Notwithstanding anything contained herein, the Parties agree that this Agreement shall be conditional upon the following conditions having been fulfilled by the Cut-Off Date:-
- 2.1.1 MBSB obtaining the approval of its shareholders approving the disposal and transfer of the Residual A&L and the Scheme at a court-convened meeting to be held;
- 2.1.2 Emerald Unity obtaining the approval of its shareholder approving the purchase and acquisition of the Residual A&L;
- 2.1.3 MBSB obtaining the approval of the Court for:-
- (a) an order that a court-convened meeting be held by and among MBSB and its shareholders to consider, and if thought fit by the requisite majority of at least seventy-five (75%) of the total value of the shareholders of MBSB who are present and voting, to approve this Scheme; and
- (b) its sanction in respect of the Scheme, including the granting of the vesting order by the Court;
- 2.1.4 MBSB procuring the approvals, consents and/or waivers of the relevant parties and/or other parties, in relation to the disposal and/or transfer of the Residual A&L and the Scheme, as may be required under any applicable laws and/or contracts, where applicable; and
- 2.1.5 Emerald Unity procuring the approvals, consents and/or waivers of the relevant parties and/or other parties, in relation to the purchase and/or acquisition of the Residual A&L, as may be required under any applicable laws and/or contracts, where applicable.

3. COST-SHARING ARRANGEMENTS

- 3.1 The Parties hereby agree that MBSB shall:-
- 3.1.1 satisfy any ongoing liabilities as may arise in respect of judgements or order made against Emerald Unity, in any on-going litigation which is transferred to Emerald Unity as part of the Residual A&L; and
- 3.1.2 bear the following costs and expenses of Emerald Unity and its subsidiaries:-
- (a) legal costs for the conduct of the litigation on the non-performing residual conventional loans and for the foreclosure and/or sale or disposal of the charged properties under the respective non-performing residual conventional loans;

SALIENT TERMS OF THE DRAFT SPA (CONT'D)

- (b) costs and expenses incurred in relation to the non-performing residual conventional loans, including maintenance costs, insurance costs, quit rent and assessment expenses, and fees of the receiver and managers; and
 - (c) costs and expenses of Emerald Unity and its subsidiaries, including administration expenses incurred, directors' fees, trustees' fees, agent's fees and liquidators' fees.
- 3.2 The Parties further agree that any costs to be borne by MBSB under Clause 3.1 above shall be paid directly by MBSB or in the manner as may be determined by MBSB.
- 3.3 Upon notification being provided to MBSB in relation to any liabilities incurred by Emerald Unity arising from judgements or order made against Emerald Unity in any on-going litigation which is transferred to Emerald Unity as part of the Residual A&L under Clause 3.1.1 hereof, MBSB shall satisfy the same within a period of thirty (30) days, or such shorter time period as may be required under the law or any order, from the date of such judgements or orders made against Emerald Unity.

SALIENT TERMS OF THE DRAFT TRUST DEEDS

The following are the salient terms of the draft Trust Deeds. All capitalised terms not defined herein used under this Appendix II shall have the same meaning as assigned to them under the draft Trust Deeds:-

A. TRUST DEED CONSTITUTING A TRUST OVER THE SHARES OF EMERALD UNITY**1. DECLARATION OF TRUST**

- 1.1 Upon the transfer of the Emerald Unity Shares by the Settlor to the Trustee, the Trustee hereby declares a trust and shall hold the Emerald Unity Shares, including any and all rights, dividends, and entitlements in respect thereof, for the benefit of the Nominated Charity(ies). The Trustee shall take all such steps and do all such things as necessary to cause the registration of the Emerald Unity Shares in its name as registered owner and as trustee holding on trust for the benefit of the Nominated Charity(ies) upon the transfer of the Emerald Unity Shares in accordance with the Scheme.
- 1.2 The trust will subsist until the dissolution of Emerald Unity.
- 1.3 The Trustee shall:-
- (a) to the extent it is possible to do so in its capacity as the registered holder of the Emerald Unity Shares, act in accordance with the terms of the Scheme, the Trust Deed, all applicable Malaysian laws, regulations, guidelines and directives, and all agreements to which Emerald Unity is a party;
 - (b) distribute or cause to be distributed to the Nominated Charity(ies) any proceeds received by Trustee as a registered shareholder of the Emerald Unity Shares, on behalf of the Nominated Charity(ies); and
 - (c) the Trustee shall not in any way whatsoever, deal with, sell, transfer, dispose of, pledge, charge or encumber, the Emerald Unity Shares.
- 1.4 Subject always to the provisions of this Trust Deed and in particular to Clause 1.3 above, the Trustee shall distribute any cash dividends and/or distributions accruing to the Emerald Unity Shares and/or proceeds arising from any dividend and/or distribution attached to the Emerald Unity Shares to the Nominated Charity(ies) at any time prior to or upon the dissolution of Emerald Unity.
- 1.5 For the entire duration of this Trust Deed and for so long as this trust arrangement is in place and Emerald Unity has not been dissolved, the Nominated Charity(ies) shall as beneficiaries of the trust created hereunder, have no right to compel nor authorise the Trustee to exercise any power, and without prejudice to the generality of the foregoing, no right to:-
- (a) sell, transfer, dispose of or encumber or otherwise deal with any beneficial interest in and to the Emerald Unity Shares, nor do so in respect of any rights, title, interest, distribution, dividends and entitlements in respect thereof;
 - (b) receive any notices and circulars issued by Emerald Unity to the Trustee as the shareholder of Emerald Unity, attend any general meeting of Emerald Unity, or vote on any resolution of Emerald Unity;
 - (c) give the Trustee any directions in respect of the exercise of the votes attached to the Emerald Unity Shares in any resolution or at any general meeting of Emerald Unity;
 - (d) direct or call for a distribution of any income accruing to the Emerald Unity Shares;

SALIENT TERMS OF THE DRAFT TRUST DEEDS (CONT'D)

- (e) call for transfer or delivery of the Emerald Unity Shares to itself or as it may direct nor claim any right, title, entitlements and benefits in and to the Emerald Unity Shares;
- (f) compel or instruct the Trustee to take any steps or carry out any acts and deeds in relation to Emerald Unity or the Emerald Unity Shares, or cause Emerald Unity to issue any further shares and/or securities; and
- (g) dissolve the trust hereby created by the Settlor.

2. APPOINTMENT OF THE TRUSTEE

- 2.1 The Trustee shall continue to hold the Emerald Unity Shares until the date on which the Emerald Unity is dissolved, subject to Clause 1.4 above.
- 2.2 In addition to all other powers conferred upon it and subject to all duties and obligations imposed by the other provisions of this Trust Deed or by any statute, equity or general rule of law, the Trustee shall have and is hereby given the power and authority in its discretion at any time and from time to time to administer the Emerald Unity Shares in accordance with the Scheme in whatever manner it may determine, and shall have the right to take any action in connection with the Emerald Unity Shares and to exercise any rights, powers and privileges which may exist or arise in connection therewith to the same extent and as fully as an individual could if it were the sole owner of the Emerald Unity Shares.
- 2.3 Without in any way limiting the generality of the foregoing, the Trustee shall have the following powers and authority, provided that such powers and authority are exercised in a manner consistent with the Scheme and this Trust Deed:-
 - (a) the Trustee shall hold any distribution by Emerald Unity to the Trustee as shareholder on trust and shall have the power to distribute the same to the Nominated Charity(ies) in such manner as they may in their absolute discretion deem just and proper;
 - (b) the Trustee may exercise or concur in exercising any discretion or power hereby conferred on the Trustee by a resolution of such corporation or by a resolution of its board of directors or governing body who may delegate the right and power to exercise or concur in exercising any such discretion or power to one or more of its officers or members of its board of directors appointed from time to time by its board of directors for that purpose; and
 - (c) to institute and defend proceedings at law and to procure final judgment and determination thereof or compromise the same as the Trustee shall consider advisable.
- 2.4 Notwithstanding anything to the contrary contained in this Trust Deed, the Trustee shall at all times, retain and hold the Emerald Unity Shares, and all rights, dividends, benefits and entitlements thereto, and shall not sell, alienate, dispose of, pledge, charge, create any encumbrance over or otherwise deal with the Emerald Unity Shares and shall distribute any and all distributions and dividends on the Emerald Unity Shares in favour of the Nominated Charity(ies) in accordance with the Scheme, and otherwise in such manner and at such time as it deems fit.

SALIENT TERMS OF THE DRAFT TRUST DEEDS (CONT'D)

- 2.5 Notwithstanding anything to the contrary expressed or implied herein, the Trustee shall not:-
- (a) be bound to account to any of the Nominated Charity(ies), being the beneficiaries under the trust created hereunder, for any sum or the profit element of any sum received by it for its own account whether in connection with this Trust Deed or otherwise;
 - (b) be bound to seek the directions, approval or consent of the Nominated Charity(ies) on any matter including, without limitation, in respect of the exercise of the votes attached to the Emerald Unity Shares; or
 - (c) be under any obligations other than those for which express provision is made herein or that as may be imposed by law.
- 2.6 The powers which this Trust Deed confers on the Trustee are cumulative and without prejudice to its respective powers under the general law and may be exercised as often as the Trustee thinks appropriate. The Settlor acknowledges that the powers of the Trustee shall in no circumstances whatsoever be suspended, waived or otherwise prejudiced by anything other than a variation or amendment to the Scheme.
- 2.7 The Trustee covenants that it shall ensure that Emerald Unity continues as a going concern until its dissolution as envisaged by the Scheme.
- 2.8 The Trustee covenants that it shall not pass any resolution, which is inconsistent with the Scheme, the terms of this Trust Deed or any applicable law.
- 2.9 The Trustee hereby accepts its appointment as trustee of the Emerald Unity Shares and agrees and undertakes that the trust shall be administered, and the trustee powers exercised, in accordance with the following conditions:-
- (a) to the extent it is possible and reasonable to do so in its capacity as the registered holder of the Emerald Unity Shares, the Trustee shall do all such acts and execute all such documents in order to ensure that the obligations of Emerald Unity pursuant to the Scheme are met and fulfilled accordingly by Emerald Unity;
 - (b) to the extent it is possible and reasonable to do so in its capacity as the registered holder of the Emerald Unity Shares, the Trustee shall ensure all the applicable Malaysian laws, regulations, guidelines and directives and the terms of this Trust Deed and any other deed or agreement to which Emerald Unity is a party, are complied with by Emerald Unity at all times;
 - (c) to the extent that it is not inconsistent with the provisions of this Trust Deed, the Trustee shall apply the distribution and dividends (if any) received from Emerald Unity according to the Scheme and the terms of this Trust Deed, the Trustee shall pass all necessary resolutions approving the annual audited accounts of Emerald Unity (which include the balance sheet and profit and loss account of Emerald Unity) or any other agreements in connection with the Scheme;
 - (d) the Trustee shall pass all necessary resolutions in connection with the winding-up of Emerald Unity;

SALIENT TERMS OF THE DRAFT TRUST DEEDS (CONT'D)

- (e) the Trustee shall not, in its capacity as the registered holder of the Emerald Unity Share:-
 - (i) sell, transfer, dispose of or encumber or otherwise deal with the Emerald Unity Shares or any interest therein whether legal or equitable at any time, save and except for the transfer of the Emerald Unity Shares to another trustee upon its resignation being effective in accordance with Clause 7 of this Trust Deed;
 - (ii) take any steps or carry out any acts and deeds in relation to Emerald Unity or the Emerald Unity Shares, subscribe for further shares in Emerald Unity and/or cause Emerald Unity to issue any further shares and/or securities; or
 - (iii) enter into or allow Emerald Unity to enter into any transaction, contract or agreement which is not related to the Scheme or which would otherwise be inconsistent with the terms of the Scheme and/or this Trust Deed; and
- (f) the Trustee shall not amend the constitution of Emerald Unity in any way that would be inconsistent with the Scheme and/or the Trust Deed.

3. COSTS AND REMUNERATION OF THE TRUSTEE

- 3.1 As part of the terms of the Scheme and the Sale and Purchase Agreement, MBSB shall bear all costs of administration of the trust constituted by this Trust Deed including, but not limited to the costs of:-
 - (a) making distributions to the Nominated Charity(ies), if any; and
 - (b) employing and paying any agents, attorneys, solicitors, bankers, accountants, stockbrokers and trust companies and to transact any business or do any act required to be transacted or done in the execution of the trusts hereof including the receipt and payment of money and the execution of documents.
- 3.2 The Settlor shall, until the dissolution of this trust in accordance with the terms of this Trust Deed, pay to the Trustee remuneration for its services as trustee at such times and at such rate as agreed in the letter of engagement dated 20 June 2023 issued by the Trustee to the Settlor.

SALIENT TERMS OF THE DRAFT TRUST DEEDS (CONT'D)

B. TRUST DEED CONFERRING TRUST POWERS OVER THE MANAGEMENT AND ADMINISTRATION OF EMERALD UNITY**1. APPOINTMENT OF THE ADMINISTRATIVE TRUSTEE**

- 1.1 Emerald Unity hereby agrees to appoint and authorise the Administrative Trustee as the trustee to carry out specific roles and functions in relation to the management of Emerald Unity on the Effective Date, and the Administrative Trustee shall have the powers and authority to carry such specific roles and functions as described in the *Appendix* hereof ("**Scope of Work**"), provided that such powers and authority are exercised in a manner consistent with the Scheme, the Trust Deed in respect of the Emerald Unity Shares and this Trust Deed.
- 1.2 Notwithstanding the powers and authorisations conferred to the Administrative Trustee in Clause 2.1 hereof, Emerald Unity holds and continues to hold legal and beneficial ownership of the Residual A&L.
- 1.3 The trust will subsist until the dissolution of Emerald Unity.
- 1.4 The Administrative Trustee shall to the extent it is possible to do so in its capacity as the Administrative Trustee, act in accordance with the terms of the Scheme, the trust deed in respect of the Emerald Unity Shares, this Trust Deed, all applicable Malaysian laws, regulations, guidelines and directives, and all agreements to which Emerald Unity is a party.
- 1.5 In addition to all other powers conferred upon it and subject to all duties and obligations imposed by the other provisions of this Trust Deed or by any statute, equity or general rule of law, the Administrative Trustee shall have and is hereby given the power and authority in its discretion at any time and from time to time to carry out its Scope of Work in accordance with the Scheme and this Trust Deed in such manner as it may determine, and shall have the right to take any action as necessary to observe and fulfil its Scope of Work and to exercise any rights, powers and privileges which may exist or arise in connection therewith, subject always to the provisions of this Trust Deed.
- 1.6 The powers which this Trust Deed confers on the Administrative Trustee are cumulative and without prejudice to its respective powers under the general law and may be exercised as often as the Administrative Trustee thinks appropriate. Emerald Unity acknowledges that the powers of the Administrative Trustee shall in no circumstances whatsoever be suspended, waived or otherwise prejudiced by anything other than a variation or amendment to the Scheme and this Trust Deed.
- 1.7 The Administrative Trustee hereby accepts its appointment as the administrative trustee on behalf of Emerald Unity, and agrees and undertakes that it shall undertake the Scope of Work, and the trustees' powers are exercised in accordance with the following conditions:-
 - (a) to the extent it is possible and reasonable to do so in its capacity as the administrative trustee, the Administrative Trustee shall do all such acts and execute all such documents in order to ensure that the obligations of Emerald Unity pursuant to the Scheme, the trust deed in respect of the Emerald Unity Shares, this Trust Deed, and the Sale and Purchase Agreement are met and fulfilled accordingly by Emerald Unity; and
 - (b) to the extent it is possible and reasonable to do so in its capacity as the administrative trustee, the Administrative Trustee shall ensure all the applicable Malaysian laws, regulations, guidelines and directives and the terms of this Trust Deed and any other deed or agreement to which Emerald Unity is a party, are complied with by Emerald Unity at all times.

SALIENT TERMS OF THE DRAFT TRUST DEEDS (CONT'D)

2. COSTS AND REMUNERATION OF THE ADMINISTRATIVE TRUSTEE

- 2.1 As part of the terms of the Scheme and the Sale and Purchase Agreement, MBSB shall bear all costs and expenses in relation to the administration of the trust constituted by this Trust Deed including, but not limited to the costs of carrying out the Scope of Work, particularly:-
- (a) instructing and/or procuring all payments on behalf of Emerald Unity in accordance with the terms of this Trust Deed;
 - (b) employing and paying any liquidators, agents, attorneys, solicitors, bankers, accountants, stockbrokers, and trust companies and to transact any business or do any act required to be transacted or done in the execution of the trusts hereof including the receipt and payment of money and the execution of documents; and
 - (c) all out-of-pocket expenses of the Administrative Trustee which are necessarily and reasonably incurred in carrying out the Scope of Work.
- 2.2 MBSB or Emerald Unity, as the case may be, shall, until the dissolution of this trust in accordance with the terms of this Trust Deed, pay to the Trustee remuneration for its services as administrative trustee in accordance with the terms of this Trust Deed at such times and at such rate as agreed in the letter of engagement dated 20 June 2023 issued by the Trustee to Emerald Unity.

INFORMATION ON MBSB DEVELOPMENT**1. HISTORY AND BUSINESS**

MBSB Development was incorporated as a private limited company on 18 June 1992 under the Companies Act 1965 (and deemed registered under the Act) in Malaysia.

MBSB Development is principally engaged in property development business. As at LPD, there are no development activities carried out by MBSB Development.

2. SHARE CAPITAL

As at the LPD, the issued share capital of MBSB Development is RM250,000.00 comprising 250,000 ordinary shares.

As at the LPD, MBSB Development has not issued any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, MBSB Development is our wholly-owned subsidiary.

4. DIRECTORS

The particulars of the Directors of MBSB Development and their respective shareholdings in MBSB Development as at the LPD are as follows:-

Name	Nationality	←--Direct--→		←--Indirect--→	
		No. of Shares	%	No. of Shares	%
Hazim Bin Yahya	Malaysian	-	-	-	-
Jesleigh Bin Johari	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, the subsidiary of MBSB Development is as follows:-

Name	Place of incorporation	Effective ownership interest %	Principal activities
Prudent Legacy (<i>in liquidation</i>)	Malaysia	92.0	Property Development

MBSB Development does not have any associate company as at the LPD.

INFORMATION ON MBSB DEVELOPMENT (CONT'D)

6. FINANCIAL INFORMATION

The summary financial information of MBSB Development based on its audited consolidated financial statements for FYEs 31 December 2020 to 2022 is as follows:-

	<----- Audited FYE 31 December ----->		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	-
Loss before tax	(4,140)	(3,938)	(4,304)
Loss after tax	(4,140)	(3,938)	(4,305)
Number of shares in issue (Unit)	250,000	250,000	250,000
Earnings per Share (RM)	(16.56)	(15.75)	(17.22)
Issued share capital	250	250	250
Shareholders' equity / NA	(73,222)	(77,160)	(81,465)
NA per share (RM)	(292.89)	(308.64)	(325.86)
Current ratio (times)	0.13	0.01	0.01
Borrowings ^(a)	79,292	77,295	81,718
Gearing (times)	(1.08)	(1.00)	(1.00)

Note:-

(a) *Comprising financing from related company.*

For the three (3) financial years, the loss after tax was primarily due to the interest expense on financing from related company.

INFORMATION ON PRUDENT LEGACY (IN LIQUIDATION)**1. HISTORY AND BUSINESS**

Prudent Legacy was incorporated as a private limited company on 9 April 1996 under the Companies Act 1965 (and deemed registered under the Act) in Malaysia.

Prudent Legacy was previously engaged in property development business.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Prudent Legacy is RM250,000.00 comprising 250,000 shares.

As at the LPD, Prudent Legacy has not issued any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

The shareholders of Prudent Legacy and their respective shareholdings in Prudent Legacy as at the LPD are as follows:-

Substantial shareholder	Country of incorporation	←-----Direct-----→		←-----Indirect-----→	
		No. of Shares	%	No. of Shares	%
MBSB Development	Malaysia	230,000	92	-	-
JKP Sdn Bhd	Malaysia	20,000	8	-	-
MBSB	Malaysia			230,000	92

4. DIRECTORS

The particulars of the Directors of Prudent Legacy and their respective shareholdings in Prudent Legacy as at the LPD are as follows:-

Name	Nationality	←--Direct--→		←--Indirect--→	
		No. of Shares	%	No. of Shares	%
Azlina Binti Mohd Rashad	Malaysian	-	-	-	-
Asrul Hazli Bin Salleh	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, Prudent Legacy does not have any subsidiary or associated company.

INFORMATION ON PRUDENT LEGACY (IN LIQUIDATION) (CONT'D)**6. FINANCIAL INFORMATION**

The summary financial information of Prudent Legacy based on its audited consolidated financial statements for FYEs 31 December 2020 to 2022 is as follows:-

	<----- Audited FYE 31 December ----->		
	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
Revenue	-	-	-
Loss before tax	(646)	-	-
Loss after tax	(646)	-	-
Number of shares in issue (Unit)	250,000	-	-
Earnings per Share (RM)	(2.58)	N/A	N/A
Issued share capital	250	-	-
Shareholders' equity / NA	(11,167)	-	-
NA per share (RM)	(44.67)	N/A	N/A
Current ratio (times)	0.01	N/A	N/A
Borrowings ^(a)	11,249	-	-
Gearing (times)	(1.01)	N/A	N/A

Note:-

(a) *Comprising financing from related company.*

INFORMATION ON MBSB PROPERTIES**1. HISTORY AND BUSINESS**

MBSB Properties was incorporated as a private limited company on 29 February 1980 under the Companies Act 1965 (and deemed registered under the Act) in Malaysia.

MBSB Properties is principally engaged in business of letting of real property. As at LPD, MBSB Properties is not active and in the process of disposing its properties.

2. SHARE CAPITAL

As at the LPD, the issued share capital of MBSB Properties is RM24,400,000.00 comprising 24,400,000 shares.

As at the LPD, MBSB Properties has not issued any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, MBSB Properties is our wholly-owned subsidiary.

4. DIRECTORS

The particulars of the Directors of MBSB Properties and their respective shareholdings in MBSB Properties as at the LPD are as follows:-

Name	Nationality	←--Direct--→		←--Indirect--→	
		No. of Shares	%	No. of Shares	%
Hazim Bin Yahya	Malaysian	-	-	-	-
Jesleigh Bin Johari	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, MBSB Properties does not have any subsidiary or associated company.

INFORMATION ON MBSB PROPERTIES (CONT'D)**6. FINANCIAL INFORMATION**

The summary financial information of MBSB Properties based on its audited consolidated financial statements for FYEs 31 December 2020 to 2022 is as follows:-

	<----- Audited FYE 31 December ----->		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	567	568	156
Loss before tax	(18,356)	(20,260)	(17,170)
Loss after tax	(18,356)	(20,260)	(17,317)
Number of shares in issue (Unit)	24,400,400	24,400,400	24,400,400
Earnings per Share (RM)	(0.75)	(0.83)	(0.71)
Issued share capital	24,400	24,400	24,400
Shareholders' equity / NA	(201,344)	(221,604)	(238,921)
NA per share (RM)	(8.25)	(9.08)	(9.79)
Current ratio (times)	0.06	0.06	0.04
Borrowings ^(a)	215,699	236,482	247,788
Gearing (times)	(1.07)	(1.07)	(1.04)

Note:-

(a) *Comprising financing from related company.*

For the three (3) financial years, the loss after tax was primarily due to the interest expense on financing from related company.

INFORMATION ON 88 LEGACY**1. HISTORY AND BUSINESS**

88 Legacy was incorporated as a private limited company on 15 August 2014 under the Companies Act 1965 (and deemed registered under the Act) in Malaysia.

88 Legacy is principally engaged in property development business. As at LPD, 88 Legacy is in the process of disposing its properties.

2. SHARE CAPITAL

As at the LPD, the issued share capital of 88 Legacy is RM2.00 comprising 2 shares.

As at the LPD, 88 Legacy has not issued any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, 88 Legacy is our wholly-owned subsidiary.

4. DIRECTORS

The particulars of the Directors of 88 Legacy and their respective shareholdings in 88 Legacy as at the LPD are as follows:-

Name	Nationality	←--Direct--→		←--Indirect--→	
		No. of Shares	%	No. of Shares	%
Hazim Bin Yahya	Malaysian	-	-	-	-
Jesleigh Bin Johari	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, 88 Legacy does not have any subsidiary or associated company.

INFORMATION ON 88 LEGACY (CONT'D)**6. FINANCIAL INFORMATION**

The summary financial information of 88 Legacy based on its audited consolidated financial statements for FYEs 31 December 2020 to 2022 is as follows:-

	<----- Audited FYE 31 December ----->		
	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
Revenue	31,040	-	-
Loss before tax	(8,556)	(24,101)	(5,448)
Loss after tax	(8,556)	(24,101)	(5,448)
Number of shares in issue (Unit)	2	2	2
Earnings per Share	(4,278)	(12,051)	(2,724)
Issued share capital (RM)	2	2	2
Shareholders' equity / NA	(49,723)	(73,823)	(79,271)
NA per share (RM)	(24,862)	(36,912)	(39,636)
Current ratio (times)	0.60	0.42	0.41
Borrowings ^(a)	122,948	128,065	133,545
Gearing (times)	(2.47)	(1.73)	(1.68)

Note:-

(a) *Comprising financing from related company.*

For the three (3) financial years, the loss after tax was primarily due to the profit expense on financing from related company.

INFORMATION ON DEFINITE PURE

1. HISTORY AND BUSINESS

Definite Pure was incorporated as a private limited company on 8 March 1996 under the Companies Act 1965 (and deemed registered under the Act) in Malaysia.

Definite Pure is principally engaged in property development business. As at LPD, Definite Pure is not active.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Definite Pure is RM2.00 comprising 2 shares.

As at the LPD, Definite Pure has not issued any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, Definite Pure is our wholly-owned subsidiary.

4. DIRECTORS

The particulars of the Directors of Definite Pure and their respective shareholdings in Definite Pure as at the LPD are as follows:-

<u>Name</u>	<u>Nationality</u>	<u>←--Direct--→</u>		<u>←--Indirect--→</u>	
		<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Hazim Bin Yahya	Malaysian	-	-	-	-
Jesleigh Bin Johari	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, Definite Pure does not have any subsidiary or associated company.

INFORMATION ON DEFINITE PURE (CONT'D)**6. FINANCIAL INFORMATION**

The summary financial information of Definite Pure based on its audited consolidated financial statements for FYEs 31 December 2020 to 2022 is as follows:-

	<----- Audited FYE 31 December ----->		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	-
Loss before tax	(57,045)	(63,175)	(70,011)
Loss after tax	(57,045)	(63,175)	(70,011)
Number of shares in issue (Unit)	2	2	2
Earnings per Share	(28,523)	(31,588)	(35,006)
Issued share capital (RM)	2	2	2
Shareholders' equity / NA	(572,971)	(636,146)	(706,157)
NA per share	(286,486)	(318,073)	(353,079)
Current ratio (times)	-	-	-
Borrowings ^(a)	572,962	636,138	706,155
Gearing (times)	(1.00)	(1.00)	(1.00)

Note:-

(a) *Comprising financing from related company.*

For the three (3) financial years, the loss after tax was primarily due to the interest expense on financing from related company.

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

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AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
 (199201011105 / 242608-P)
 (Incorporated in Malaysia)

**Directors' report
 for the financial year ended 31 December 2022**

The Directors have pleasure in presenting their report together with the audited financial statements of MBSB Development Sdn. Bhd. ("the Company") for the financial year ended 31 December 2022.

Principal activity

The principal activity of the Company and its subsidiary is property development. No development activities have taken place during the financial year. The subsidiary of the Company is currently under voluntary winding up.

There has been no significant change in the nature of the principal activity of the Company during the financial year.

Financial results

	RM
Loss for the year	<u>(4,305)</u>

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Reserves, provisions and allowances

There were no material transfers to or from reserves or provisions or allowances during the financial year.

Issue of shares and debentures

There were no changes to the issued and paid-up ordinary share capital of the Company during the financial year. There were no debentures issued during the year.

Directors

The Directors of the Company who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

Jesleigh bin Johari (appointed on 15 February 2022)
 Hazim bin Yahya (appointed on 15 February 2022)
 Asrul Hazli bin Salleh (resigned on 15 February 2022)
 Azlina binti Mohd Rashad (resigned on 15 February 2022)

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

Directors' interests in shares and share options

According to the register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares of the Company and its related corporations during the financial year were as follows:

Name of Directors	Number of ordinary shares				
	← 01.01.2022	Granted	Acquired	Sold →	31.12.2022
<i>Direct interest:</i>					
Ordinary shares of MBSB					
Hazim bin Yahya	89,719	-	-	-	89,719

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the fixed salary of a full time employee of the related company) 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.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or its related corporations during the financial year.

Indemnity and Takaful costs

The Directors and Officers of the Company are covered by Directors' and Officers' Liability Takaful of Malaysia Building Society Berhad ("MBSB"). The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM153,922.

Immediate and ultimate holding company/body

The immediate holding company is Malaysia Building Society Berhad ("MBSB"), a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

Directors' remuneration

Directors' remuneration of the Company is RM nil.

Auditors' remuneration

Auditors' remuneration of the Company is RM14,400. Details of auditors' remuneration are set out in Note 9 to the financial statements.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated



Jesleigh bin Johari
Director

06 JUN 2023



Hazim bin Yahya
Director

Petaling Jaya, Malaysia

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**


MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)


Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Jesleigh bin Johari and Hazim bin Yahya, being two of the Directors of MBSB Development Sdn. Bhd., do hereby state that, in the opinion of the Directors, the financial statements set out on pages 10 to 30 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance and cash flows of the Company for the year then ended 31 December 2022, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

06 JUN 2023


Jesleigh bin Johari
Director


Hazim bin Yahya
Director

Petaling Jaya, Malaysia.

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

Statutory Declaration**Pursuant to Section 251(1)(b) of the Companies Act, 2016**

I, Ramanathan Rajoo, being the officer primarily responsible for the financial management of MBSB Development Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 30 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ramanathan A/L Rajoo
at Petaling Jaya in the State of
Selangor Darul Ehsan on **06 JUN 2023**



Ramanathan Rajoo
MIA No. CA7012

Before me,



No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB DEVELOPMENT SDN. BHD.**
(Incorporated in Malaysia)
Registration No. 199201011105 (242608-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MBSB Development Sdn. Bhd. ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 30.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1
Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB DEVELOPMENT SDN. BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 199201011105 (242608-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB DEVELOPMENT SDN. BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 199201011105 (242608-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB DEVELOPMENT SDN. BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199201011105 (242608-P)

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'PricewaterhouseCoopers' in a stylized, cursive script.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'William Mah Jin Chiek' in a stylized, cursive script.

WILLIAM MAH JIN CHIEK
03085/07/2023 J
Chartered Accountant

Kuala Lumpur
6 June 2023

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Current asset			
Other receivables	3	-	14
Cash and cash equivalents	4	361	335
		<u>361</u>	<u>349</u>
Total assets		<u>361</u>	<u>349</u>
Liabilities			
Non-current liabilities			
Financing due to a related company	5	35,160	33,729
		<u>35,160</u>	<u>33,729</u>
Current liabilities			
Amount due to immediate holding company	6	46,558	43,566
Other payables and accruals	7	108	214
		<u>46,666</u>	<u>43,780</u>
Total liabilities		<u>81,826</u>	<u>77,509</u>
Equity			
Share capital	8	250	250
Accumulated losses		(81,715)	(77,410)
Total equity		<u>(81,465)</u>	<u>(77,160)</u>
Total liabilities and equity		<u>361</u>	<u>349</u>

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

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 RM'000	2021 RM'000
Other operating income		48	-
Profit income		5	2
Other operating expenses	9	(301)	(18)
Profit expense to a related company	10	(1,432)	(1,345)
Interest expense to immediate holding company	11	(2,634)	(2,483)
Write back/(allowance) of expected credit losses		10	(94)
Loss before taxation	12	<u>(4,304)</u>	<u>(3,938)</u>
Taxation	13	(1)	-
Total comprehensive loss for the year		<u>(4,305)</u>	<u>(3,938)</u>

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

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Accumulated losses	Total
	RM'000	RM'000	RM'000
At 1 January 2021	250	(73,472)	(73,222)
Total comprehensive loss for the year	-	(3,938)	(3,938)
At 31 December 2021 / 1 January 2022	250	(77,410)	(77,160)
Total comprehensive loss for the year	-	(4,305)	(4,305)
At 31 December 2022	<u>250</u>	<u>(81,715)</u>	<u>(81,466)</u>

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

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Loss before taxation	(4,304)	(3,938)
Adjustment for:		
Profit expense to a related company	1,432	1,345
Interest expense to immediate holding company	2,634	2,483
Allowance for impairment expected credit losses	(10)	94
Operating loss before working capital changes	(248)	(16)
Increase in other receivables	-	(16)
Decrease in financing due to a related company	-	(5,827)
Increase in amount due to immediate holding company	359	-
(Decrease)/increase in other payables	(109)	14
Net cash generated from/(used in) operating activities	<u>2</u>	<u>(5,845)</u>
Net increase/(decrease) in cash and cash equivalents	2	(5,845)
Cash and cash equivalents at 1 January	<u>210</u>	<u>6,055</u>
Cash and cash equivalents at 31 December	<u>212</u>	<u>210</u>

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amount:

	Note	2022 RM'000	2021 RM'000
Cash and cash equivalents		361	335
Less: Deposits in sinking fund account	4(a)	(90)	(86)
Deposits in maintenance fees account	4(b)	(59)	(39)
		<u>212</u>	<u>210</u>

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

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

Corporate information

The Company is a private limited liability company, incorporated under the Companies Act, 2016 in Malaysia, and domiciled in Malaysia. The address of principal place of business and registered office of the Company is as follow:

Level 25, Menara MBSB Bank,
PJ Sentral,
Lot 12, Persiaran Barat, Seksyen 52,
46200 Petaling Jaya,
Selangor

The immediate holding company is Malaysia Building Society Berhad ("MBSB"), a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

The principal activity of the Company and its subsidiary is property development. No development activities have taken place during the financial year. The subsidiary of the Company is currently under voluntary winding up.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 06 JUN 2023

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Company have been prepared on historical cost basis except as disclosed in the accounting policies below and on the assumption that the Company is a going concern.

The Company incurred a net loss of RM4,305,000 (2021: RM3,938,000) during the year ended 31 December 2022 and, as of that date, the Company's current liabilities exceeded its current assets by RM46,305,000 (2021: RM43,431,000) and the Company has a deficit in equity attributable to its owner of RM81,465,000 (2021: RM77,160,000), thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The validity of the going concern assumption is dependent upon the immediate holding company to provide continuing financial assistance to enable it to meet its obligation as and when they fall due so as to ensure the Company's existence as a going concern for the foreseeable future.

As at the date of this report, the immediate holding company continues to pledge to support the Company financially. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as going concern.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

1. Basis of preparation (cont'd)**(A) Standards, amendments to published standards and interpretation that are effective and applicable to the Company**

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Company for the financial year beginning 1 January 2022 are as follows:

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The adoption of the above amendments to published standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(B) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The Company will apply these standards and amendments to published standards from:

(i) Financial year beginning on/after 1 January 2023

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

1. Basis of preparation (cont'd)

(B) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (cont'd)

The Company will apply these standards and amendments to published standards from:
(cont'd)

(i) Financial year beginning on/after 1 January 2023 (cont'd)

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates

Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practise Statement 2)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates (Amendments to MFRS 108)

The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Company.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Functional and presentation currency

Items included in the financial statements of the Group and the Company is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group and the Company's functional and presentation currency and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) Subsidiary

A subsidiary is an entity over which the Company has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Company's financial statements, investment in a subsidiary are accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d) below. On disposal of such investment, the difference between the net disposal proceeds and carrying amount is included in profit or loss. Dividend income received from subsidiary is recognised in profit or loss on the date that the Company's right to receive payment is established.

The Company does not present consolidated financial statements because:

- it is a wholly-owned subsidiary of MBSB and MBSB has been informed about, and does not object to, the Company not presenting consolidated financial statements.
- its debt or equity instruments are not traded in a public market.
- it does not intend to issue any class of instruments in a public market.
- MBSB produces consolidated financial statements available for the public use that comply with MFRS.

(c) Cash and cash equivalents

Cash at bank in the statement of financial position consist of balance with a licensed bank which have an insignificant risk of changes in fair value with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents are presented cash in bank net of deposits in sinking fund account and deposits in maintenance fees account.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
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2. Significant accounting policies (cont'd.)**(d) Impairment of non-financial assets**

The Company 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 Company 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 smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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 an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in profit or loss if the carrying amount of the asset exceeds its estimated recoverable amount.

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 has 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.

(e) Financial instruments**(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)**(e) Financial instruments (cont'd)****(i) Recognition and initial measurement (cont'd)*****Financial assets***

Trade receivables, other receivables and cash at bank are categorised and subsequently measured at amortised cost using the effective interest method.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost. Interest income is recognised in the profit or loss.

Financial assets categorised as amortised cost are subject to impairment assessment (see Note 2(f)).

(ii) Financial instrument categories and subsequent measurement***Financial liabilities***

Financial liabilities are subsequently measured at amortised cost using the effective profit/interest method. Profit/interest expense is recognised by applying effective profit/interest rate to the gross carrying amount. Profit/interest expense is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(f) Impairment of financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

Lifetime expected credit losses are the expected credit losses that result from a significant increase in credit risk since initial recognition and all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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2. Significant accounting policies (cont'd.)**(g) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved, where necessary.

(h) 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 by the end of reporting period.

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.

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 profits 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 profits 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 end of each 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.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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3. Other receivables

	2022 RM'000	2021 RM'000
Other receivables	-	14
	-	14
	2022 RM'000	2021 RM'000
Amount due from former partners of joint venture projects	557	567
Deposits	326	326
Sundry receivables	258	258
Amount due from unit owners	-	14
	1,141	1,165
Less: Expected credit losses	(1,141)	(1,151)
	-	14

Amount due from unit owners represents receivables from the service charges and sinking fund in relation to a housing development project.

(i) Movements of expected credit losses for amount receivable are as follows:

	2022 RM'000	2021 RM'000
Balance as at 1 January	1,151	1,057
Allowance (written back)/made during the financial year	(10)	94
Balance as at 31 December	1,141	1,151

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

Ageing analysis of other receivables is as follows:

	2022 RM'000	2021 RM'000
Past due but not impaired	-	14
Impaired	1,141	1,151
	1,141	1,165

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

4. Cash and cash equivalents

	2022 RM'000	2021 RM'000
Cash at bank	361	335

	Note	2022 RM'000	2021 RM'000
<u>Included in cash at bank are the following:</u>			
Deposits in sinking fund account	4(a)	90	86
Deposit in maintenance fees account	4(b)	59	39

4(a) This represents the cash held pursuant to Section 11 of the Strata Management Act 2013. The accounts shall be operated by the developer until the expiry of the developer's management period. The Act restricts the fund from use in other operations.

4(b) This represents the cash held pursuant to Section 10 of the Strata Management Act 2013. The accounts shall be operated by the developer until the expiry of the developer's management period. The Act restricts the fund from use in other operations.

5. Financing due to a related company

Financing due to a related company represents a loan granted to the Company by MBSB and was transferred to MBSB Bank Berhad which has been converted to a financing facility under Shariah Principles during the financial year ended 31 December 2018. The financing due to a related company is unsecured, subject to profit rate of 5.89% (2021: 5.50%) per annum and is repayable upon demand. MBSB Bank Berhad is a wholly-owned subsidiary of MBSB.

6. Amount due to immediate holding company

Amount due to immediate holding company represents payment made on behalf of the Company by MBSB. The amount due to immediate holding company is unsecured, subject to average interest rate of 5.89% (2021: 5.50%) per annum and repayable upon demand.

7. Other payables and accruals

	2022 RM'000	2021 RM'000
Deposits in sinking fund account	72	71
Deposits received	-	3
Accruals	36	126
Amount due to management committee	-	14
	<u>108</u>	<u>214</u>

Amount due to management committee represents receivables from the unit owners of a development project which will be handed over to a management committee after being established.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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8. Share capital

	Number of ordinary shares		Amount	
	2022 Units '000	2021 Units '000	2022 RM'000	2021 RM'000
Issued and fully paid:				
At 1 January/ 31 December	250	250	250	250

The holder of the ordinary shares is entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

9. Operating expenses

Included in operating expenses is the auditors' remuneration with the amount as follows:

	2022 RM'000	2021 RM'000
Statutory audit	8	8
Tax compliance	6	-
	<u>14</u>	<u>8</u>

10. Profit expense to a related company

Profit expense to a related company relates to the profit expense on financing due to a related company.

11. Interest expense to Immediate holding company

Interest expense to immediate holding company relates to the interest expense on amount due to immediate holding company.

12. Loss before taxation

Loss before taxation is stated after charging:

	2022 RM'000	2021 RM'000
Auditors' remuneration	<u>14</u>	<u>8</u>

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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13. Taxation

	2022	2021
	RM'000	RM'000
Current year tax expense	<u>1</u>	<u>-</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2022	2021
	RM'000	RM'000
Loss before taxation	<u>(4,304)</u>	<u>(3,938)</u>
Taxation at the Malaysian statutory tax rate of 24%	(1,033)	(945)
Effect of expenses not deductible for tax purposes	1,045	941
Effect of deferred tax assets not recognised	-	4
Effect of utilisation of deferred tax asset not previously recognised	(11)	-
Tax expense for the year	<u>1</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2022	2021
	RM'000	RM'000
Unutilised tax losses	33,743	33,795
Unabsorbed capital allowances	-	4
Other deductible temporary differences	<u>-</u>	<u>2</u>

The unutilised tax losses of the Company are available for offsetting against future taxable profits of the Company for another 10 consecutive years effective from Year of Assessment 2019. The utilisation of tax losses carried forward are also subject to no substantial change in shareholdings of the Company under Income Tax Act, 1967 and guidelines issued by the tax authority. The table below summarised the remaining unutilised tax losses by year of assessment.

	2022	2021
	RM'000	RM'000
Up to year of assessment 2028	33,688	33,740
Up to year of assessment 2029	24	24
Up to year of assessment 2030	24	24
Up to year of assessment 2031	7	7
	<u>33,743</u>	<u>33,795</u>

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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14. Financial instruments
(a) Categories of financial instruments

The table below shows the carrying amount of financial instruments as at 31 December 2022 and 31 December 2021 categorised as amortised cost:

	Carrying amount RM'000	Amortised cost RM'000
2022		
Financial assets		
Cash and cash equivalents	361	361
Other receivables	-	-
	<u>361</u>	<u>361</u>
Financial liabilities		
Financing due to a related company	35,160	35,160
Amount due to immediate holding company	46,558	46,558
Other payables and accruals	108	108
	<u>81,826</u>	<u>81,826</u>
2021		
Financial assets		
Cash and cash equivalents	335	335
Other receivables	14	14
	<u>349</u>	<u>349</u>
Financial liabilities		
Financing due to a related company	33,729	33,729
Amount due to immediate holding company	43,566	43,566
Other payables and accruals	214	214
	<u>77,509</u>	<u>77,509</u>

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

14. Financial instruments (cont'd)**(b) Net losses arising from financial instruments**

	2022 RM'000	2021 RM'000
Net gain on:		
Write back/(allowance) of expected credit losses	10	(94)
Net loss on:		
Profit expense to a related company	(1,432)	(1,345)
Interest expense to immediate holding company	(2,634)	(2,483)
Net losses arising from financial instruments	<u>(4,056)</u>	<u>(3,922)</u>

(c) Financial risk management

The Company operates within the financial risk management policies of its immediate holding company. Cash flows and liquidity requirements of the Company are monitored and controlled by the immediate holding company.

The Company has exposure to credit risk, market risk and liquidity risk from its financial instruments.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises from cash at bank and other receivables.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Cash at bank

The cash at bank are held with a licensed bank in Malaysia which has low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company recognised expected credit losses as disclosed in Note 3.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

14. Financial instruments (cont'd)

(e) Market risk

Market risk is the risk that changes in market prices, such as profit/interest rates that will affect the Company's financial position or cash flows. The Company is not significantly exposed to foreign currency risks.

Profit/interest rate risk

Profit/interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit/interest rates.

The Company's financing due to a related company and amount due to immediate holding company are exposed to a risk of change in cash flows due to changes in profit/interest rates. Short term receivables and payables are not significantly exposed to profit/interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company's profit/interest rate risk is managed by the immediate holding company as a whole.

Exposure to profit/interest rate risk

The profit/interest rate profile of the Company's significant profit/interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2022	2021
	RM'000	RM'000
Floating rate instruments		
Financial liabilities	<u>(81,718)</u>	<u>(77,295)</u>

Profit/interest rate risk sensitivity analysis

a) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and fair value through other comprehensive income. Therefore, a change in interest/profit rates at the end of the reporting period would not affect profit or loss and equity.

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB DEVELOPMENT SDN. BHD.
 (199201011105 / 242608-P)
 (Incorporated in Malaysia)

14. Financial instruments (cont'd)
(e) Market risk (cont'd)

Profit/interest rate risk sensitivity analysis (cont'd.)

b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on the interest/profit rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables remain constant.

	100 bp increase 31.12.2022 RM'000	100 bp decrease 31.12.2022 RM'000	100 bp increase 31.12.2021 RM'000	100 bp decrease 31.12.2021 RM'000
Floting rate instruments	(621)	621	(587)	587

(f) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as and when they fall due.

	On demand or within one year RM'000	Over one to five years RM'000	Total RM'000
2022			
Financing due to a related company	-	35,160	35,160
Amount due to immediate holding company	46,558	-	46,558
Other payables and accruals	108	-	108
	<u>46,666</u>	<u>35,160</u>	<u>81,826</u>

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
(199201011105 / 242608-P)
(Incorporated in Malaysia)

14. Financial instruments (cont'd)
(f) Liquidity risk (cont'd)

	On demand or within one year RM'000	Over one to five years RM'000	Total RM'000
2021			
Financing due to a related company	-	33,729	33,729
Amount due to immediate holding company	43,566	-	43,566
Other payables and accruals	214	-	214
	<u>43,780</u>	<u>33,729</u>	<u>77,509</u>

The Company relies on continuing financial support from its immediate holding company, that enables it to meet its obligations and liabilities as and when they fall due.

15. Related parties
Identity of related parties

For the purpose of the financial statements, a party is considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company.

The Company has a related party relationship with its immediate holding company, related company and key management personnel.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB DEVELOPMENT SDN. BHD.
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15. Related parties (cont'd)**Significant related party transactions and balances**

	2022 RM'000	2021 RM'000
Expenses		
Profit expense to a related company	1,432	1,345
Interest expense to immediate holding company	2,634	2,483
	<u> </u>	<u> </u>
Balances		
Financing due to a related company	35,160	33,729
Amount due to immediate holding company	46,558	43,566
	<u> </u>	<u> </u>

Key management personnel compensation

The key management personnel did not receive any remuneration from the Company during the financial year.

16. Fair values

The carrying amounts of the Company's financial assets and liabilities are reasonable approximations of fair values due to their short-term nature or by being floating rate instruments.

17. Capital management

The Company manages its capital by following the immediate holding company's policies and guidelines and also seeks approval from the Board of Directors of its immediate holding company with regards to all capital management matters. The Company takes into consideration equity attributable to the immediate holding company, financing due to the related company and amount due to the immediate holding company. In this respect, the Company's policies and procedures involve obtaining funding from its immediate holding company and related company to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)

MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

**MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)**

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AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB PROPERTIES SDN. BHD.
 (198001001895 / 55678-T)
 (Incorporated in Malaysia)

**Directors' report
 for the financial year ended 31 December 2022**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2022.

Principal activity

The principal activity of the Company is letting of real property.

There has been no significant change in the nature of the principal activity of the Company during the financial year.

Financial Results

	RM'000
Loss for the year	<u>(17,317)</u>

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Reserves, provisions and allowances

There were no material transfers to or from reserves or provisions or allowance during the financial year.

Issue of shares and debentures

There were no changes to the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the year.

Directors

The Directors of the Company who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

Jesleigh bin Johari (appointed on 15 February 2022)
 Hazim bin Yahya (appointed on 15 February 2022)
 Asrul Hazli bin Salleh (resigned on 15 February 2022)
 Azlina binti Mohd Rashad (resigned on 15 February 2022)

AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31 DECEMBER 2022 (CONT'D)

MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)

Directors' interests in shares and share options

According to the register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares of the Company and its related corporations during the financial year were as follows:

Name of Directors	←	Number of ordinary shares			→
	01.01.2022	Granted	Acquired	Sold	31.12.2022
<i>Direct interest:</i>					
Ordinary shares of MBSB					
Hazim bin Yahya	89,719	-	-	-	89,719

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fixed salary of a full time employee of the immediate holding company) by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by mean of the acquisition of shares in or debentures of the Company or its related corporations during the financial year.

Indemnity and Takaful costs

The Directors and Officers of the Company are covered by Directors' and Officers' Liability Takaful of Malaysia Building Society Berhad ("MBSB"). The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM153,922.

Immediate and ultimate holding company/body

The immediate holding company is Malaysia Building Society Berhad ("MBSB"), a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

Directors' remuneration

Directors' remuneration of the Company is nil.

Auditors' remuneration

Auditors' remuneration of the Company is RM13,250. Details of auditors' remuneration are set out in Note 16 to the financial statements.

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)


Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

06 JUN 2023


Jesleigh bin Johari
Director


Hazim bin Yahya
Director

Petaling Jaya, Malaysia

**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Jesleigh bin Johari and Hazim bin Yahya being the Directors of MBSB Properties Sdn. Bhd., do hereby state that, in the opinion of the Directors, the financial statements set out on pages 10 to 33 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance and cash flows of the Company for the year then ended 31 December 2022, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

06 JUN 2023


Jesleigh bin Johari
Director


Hazim bin Yahya
Director

Petaling Jaya, Malaysia


**AUDITED FINANCIAL STATEMENTS OF THE NON-FINANCIAL SUBSIDIARIES FOR FYE 31
DECEMBER 2022 (CONT'D)**

MBSB PROPERTIES SDN. BHD.
(198001001895 / 55678-T)
(Incorporated in Malaysia)

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Ramanathan Rajoo, being the officer primarily responsible for the financial management of MBSB Properties Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 33 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ramanathan Rajoo
at Petaling Jaya in the state of
Selangor Darul Ehsan on **06 JUN 2023**


Ramanathan Rajoo
MIA No. CA7012

Before me,



No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB PROPERTIES SDN. BHD.**
(Incorporated in Malaysia)
Registration No. 198001001895 (55678-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MBSB Properties Sdn. Bhd. ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 33.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1
Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSE PROPERTIES SDN. BHD. (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198001001895 (55678-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.