CAHYA MATA SARAWAK BERHAD

Notes to the financial report

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with the Financial Reporting Standards ('FRS') 134_{2004} (formerly known as MASB 26), '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 audited financial statements for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2004 except for the changes in classification and accounting for Securities, which is in uniformity with those adopted by the Group's associated company, Rashid Hussain Berhad ('RHB') during the second quarter ended 30 June 2005, in compliance with revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia on 5 October, 2004 applicable to its banking subsidiaries.

The financial statements of RHB incorporating these changes have been used in the interim consolidated financial statements by the equity method of accounting.

The Group has not made any retrospective application of the accounting policy to prior periods before 31 December 2004 as the prior period results include that of the Group's merchant banking operation, Utama Merchant Bank Berhad, which has ceased to be the Group's subsidiary with effect from 31 December 2004. The Group's associate, RHB had changed its financial year end from 30 June to 31 December in 2004. In view of the changes in Group composition and circumstances, the statement of one year of comparative information is impracticable.

The retrospective application of the changes in accounting policies by the Group has resulted in the restatement of the opening reserves and results of the Group as follows:

Any adjustment for the previous carrying amounts shall be recognised as an adjustment of the balance of retained earnings or reserves at the beginning of the current financial year.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2004.

2. Auditors report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2004 was not qualified.

3. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal. Ordinarily however, there is a lower level of activity, particularly for the Construction and Construction Materials Divisions, during the 1st quarter of the year.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 31 December 2005 except for impairment of assets and provision for termination benefits recognised in the income statement following Board's approval on closure of steel operations by first quarter of 2006.

5. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter.

6. Issuance or repayment of debts and equity securities

There has been no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period under review except for the following:

Non-Convertible Redeemable Preference shares and Redeemable Bonds
On 29 December 2005, the Company undertook to issue RM400,000 Non-Convertible Redeemable Preference Shares ('NCRPS') consisting of 400 NCRPS of RM1.00 each issued at RM1,000 each and RM399,600,000 bonds consisting of 400 fixed rate coupon bearing serial bonds of RM999,000 each ('Bonds') linked thereto.

As at 31 December 2005, all the NCRPS were fully subscribed whilst RM161,838,000 of the bonds principal in nominal value terms were on sold to third parties. The remaining balance of the bonds is expected to be on sold to third parties in the following financial year. The Company is only contractually obliged to make payments in respect of such of the Bonds that are on sold.

7. Dividends paid

The first and final dividend of 5% less 28% taxation for the financial year ended 31 December 2004 amounting to RM11,860,000 was paid on 22 July 2005.

8. Segmental reporting

Segmental information in respect of the Group's segments for the year ended 31 December 2005 :

All figures in RM'000

Information About Business Segments:

	Manufacturing	Construction	Construction materials	Banking	Stockbroking and other financial services	Property Development	Trading & services	Discontinuing operation - Manufacturing of steel	Total
REVENUE									
Total sales	290,748	295,686	133,656	15,131	12,447	39,291	82,356	98,655	967,970
Inter-segment sales	(13,157)	(11,842)	(19,730)	0	0	(539)	(30,064)	(11,821)	(87,153)
External sales	277,591	283,844	113,926	15,131	12,447	38,752	52,292	86,834	880,817
RESULT									
Segment operating profit/(loss)	53,010	25,581	9,858	(11,245)	3,552	4,589	(2,377)	(11,736)	71,232
Impairment losses of assets								(100,000)	(100,000)
Provision for termination benefits								(3,000)	(3,000)
Unallocated corporate expense									(22,056)
Operating loss									(53,824)
Finance costs									(37,451)
Share of profit/(loss) of associates				62,816	(9,691)				53,125
Share of profit of jointly controlled entities		3,128							3,128
Loss before taxation									(35,022)
Taxation									(68,005)
Loss after taxation									(103,027)
Minority interests									(427)
Net loss									(103,454)

8. Segmental reporting

Segmental information in respect of the Group's segments for the year ended 31 December 2004 :

All figures in RM'000

Information About Business Segments:

	Manufacturing	Construction	Construction materials	Banking	Stockbroking and other financial services	Property Development	Trading & services	Discontinuing operation - Manufacturing of steel	Total
REVENUE									
Total sales	304,126	363,564	117,204	32,998	20,647	25,129	55,245	159,736	1,078,649
Inter-segment sales	(7,376)	(1,002)	(28,140)	0	0	(483)	(15,627)	(5,677)	(58,305)
External sales	296,750	362,562	89,064	32,998	20,647	24,646	39,618	154,059	1,020,344
RESULT									
Segment operating profit/(loss)	60,802	43,029	12,524	(43,655)	5,160	883	(923)	(3,132)	74,688
Gain on disposal of a subsidiary									86,714
Unallocated corporate expense									(20,721)
Operating profit									140,681
Finance costs									(46,975)
Share of profit of associates				23,815	13,434				37,249
Profit before taxation									130,955
Taxation									(64,617)
Profit after taxation									66,338
Minority interests									(37,589)
Net profit									28,749

No geographical analysis has been prepared as the Group's business interests are predominantly located in Malaysia.

9. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

10. Events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 December 2005 except for the following:

On 18 October 2005, the Company announced that it has acquired a new subsidiary company known as CMS Global (BVI) Limited ('CMS Global'). CMS Global was incorporated under the Laws of the British Virgin Islands on 18 August 2005 with an authorised capital of USD50,000.00 divided into 50,000 registered shares of USD1.00 each of which one (1) share is issued and fully paid-up.

CMS Global is dormant and is intended to undertake international business ventures currently being pursued by the CMS Group.

12. Changes in contingent liabilities and contingent assets

There were no material changes in the Group's contingent liabilities since the last annual balance sheet date.

13. Related party transactions

a) Significant transactions with companies in which certain directors of the Company and/or persons connected to them have a substantial financial interest and/or are directors:

	12 months ended 31.12.2005 RM'000
Income	0
Expenditure	3,201

b) Significant transactions with companies in which certain directors of the subsidiary companies and/or persons connected to them have a substantial financial interest and/or are directors:

	12 months ended 31.12.2005 RM'000
Income	0
Expenditure	5,329

c) Significant transactions with a company in which a person connected to a key management personnel of the subsidiary company has a substantial financial interest:

	12 months ended 31.12.2005 RM'000
Income	6,148
Expenditure	205

These transactions have been entered into in the normal course of business.

14. Continuing and discontinuing operations

On 5 January 2006, the Company announced that the Board of Directors of the Company has approved the proposal to close down the operations of its subsidiary, CMS Steel Berhad ('CMS Steel') from the first quarter 2006 onwards.

In view of the impending closure, impairment losses relating to the property, plant and equipment of CMS Steel of RM100 million and provision for termination benefits of RM3 million have been recognised in the year.

	Continuing operations	**Discontinuing operation**	**Group**
	RM' 000	**RM' 000**	**RM' 000**
Income Statement for year ended 31 December 2005			
Revenue	773,196	107,621	880,817
Expenses excluding finance cost and tax	(727,145)	(116,666)	(843,811)
Impairment of assets	0	(100,000)	(100,000)
Provision for termination benefits	0	(3,000)	(3,000)
Other operating income	10,533	1,637	12,170
Profit/(loss) from operations	56,584	(110,408)	(53,824)
Finance costs	(29,459)	(7,992)	(37,451)
Share of profit of associated companies	53,125	0	53,125
Share of profit of jointly controlled entities	3,128	0	3,128
Profit/(loss) before taxation	83,378	(118,400)	(35,022)
Taxation	(68,005)	0	(68,005)
Profit/(loss) after taxation	15,373	(118,400)	(103,027)
Minority interests	(427)	0	(427)
Net profit/(loss) for the year	14,946	(118,400)	(103,454)

CAHYA MATA SARAWAK BERHAD

Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

1. Review of performance

The Group reported a pre-tax loss of RM35.0 million for the twelve months ended 31 December 2005, compared to a pre-tax profit of RM131.0 million for the year ended 31 December 2004. The significant pre-tax loss for the current year is mainly due to the recognition of impairment losses amounting to RM100 million in respect of Group's property, plant and equipment and provision for termination benefits amounting to RM3 million following Board's approv al on the closure of the steel operations from first quarter of 2006 onwards.

The softening of the construction industry has also contributed to the decline in the performance of related divisions in the Group.

The lower profit reported by the Manufacturing Division was attributable to lower sales as a result of weaker demand coupled with increase in fuel and raw materials prices.

The lower profit of the Construction Division was mainly due to the recognition of a loss for one of the major projects carried out by the Division.

The results of the Banking Division are not directly comparable to those of the corresponding period as the 2004 figures included those of Utama Merchant Bank Berhad which was sold towards the end of 2004. Nevertheless, the results of the Banking Division were affected by the recognition of an unrealised loss of RM14.7 million in respect of its securities held-for-trading.

The weak stock market has badly affected the performance of the associated company in the stock broking industry.

Results from the associated company in the banking industry, however, have improved significantly.

The results of the Trading and Services, Property Development, Construction Material Divisions are comparable to the previous corresponding period.

2. Material changes in the quarterly results compared to the results of the preceding quarter

The Group registered a pre-tax loss of RM69.9 million this quarter compared to the pre-tax profit of RM17.3 million in the preceding quarter.

The recognition of impairment losses in respect of property, plant and equipment of RM100 million and provision for termination benefits of RM3 million has contributed to the deteriorated results for the current quarter. However, this was partially offset by a higher profit from the Group's associated company, Rashid Hussain Berhad.

Other Divisions in the Group also reported comparable results in this quarter compared to the preceding quarter.

3. Current year's prospects

The Board expects that the operating environment faced by the Group will continue to be challenging. Management will continue to work towards increasing the efficiency and profitability of the Group. We expect the Group to make a profit in all core-operating subsidiaries in 2006.

4. Variance of actual profits from profit forecast

Not applicable.

5. Taxation

	3 months ended		12 months ended	
	31.12.2005	**31.12.2004**	**31.12.2005**	**31.12.2004**
	RM' 000	**RM' 000**	**RM' 000**	**RM' 000**
Based on profit for the year	3,244	12,262	23,675	39,244
Over-provision in respect of prior years	(341)	(229)	(144)	(292)
Deferred taxation	(1,659)	(1,008)	(1,389)	(738)
Share of taxation of associated companies	14,772	(3,893)	45,053	26,403
Share of taxation of jointly controlled entities	810	0	810	0
	16,826	7,132	68,005	64,617

The effective tax rates for the current quarter and current year-to-date were higher than the statutory tax rate of 28% mainly due to the absence of Group relief for losses suffered by certain subsidiaries and certain expenses that were not deductible for tax purposes.

6. Sale of unquoted investments and properties

There were no material sales of unquoted investments and properties for the financial period under review.

7. Quoted securities

a) Other than in the ordinary course of the Group business, there were no purchases and disposals of quoted investments for the current quarter and current year-to-date ended 31 December 2005 except for the Group's acquisition of 92,461,730 of RHB Call Warrants 2003/2007 for a consideration of RM33,853,223 as shown below:

	3 months ended		**12 months ended**	
	31.12.2005	**31.12.2004**	**31.12.2005**	**31.12.2004**
	RM' 000	**RM' 000**	**RM' 000**	**RM' 000**
Total purchases	0	0	33,853	0
Total disposals - sale proceeds	0	0	0	0
Total profit on disposals	0	0	0	0

b) Total investments in quoted securities as at 31 December 2005 are as follows:

	RM' 000
At cost	41,148
At carrying value	20,282
At market value	20,338

The details above exclude investments in quoted securities made by the management of unit trust fund subsidiary in the normal course of business.

8. Status of corporate proposals

As at the date of this report, the following is the status of the corporate proposals:

(a) On 31 December 2004, a subsidiary company, Utama Banking Group Berhad ('UBG'), completed the sale of its 85.1% of the equity interest in Utama Merchant Banking Berhad ('UMBB') to Malaysian Industrial Developme nt Finance Berhad ('MIDF') for a cash consideration of RM138,869,000 pursuant to a Supplement Share Sale Agreement ('Supplemental SSA') dated 22 December 2004.

UBG and MIDF have agreed to refer the question of the enforceability of certain charges granted by third party chargers in favour of UMBB, to secure the repayment of sundry receivables owing to UMBB, to the Regional Centre of Arbitration, Kuala Lumpur ('RCAKL') for arbitration. The payment of a balance sum of RM30,718,000 ('UMBB premium') by MIDF to UBG under the Supplemental SSA has been deferred until the final outcome of Arbitration.

The parties have agreed that in the event the decision of the arbitrator on the charges is:

(i) in the affirmative, the UMBB premium (which is held by a mutually agreed stakeholder) shall be released to UBG; and

(ii) in the negative, the UMBB premium shall be released to MIDF.

On 24 January 2005, UBG and MIDF vide their lawyers have referred the issue of the enforceability of the charges mentioned above to RCAKL for arbitration.

(b) On 17 August 2005, the Securities Commission has vide its letter dated 17 August 2005 approved the issue of RM400 million CMS Income Securities. The CMS Income Securities consists of:

(i) RM400,000 Non-Convertible Redeemable Preference Shares ('NCRPS') consisting of 400 NCRPS of RM1.00 each issued at RM1,000 each, with;

(ii) RM399,600,000 bonds consisting of 400 fixed rate coupon bearing serial bonds of RM999,000 each ('Bonds') linked thereto.

The Bonds comprise six series with maturity dates ranging from the second the seventh anniversary of issue. The bonds coupon rates shall be at a rate of 0.01% per annum unless dividends are not paid on the NCRPS, in which case, the bonds coupon rates shall range from 6% to 18.8% per annum, to be paid semi-annually. As at 31 December 2005, the funding cost to the Company of the bonds principal which were on sold to third parties is equivalent to 6.6% per annum.

The bonds are unsecured and will not be listed on any exchange.

9. Group borrowings and debt securities

Total Group borrowings as at 31 December 2005 are as follows:

(a) Short term borrowings

Secured	**Denominated in**	**RM' 000**
Bank overdrafts	RM	6,530
Revolving credits	RM	251,290
Bankers' acceptances	RM	22,933
Portion of term loans repayable within 12 months	RM	147,025
		427,778
Unsecured		
Bank overdrafts		104
Revolving credits	RM	77,700
Bankers' acceptances	RM	66,838
		144,642
Total		572,420

(b) Long term borrowings

Secured	**Denominated in**	**RM' 000**
Term loans	RM	264,900
Portion of term loans repayable within 12 months	RM	(147,025)
		117,875
Unsecured		
Redeemable bonds	RM	168,586
Non-convertible Redeemable Preference Shares	RM	400
		168,986
Total		286,861

10. Financial instruments with off balance sheet risk

As at the date of this report, there are no financial instruments with off balance sheet risks entered into by the Group.

11. Changes in material litigation

Since the date of the last quarterly report, there have been no major legal suits filed against the Group.

12. Dividend payable

The Board of Directors has recommended a first and final dividend of 5% per share (2004 – 5%) less taxation. The dividend entitlement and payment date for the first and final dividend will be announced later.

	2005	**2004**
Amount per share (sen)		
- Proposed first and final dividend less taxation at 28%	5	5
- Total dividend for the financial year	5	5

13. Earnings/(loss) per share

The basic earnings/(loss) per share has been calculated based on the Group's net profit for each period and the weighted average number of ordinary shares in issue during the period as follows:

	3 months ended		**12 months ended**	
	31.12.2005	**31.12.2004**	**31.12.2005**	**31.12.2004**
Basic earnings/(loss) per share				
Net (loss)/profit for the period (RM' 000)	(82,864)	21,806	(103,454)	28,749
Weighted average number of ordinary shares in issue (in ' 000)	329,446	329,446	329,446	329,306
Basic (loss)/earnings per share (sen)	**(25.15)**	**6.62**	**(31.40)**	**8.73**

BY ORDER OF THE BOARD

Isaac Lugun
Koo Swee Pheng
Secretaries
Date: 28 February 2006