

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

Quarterly report on consolidated financial statements for the first quarter ended 31 March 2005. The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended		3 months ended	
	31 March		31 March	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Operating revenue	43,896	47,673	43,896	47,673
Interest income	38,497	51,410	38,497	51,410
Interest costs	(39,239)	(36,235)	(39,239)	(36,235)
Net interest income	(742)	15,175	(742)	15,175
Net income from Islamic Banking Scheme				
Operations	1,767	80	1,767	80
	1,025	15,255	1,025	15,255
Other operating income/(expenses)	4,941	(3,348)	4,941	(3,348)
	5,966	11,907	5,966	11,907
Reversal of (property development costs)	(381)	10,259	(381)	10,259
Other operating expenses	(10,275)	(13,061)	(10,275)	(13,061)
Operating (loss)/profit before allowance	(4,690)	9,105	(4,690)	9,105
Recovery of / (Allowance) for losses on loans and financing	8,012	(1,406)	8,012	(1,406)
Profit before taxation	3,322	7,699	3,322	7,699
Taxation	18	(278)	18	(278)
Profit after taxation	3,340	7,421	3,340	7,421
Minority interest	-	-	-	-
Profit for the period	3,340	7,421	3,340	7,421
Earnings per share (sen)				
Basic	0.99	2.20	0.99	2.20
Diluted	0.52	1.12	0.52	1.12

The condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

MALAYSIA BUILDING SOCIETY BERHAD
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CONDENSED CONSOLIDATED BALANCE SHEETS

	As at	As at
	31 March 2005	31 December 2004
	(RM'000)	(RM'000)
ASSETS		
Cash and short term funds	255,291	200,692
Trade receivables	10,208	11,498
Other receivables	92,572	111,062
Inventories of completed properties	28,187	28,187
Property development cost	6,199	4,864
Loans, advances and financing	3,983,739	3,788,299
Other investments	1,400	1,400
Land held for property development	219,691	237,491
Property, plant and equipment	140,274	142,280
Deferred tax assets	10,000	10,000
	4,747,561	4,535,773
TOTAL ASSETS	4,747,561	4,535,773
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank borrowings	1,159,207	1,212,077
Deposits from customers	2,506,218	2,125,484
Other borrowings	380,565	496,037
Trade payables	29,000	30,141
Other payables	244,162	237,886
Property development costs	-	460
Provision for taxation	19,582	18,633
Recourse obligation on loans sold to Cagamas Berhad	17,279	17,676
Deferred tax liabilities	28,207	28,225
Redeemable convertible preference shares	12,192	21,155
Provision for liabilities	6,058	6,248
	4,402,470	4,194,022
TOTAL LIABILITIES	4,402,470	4,194,022

(Contd.)

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CONDENSED CONSOLIDATED BALANCE SHEETS (CONTD.)

	As at 31 March 2005 (RM'000)	As at 31 December 2004 (RM'000)
Share capital	502,856	502,856
Reserves	(157,765)	(161,105)
Shareholders' equity	<u>345,091</u>	<u>341,751</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>4,747,561</u></u>	<u><u>4,535,773</u></u>

The condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

MALAYSIA BUILDING SOCIETY BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2005

	← Share Capital →		← Non Distributable →				
	Ordinary Shares <i>RM'000</i>	Redeemable Cumulative Preference Shares <i>RM'000</i>	Share Premium <i>RM'000</i>	Capital Reserve <i>RM'000</i>	Capital Redemption Reserve - Redeemable Cumulative Preference Shares <i>RM'000</i>	Accumulated Losses <i>RM'000</i>	Total <i>RM'000</i>
At 1.1.2004	337,856	165,000	652,695	17,838	12,486	(884,101)	301,774
Net profit for the 3 months period	-	-	-	-	-	7,421	7,421
At 31.3.2004	337,856	165,000	652,695	17,838	12,486	(876,680)	309,195
At 1.1.2005	337,856	165,000	660,922	17,838	12,486	(852,351)	341,751
Net profit for the 3 months period	-	-	-	-	-	3,340	3,340
At 31.3.2005	337,856	165,000	660,922	17,838	12,486	(849,011)	345,091

The condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statement for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

MALAYSIA BUILDING SOCIETY BERHAD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 31 March 2005 RM'000	3 months ended 31 March 2004 RM'000
Cash flows from operating activities		
Profit before taxation	3,322	7,699
Adjustments for :		
Interest/income-in-suspense, net of recoveries and write offs	104,188	90,171
Provision for doubtful debts of other receivables	3,072	2,992
Depreciation	2,018	1,808
Provision for doubtful debts of trade receivables	504	1,512
(Reversal of) impairment loss on land held for property development	(694)	42
(Recovery) of allowance for losses on loans and financing	(8,012)	1,406
Write down of inventories of completed properties	-	797
Reversal of provision for anticipated losses on projects	(125)	(142)
Gain on disposal of land held for property development	(1,700)	-
Liquidated damages payable	18	440
Operating profit before working capital changes	102,591	106,725
Increase in loans receivables	(291,616)	(135,815)
Decrease in inventories of completed properties	-	(177)
Decrease in receivables	16,204	1,508
(Decrease)/Increase in bank borrowings	(52,870)	46,496
Increase in deposits received	380,734	108,984
Increase/(Decrease) in payables	5,676	(6,311)
Decrease in provision for liabilities	(208)	-
Increase in property development	(1,670)	(10,379)
Cash generated from operations	158,841	111,031
Real Property Gains Tax paid	-	(297)
Income tax recovered	949	-
Net cash generated from operating activities	159,790	110,734

(Contd.)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

	3 months ended 31 March 2005 RM'000	3 months ended 31 March 2004 RM'000
Cash flows from investing activities		
Land held for property development	694	(1,641)
Purchase of property, plant and equipment	(12)	(1,419)
Proceeds from disposal of land held for property development	19,500	-
Net cash generated from/(used in) investing activities	<u>20,182</u>	<u>(3,060)</u>
Cash flows from financing activities		
Drawdown of other borrowings	-	3,773
Repayment of other borrowings	(115,472)	(123,969)
Recourse obligation on loans sold to Cagamas repaid	(397)	(1,701)
Refund of staff benefits	-	60
Dividend paid - Redeemable Convertible Preference Shares	(9,504)	-
Net cash used in financing activities	<u>(125,373)</u>	<u>(121,837)</u>
Net increase/(decrease) in cash and cash equivalents	54,599	(14,163)
Cash and cash equivalents at beginning of financial period	200,692	159,675
Cash and cash equivalents at end of financial period	<u>255,291</u>	<u>145,512</u>
Cash and cash equivalents comprise :		
Cash and short term funds	<u>255,291</u>	<u>145,512</u>

The condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying notes attached to the interim financial statements.

**EXPLANATORY NOTES FOR FINANCIAL
QUARTER ENDED 31 MARCH 2005**

FRS 134 - DISCLOSURE REQUIREMENTS PER PARAGRAPH 16

A1. Accounting Policies and Method of Computation

The interim report is prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2004.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2004.

A2. Audit Report of Preceding Financial Year Ended 31 December 2004

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

A3. Seasonality and Cyclicity of Operation

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

A4. Exceptional or Unusual Items

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

A5. Changes in Estimates of Amounts Reported Previously

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

A6. Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

A7. Dividend Paid

Dividends on Redeemable Convertible Preference Shares ("RCPS") of 4 sen less tax of 28% per RCPS share for both years ended 31 December 2003 and 2004 were paid on 28 February 2005. (2004: NIL).

A8. Segmental Information on Revenue and Results

	Financing RM'000	Property Development RM'000	Letting of Real Property RM 000	Others RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 31 March 2005						
External sales	35,508	2	617	-	7,769	43,896
Intersegment sales	1,911	-	1,360	-	(3,271)	-
Total revenue	37,419	2	1,977	-	4,498	43,896
Segment results	5,395	(3,433)	(3,783)	(19)	5,162	3,322
Unallocated income (net of cost)						-
Profit from operations						3,322
3 months ended 31 March 2004						
External sales	39,458	(6,091)	1,624	(21)	12,703	47,673
Intersegment sales	7,957	-	1,262	-	(9,219)	-
Total revenue	47,415	(6,091)	2,886	(21)	3,484	47,673
Segment result	6,032	(5,938)	(3,655)	(50)	11,310	7,699
Unallocated income (net of cost)						-
Profit from operations						7,699

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

A9. Valuation of Property, Plant and Equipment

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

A10. Subsequent Events

As at the date of this report, there were no material events occurring subsequent to the end of the current financial quarter that have not been reflected in the financial statements for the current financial quarter, except for the disposal of few pieces of land for a consideration of RM32 million with an estimated gain on disposal of RM1,000.

A11. Changes in the Composition of the Group

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

A12. Contingent Liabilities

- A. In a civil suit brought against the Company, a borrower is claiming the amount of RM400.31 million for an alleged breach of the loan agreement committed by the Company.

The borrower's Appeal against the Court's decision to dismiss their application for Summary Judgement was dismissed on 11 March 2004. The Court has set this matter down for trial on 15 August 2005.

(For information only: Malabena)

- B. In a civil suit brought against the Company, a Borrower is claiming RM1.48 million for an alleged breach of the loan agreement committed by the Company.

The borrower has not yet set the matter down for trial.

(For information only: Monoworth)

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

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

The Court has fixed 14 July 2005 for Case Management with regard to this matter.

(For information only: Bongsor Bina/Manzer Medical (suit consolidated))

- D. Upon default by a borrower, the Company has proceeded with foreclosure proceedings to foreclose the property provided by a third party chargor as security for the facilities granted to the borrower. In turn the third party chargor has proceeded with a legal suit against the Company for an alleged breach of the terms relating to the Charge. The matter is now fixed for Mention on 13 June 2005.

In respect of the foreclosure proceeding, the Company has to date obtained an Order for Sale. An Auction was held on 28 October 2003 but was aborted by the Land Office as there were no bidders. The owner has filed a motion in Court to set aside the Order for Sale. The motion was subsequently dismissed by the Court on 22 April 2004. The Land Office has yet to fix a fresh auction date for the sale of the property.

(For information only: Danau Seraya)

- E. In a civil suit brought against the Company, a borrower is claiming damages amounting to RM134.4 million for the alleged breach of the Loan Agreement.

The Case Management for the matter on 19 February 2004 has been adjourned to 1 July 2005.

(For information only: Rainbow Spectrum)

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

In the said suit, the creditor claims that by virtue of such conspiracy all the defendants including the Company's subsidiary are deemed to be constructive trustees of the creditor and are either jointly or severally liable to account to the said creditor for the amount of RM4.8 million. The Company's subsidiary has to date filed an Application to Strike Out the creditor's suit. The said Application is fixed for Hearing on 21 June 2005.

(For information only: Writ of Summons served on Sigmaprise by Furnishing Fashions Sdn Bhd)

- G. A Borrower of the Company has instituted a legal suit against the Company and three of its subsidiaries for an alleged breach of the terms of a Joint Venture Agreement and the Supplementary thereto entered into by the Borrower, the Company, and one of the Company's subsidiaries and a Loan Agreement together with the terms as annexed to the Charge entered into between the Borrower and the Company.

The Borrower has sought for a Declaration that the Company and its subsidiaries are in breach of the said agreements, rescission of the said agreements, judgement in the sum of RM40.076 million being loss of profits and commission, general as well as exemplary damages, interests and costs.

The Company and one of its subsidiaries have filed their Defenses on 23 August and 24 August 2004 respectively. The Company and all its subsidiaries have to date also filed separate Applications to Strike Out the Borrower's suit. The said Applications, which were heard on 25 April 2005, are now fixed for Decision on 5 July 2005.

(For information only: Grand Chart Sdn Bhd)

- H. A Borrower of the Company has instituted a civil suit against the Company and its subsidiary for an alleged breach of the terms of a Joint Venture Agreement entered into by the Borrower, the Company and the said subsidiary. The Borrower has sought for judgement in the sum of RM52.007 million being loss of profits from the Project contemplated under the Joint Venture Agreement, the sum of RM0.015 million being part payment for the purchase of several parcels of Project Land and the sum of RM4.931 million being the compensation paid by the State Government directly to the Company for the acquisition of a portion of the Project Land, damages for losses suffered by the Plaintiff as a result of claims made by third parties, consultants and contractors involved in the Joint Venture Project, damages for loss of reputation, interests and costs.

The Company and one of its subsidiaries have filed their Defenses on 5 August 2004. The Company has further filed an Application to Strike Out the Borrower's suit against the Company. The said Application, which was heard on 20 January 2005 is now fixed for Decision on 20 May 2005.

(For information only: Tasjaya Development Sdn Bhd)

- I. A Borrower of the Company has instituted a civil suit against the Company and its subsidiary for an alleged breach of the terms of an undated Joint Venture Agreement entered into by the Borrower, the Company and the said subsidiary. As against the Company, the Borrower has sought for damages to be assessed by the Court, a true account status of the loan and a change in the interest rate. As against the Company's subsidiary, the Borrower has sought for damages to be assessed by the Court, specific performance to compel the Company's Subsidiary to complete the development project mentioned in the said suit within a reasonable time, specific performance to compel the Company's Subsidiary to ensure premium payments are made to the authorities for the conditions for the use of the project land mentioned in the said suit is converted to buildings for the purpose of housing, interest and costs.

The Company and its subsidiary have filed their appearance on 25 January 2005 and 26 January 2005 respectively. The Company and its subsidiary have both filed their Defenses on 18 April 2005.

(For information only: Kembang Biru Sdn Bhd)

- J. As at 31 March 2005, the Group and the Company have obligations to secure due performance by third parties amounting to RM292 million.

The Directors after obtaining advice from the Group's solicitors, are of the opinion that the Group has reasonably good cases in respect of claims A, B, C, D, E, F, G, H and I against the Group, as such no provision has been made in the financial statements.

A13. Acquisition/Disposal of Property, Plant and Equipment

	3 months ended 31/3/2005
	RM'000
Acquisition	12
Disposal	-

A14. Significant Related Party Transactions

	First Quarter		Cumulative	
	Current Quarter 31/3/2005 RM'000	Preceding Year Quarter 31/3/2004 RM'000	Current Year to Date 31/3/2005 RM'000	Preceding Year to Date 31/3/2004 RM'000
Transactions with Employees Provident Fund Board, the Ultimate holding body				
Interest on loans	3,945	9,437	3,945	9,437
Rental paid	94	91	94	91
Agency fees received	7	9	7	9

A15. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided in the financial statements as at 31 March 2005 is as follow:

	RM'000
Data Processing System and Equipment:-	
Approved and contracted for	1,201
Approved but not contracted for	-

A17. Impairment Loss

The Group has recognised a reversal of impairment loss on land held for property development of RM0.694 million for the current financial quarter.

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

B1. Comparison with the Preceding Quarter's Results

The Group's profit before taxation of RM3.322 million for the 1st quarter of 2005 was higher than the preceding quarter's profit before taxation of RM2.029 million. This was mainly due to higher recovery of allowance for losses on loans and financing which was partly set off by lower other operating income and lower net interest income.

B2. Review of Performance

The Group's profit before taxation of RM3.322 million for the 1st quarter of 2005 was lower than the 2004 corresponding quarter's profit before taxation of RM7.699 million. This was mainly due to lower net interest income which was partly set off by recovery of allowance for losses on loans and financing.

B3. Prospect

Barring unforeseen circumstances, the performance of the Company and of the Group are expected to improve further for the financial year ending 31 December 2005. The Company will continue to focus on its core mortgage related retail businesses while emphasising on corporate loan recovery.

B4. Variance from Profit Forecast and Profit Guarantee

There was no profit forecast or profit guarantee issued for the financial year ending 31 December 2005.

B5. Taxation

	First Quarter		Cumulative	
	Current Quarter 31/3/2005 RM'000	Preceding Year Quarter 31/3/2004 RM'000	Current Year to Date 31/3/2005 RM'000	Preceding Year to Date 31/3/2004 RM'000
Income tax:				
Current year taxation	-	-	-	-
Deferred taxation	(18)	(19)	(18)	(19)
Under/(over) provision in prior years	-	-	-	-
Real Property Gains Tax	-	297	-	297
	<u>(18)</u>	<u>278</u>	<u>(18)</u>	<u>278</u>

The effective income tax rate for the current financial quarter was lower than statutory income tax rate principally due to utilisation of unabsorbed tax losses and capital allowances and crystallisation of deferred tax liability on fair value adjustment.

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

There was no sale of investments. Gain on disposal of properties recognised for the current financial quarter amounted to RM1.700 million.

B7. Purchase and Sale of Quoted Securities

There were no dealings in quoted securities for the current financial quarter.

Investments in quoted securities as at 31 March 2005 are as follows:

	At cost and nominal value As at 31.3.2005 RM'000	At carrying amount As at 31.3.2005 RM'000	At market value As at 31.3.2005 RM'000
Quoted shares	1,294	1,294	1,113
Quoted warrants	106	106	218
Quoted Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	8,180	-	2,495
	<u>9,580</u>	<u>1,400</u>	<u>3,826</u>

B8. Status of Corporate Proposals

There were no corporate proposals announced.

B9. Borrowings and Debts

Borrowings and debts securities at 31 March 2005 for the Group are as follows:-
RM'000

Short term borrowings	
Secured	367,025
Unsecured	-
	<u>367,025</u>
Long term borrowings	
Secured	13,540
Unsecured	1,159,207
	<u>1,172,747</u>

All borrowings and debts securities are dominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments.

B11. Material Litigation

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

B12. Dividends Declared

No dividend has been declared for the current financial quarter (2004: NIL).

B13. Earnings Per Share

Basic

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

	First Quarter		Cumulative	
	Current Quarter 31/3/2005	Preceding Year Quarter 31/3/2004	Current Year to Date 31/3/2005	Preceding Year to Date 31/3/2004
Net profit attributable to to shareholders (RM'000)	3,340	7,421	3,340	7,421
Number of ordinary shares ('000)	337,856	337,856	337,856	337,856
Basic earnings per Share (sen)	<u>0.99</u>	<u>2.20</u>	<u>0.99</u>	<u>2.20</u>

Diluted

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

	First Quarter		Cumulative	
	Current Quarter 31/3/2005	Preceding Year Quarter 31/3/2004	Current Year to Date 31/3/2005	Preceding Year to Date 31/3/2004
Net profit attributable to shareholders (RM'000)	3,340	7,421	3,340	7,421
Effect of finance cost on RCPS (RM'000)	<u>132</u>	<u>90</u>	<u>132</u>	<u>90</u>
Adjusted net profit attributable to Shareholders (RM'000)	<u>3,472</u>	<u>7,511</u>	<u>3,472</u>	<u>7,511</u>
Weighted average of number of shares in issue ('000)	337,856	337,856	337,856	337,856
Adjusted for assumed conversion of RCPS ('000)	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>
Adjusted weighted average number of ordinary shares in issue and issuable '000)	<u>667,857</u>	<u>667,857</u>	<u>667,857</u>	<u>667,857</u>
Diluted earnings per share (sen)	<u>0.52</u>	<u>1.12</u>	<u>0.52</u>	<u>1.12</u>

For the current financial period and the corresponding financial period in 2004, ESOS' exercise price is above the average market price of the Company's shares. Therefore, the assumed conversion of the ESOS is not included in the computation of diluted earnings per share as the assumed conversion is considered anti-dilutive.

B14. Authorisation For Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2005.

BY ORDER OF THE BOARD

Fariz Abdul Aziz
COMPANY SECRETARY
Kuala Lumpur
29 April 2005