

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 2005.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRS does not have significant financial impact to the Group. The principal effect of the changes in accounting policies resulting from the adoption of FRS 2 is disclosed in Note A17.

**A2. Audit Report of Preceding Financial Year Ended 31 December 2005**

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.

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**A4. Exceptional or Unusual Items**

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

**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 year.

**A6. Debts and Equity Securities**

Other than the issuance of 90,000 new ordinary shares of RM1.00 each at RM1.00 per new share pursuant to the Company's Employee Share Option Scheme ("ESOS"), there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year.

	<b>No of ordinary shares of RM1.00 each</b>	<b>RM</b>
At 1 Jan 2006	337,856,727	337,856,727
Issued at RM1.00 per share pursuant to ESOS	90,000	90,000
At 31 December 2006	337,946,727	337,946,727

**A7. Dividend Paid****(i) Dividends on Redeemable Convertible Preference Shares ("RCPS")**

Dividends on RCPS of 4 sen less tax of 28% on 165,000,000 RCPS for the year ended 31 December 2005, amounted to RM4.752 million were paid on 28 February 2006.

**(ii) Dividend on Ordinary Shares**

First and final dividend in respect of the financial year ended 31 December 2005 of 2.5 sen less tax of 28% on 337,856,727 ordinary shares of RM1.00 each, amounted to RM6.081 million was paid on 12 June 2006.

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### A8. Segmental Information on Revenue and Results

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

	Financing RM'000	Property Development RM'000	Letting of Real Property RM 000	Hotel Operations RM 000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>3 months ended 31 Dec 06</b>							
External sales	58,736	364	99	1,326	-	3,426	63,951
Intersegment sales	2,662	-	1,289	-	-	(3,951)	-
Total revenue	61,398	364	1,388	1,326	-	(525)	63,951
Segment results	1,313	(5,327)	(2,056)	(1,484)	(52)	8,860	1,254
Unallocated income (net of cost)							-
Profit from operations							1,254
<b>3 months ended 31 Dec 05</b>							
External sales	60,084	9,277	133	903	-	(6,478)	63,919
Intersegment sales	9,158	-	1,104	-	-	(10,262)	-
Total revenue	69,242	9,277	1,237	903	-	(16,740)	63,919
Segment result	8,766	166,650	(4,077)	(1,941)	(85)	(163,439)	5,874
Unallocated income (net of cost)							-
Profit from operations							5,874
<b>12 months ended 31 Dec 06</b>							
External sales	265,008	10,489	433	4,062	-	13,067	293,059
Intersegment sales	10,021	-	5,206	-	-	(15,227)	-
Total revenue	275,029	10,489	5,639	4,062	-	(2,160)	293,059
Segment results	29,961	(20,807)	(7,997)	(5,310)	(198)	34,760	30,409
Unallocated income (net of cost)							-
Profit from operations							30,409
<b>12 months ended 31 Dec 05</b>							
External sales	199,118	10,984	999	903	-	17,448	229,452
Intersegment sales	14,863	-	5,241	-	-	(20,104)	-
Total revenue	213,981	10,984	6,240	903	-	(2,656)	229,452
Segment result	28,413	145,579	(15,609)	(1,941)	(139)	(130,837)	25,466
Unallocated income (net of cost)							-
Profit from operations							25,466

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

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

### A10. Subsequent Events

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

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

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

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**A12. Contingent Liabilities**

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

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

The matter is now fixed for Mention on 5 April 2007.

- (ii) 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 was further fixed for Decision on 27 March 2007.

In respect of the foreclosure proceedings, 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 Court subsequently dismissed the motion on 22 April 2004. The Land Office had fixed a date on 28 February 2006 to auction the property which was again called off as there were no bidders. The Land Office has yet to fix a fresh third (3rd) auction date with respect to this matter.

- (iii) 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.

This matter is now further fixed for case management on 19 April 2007.

- (iv) 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 was dismissed by High Court on 1 December 2005. The Company's subsidiary has to date filed a Notice of Appeal to the Court of Appeal against the said decision. The Court of Appeal has yet to fix a date for the Hearing of the Company's appeal. In the meantime, Case Management for this matter has been further fixed by the Court on 28 September 2006 due to change of solicitors by the Plaintiff. However, during the

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case management date on 19 October 2006, the Plaintiff's solicitors had informed the Court that they would like to discharge themselves from acting for the Plaintiff. Therefore, the court has fixed for Mention on 7 March 2007.

- (v) 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 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 RM4.391 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 Courts had on 28 September 2005 struck out the Borrower's suit against the Company. However, the Borrower still has an existing suit against the Company's subsidiary. The Borrower has yet to take any further steps in relation to the proceedings against the Company's subsidiary since the filing of the said Company's subsidiary's defence.

- (vi) 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, a change in the interest rate in accordance with the rate that is at par with the interest rate imposed in the financial market, interest and cost. 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 buildings for the purpose of housing, interest and costs.

Both the Company and its subsidiary have entered their appearance in Court on 25 January 2005 and 26 January 2005 respectively. The Company and its subsidiary have both filed their Defenses on 18 April 2005. The Borrower has yet to take any further steps in relation to the proceedings since the filing of the said Defenses.

Its subsidiary has later amended its defence in order to include a counterclaim against the Borrower. The Court has ordered Order in terms of its subsidiary's application on 7 June 2006 and case management is yet to be fixed by the Court.

The Company has to date filed an application to strike out the borrower's claim. The Hearing date of the said application was further fixed on 26 January 2007. However, the claim was dismissed by the Court and the Company's solicitors have proceeded to appeal.

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The Company has initiated foreclosure proceeding in respect of the charged properties and the Hearing date for the Company's Originating Summons has been fixed on 14 March 2007.

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

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

The Company has filed its appearance in Court on 26 July 2005 and had on 5 September 2005 served and filed their Defence against the former Borrower. The former Borrower's solicitors served Summons for Withdrawal as Solicitors on 28 August 2006. This matter is now fixed for Mention on 25 May 2007 to enable the Borrower's solicitors to serve the fair order of withdrawal on the Borrower.

- (viii) Upon default by the Borrower, the Company has filed suit for recovery of loans outstanding together with interest and cost pursuant to a breach by the Borrower of the terms of the Loan Agreement entered into between the Company and the Borrower. In response to the same, the Borrower had served on the Company their Defence as well as a Counterclaim. The Counterclaim is premised upon their allegation that the Company has breached the terms of a Joint Venture Agreement entered into by the Company, the Borrower and the Company's subsidiary.

The Borrower has in its Counterclaim sought for the sum of RM52,007,000 being loss of profit from the project contemplated under the Joint Venture Agreement, the sum of RM14,682.36 being part payment for the purchase of several parcels of the project land, the sum of RM4,931,460 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 Borrower as a result of claims made by third parties, consultants and contractors involved in the joint venture project, damages for loss of reputation, the cancellation/validation of the Charge and for the project land to be freed from restrictions and encumbrances by the Borrower; interest and cost.

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As the Borrower's Counterclaim principally revolves around and duplicates their earlier claim against the Company and its subsidiary whereby the Borrower's claim against the Company was subsequently dismissed by the Court on 28 September 2005, the Company has instructed their solicitors to strike out the Borrower's Counterclaim for being frivolous, vexatious and an abuse of the Court process. The Hearing date for the Company's application to strike out the Borrower's Counterclaim is yet to be fixed by the Court.

The Company has made an application for Summary Judgement, which was filed on 28 August 2006. The application has been fixed for Hearing on 28 February 2007, pending exchange of Affidavits.

The Company also initiated foreclosure proceeding in respect of the charged property. The claim was contested and both parties have filed Affidavits. This matter is now fixed for Mention for Notice of Appointment on 23 April 2007.

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

As such the former Borrower has sought for damages amounting to RM5.0 million or any other sum as determined by the Court, interest at the rate of 8% on the sum of RM5.0 or any other sum as determined by the Court from the date of the Writs of Summons until the date of full realisation, as well as costs.

The Company has filed the Statement of Defence on 31 July 2006 and the Borrower has not filed any reply and neither has any steps taken in the proceedings. The Company's Solicitors are in the midst of filing the Company's application to strike out the Borrower's Writ of Summons.

As at 26 February 2007, the Group and the Company have obligations to secure due performance by third parties amounting to RM286 million

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

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

	<b>12 months ended 31/12/2006 RM'000</b>
Acquisition	
Data processing equipment	661
Furniture and equipment	305
Building improvements	331
Motor vehicles	109
	<u>1,406</u>
Disposal	
Freehold land and building	8,925
Data processing equipment	452
Furniture and equipment	407
Motor vehicles	5
	<u>9,789</u>

**A14. Significant Related Party Transactions**

	<b>4th Quarter</b>		<b>Cumulative</b>	
	<b>Current Quarter 31/12/2006 RM'000</b>	<b>Preceding Quarter 30/09/2006 RM'000</b>	<b>Current Year To Date 31/12/2006 RM'000</b>	<b>Preceding Year To Date 31/12/2005 RM'000</b>
Transactions with Employees				
Provident Fund Board, the holding body				
Interest on debenture loans	2,287	2,425	9,964	13,661
Rental paid	76	74	299	290
Agency fees received	(5)	(5)	(21)	(26)
	<u>(5)</u>	<u>(5)</u>	<u>(21)</u>	<u>(26)</u>

**A15. Capital Commitments**

During the period ended 31 December 2006, there were no commitments for the purchase of property, plant and equipment other than those stated below:

	<b>RM'000</b>
Property, plant and equipment:	
• Approved and contracted for	1,511
• Approved but not contracted for	12,641
	<u>14,152</u>



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**A16. Impairment Loss**

The Group has recognised a reversal of impairment loss on inventories of completed properties of RM1.543 million for the current financial year.

**A17. Changes in Accounting Policies**

The adoption of FRS 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of FRS 2 is discussed below:

**(a) FRS 2: Share-based Payment**

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for its employees, the Malaysia Building Society Berhad Employee Share Options Scheme (“ESOS”). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

The financial impact to the Group arising from this change in accounting policy is as follows:

	<b>As at 31.12.2006 RM'000</b>
Recognised in profit or loss	(421)
Increase in equity compensation reserve (included in capital reserve)	421
	421

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**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 RM1.254 million for the current 4<sup>th</sup> quarter of 2006 was lower than the preceding quarter of RM10.500 million. This was mainly due to decrease in net interest income, which was partly set off by higher reversal of losses on loans and financing and higher other operating income.

**B2. Review of Performance**

The Group's profit before taxation for the twelve (12) months ended 31 December 2006 of RM30.409 million was higher than the previous year's result of RM25.466 million. This was mainly due to higher net interest income, higher other operating income and lower operating expenses, which were partly set off by higher provisions for losses on loans and financing.

**B3. Prospect**

Barring unforeseen circumstances, the Group is expected to maintain its profitability for the next financial year ending 31 December 2007. The Group will continue to focus on its core mortgage and related retail businesses while emphasising on fee based income and corporate loans recovery.

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

There was no profit forecast or profit guarantee issued for the financial year ended 31 December 2006.

**B5. Taxation**

	4th Quarter		Cumulative	
	Current Quarter 31/12/2006 RM'000	Preceding Quarter 30/09/2006 RM'000	Current Year To Date 31/12/2006 RM'000	Preceding Year To Date 31/12/2005 RM'000
Income tax				
Deferred taxation	(10,019)	(18)	(10,074)	(55)
Underprovision of RPGT in prior years	-	-	191	-
	<u>(10,019)</u>	<u>(18)</u>	<u>(9,883)</u>	<u>(55)</u>

There is no tax charge for 2006 due to utilisation of unabsorbed tax losses and capital allowances. Deferred tax assets relate to deferred tax on unused tax losses. During the financial year, after taking into consideration the improvement in performance, the directors resolved to recognise additional deferred tax assets in relation to unused tax losses to the extent of the taxable profits expected to be realised in the foreseeable future.

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

There was no sale of investments. The gains on disposals of properties for sale for the current financial year amounted to RM2.742 million.

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

There were no dealings in quoted securities for the current financial year. Investments in quoted securities as at 31 December 2006 are as follows:

	<b>At cost and nominal value 31.12.2006 RM'000</b>	<b>At carrying amount 31.12.2006 RM'000</b>	<b>At market value 31.12.2006 RM'000</b>
Quoted shares	1,294	522	522
Quoted warrants	106	36	36
	<u>1,400</u>	<u>558</u>	<u>558</u>

**B8. Status of Corporate Proposals**

No corporate proposals were announced.

**B9. Borrowings and Debts**

Borrowings and debts securities as at 31 December 2006 of the Group are as follows:

	<b>RM'000</b>
Short term borrowings	
Secured	<u>50,079</u>
Long term borrowings	
Secured	<u>149,954</u>

All borrowings and debts securities are denominated 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.

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**B12. Dividends Declared**

A first and final dividend of 3% less 27% tax or 2.19 sen net per share for the year ended 31 December 2006 (2005: 2.5% less 28% tax or 1.8 sen net per share) has been recommended by the Board of Directors for shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment dates will be announced at a later date.

**B13. Earnings Per Share**

## (i) Basic

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

	<b>4th Quarter</b>		<b>Cumulative</b>	
	<b>Current Quarter 31/12/2006 RM'000</b>	<b>Preceding Quarter 30/09/2006 RM'000</b>	<b>Current Year to Date 31/12/2006 RM'000</b>	<b>Preceding Year to Date 31/12/2005 RM'000</b>
Net profit attributable to shareholders	11,163	10,518	40,182	38,786
Weighted average number of ordinary shares in issue ('000)	337,859	337,856	337,859	337,856
Basic earnings per share (sen)	<u>3.30</u>	<u>3.11</u>	<u>11.89</u>	<u>11.48</u>

## (ii) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the financial year and the weighted average number of ordinary shares in issue during the financial 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").

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	4th Quarter		Cumulative	
	Current Quarter 31/12/2006 RM'000	Preceding Quarter 30/09/2006 RM'000	Current Year to Date 31/12/2006 RM'000	Preceding Year to Date 31/12/2005 RM'000
Net profit attributable to shareholders	11,163	10,518	40,182	38,786
Effect of finance cost on RCPS	132	132	527	527
Effect of finance cost on ESOS	263	263	1,051	691
Adjusted net profit attributable to shareholders	<u>11,558</u>	<u>10,913</u>	<u>41,760</u>	<u>40,004</u>
Weighted average of number of shares in issue	337,859	337,856	337,859	337,856
Adjusted for assumed conversion of ESOS	25,950	25,950	25,950	18,057
Adjusted for assumed conversion of RCPS	<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>693,809</u>	<u>693,806</u>	<u>693,809</u>	<u>685,913</u>
Diluted earnings per share (sen)	<u>1.67</u>	<u>1.57</u>	<u>6.02</u>	<u>5.83</u>

**B14. Authorisation For Issue**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 February 2007.

BY ORDER OF THE BOARD

Tang Yow Sai  
Company Secretary  
Kuala Lumpur  
28 February 2007