

CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2006

Part A – Explanatory notes pursuant to FRS 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial report provide an explanation of 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 2005

The significant accounting policies 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 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 the 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 FRS 5, 102, 108, 110, 116, 121, 128, 131, 132, 133 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are summarised below:

a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity.

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A1. a) FRS 101: Presentation of Financial Statements (continued)

FRS101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

The adoption of this FRS has no impact to the Group's financial results.

b) FRS 127: Consolidated and Separate Financial Statements

The adoption of the revised FRS 127 requires an entity to consider the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has the power to govern the financial and operating policies of another entity. The intention of management and the financial ability to convert or exercise is excluded, in considering the potential voting power.

As at 31 March 2006, the Group through its subsidiary, Utama Banking Group Berhad owns 238,127,000 shares of Rashid Hussain Berhad ('RHB'), 449,206,479 units of RHB ICULS A, 403,471,898 units of RHB ICULA B and 8,000,000 units of RHB warrants 2001/2007. The Group's shareholding in RHB will increase from 32.8% to more than 51% if all of the RHB ICULS and RHB warrants that it holds are taken into consideration. In view of the above, the Group has prepared its interim financial report based on the line-by-line consolidation of the consolidated financial statements of RHB after taking into consideration the potential voting rights from RHB ICULS with effect from 1 January 2006.

The following comparative figures of the Group have been restated to be in line with the FRS:

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A1. b) FRS 127: Consolidated and Separate Financial Statements (continued)

	As previously reported	Adjustments	As restated
	RM'000	RM'000	RM'000
Consolidated balance sheet as at 31 December 2005			
Property, plant and equipment	249,206	844,866	1,094,072
Goodwill on consolidation	193,313	2,478,019	2,671,332
Associated companies	754,122	(471,033)	283,089
Securities available-for-sale	585,081	1,576,556	2,161,637
Securities held-to-maturity	0	13,827,110	13,827,110
Deferred tax assets	0	247,658	247,658
Real property assets		421,787	421,787
Statutory deposits	0	1,695,831	1,695,831
Other receivables	62,687	604,533	667,220
Clients' and brokers' balances	0	247,268	247,268
Loans, advances and financing	0	48,263,707	48,263,707
Securities held-for-trading	20,097	3,349,550	3,369,647
Deposits and placements with banks and other financial institutions	0	2,620,331	2,620,331
Securities purchased under resale agreements	0	2,219,491	2,219,491
Cash and bank balances	237,317	11,297,477	11,534,794
Other reserves	99,495	3,690	103,185
Accumulated losses/retained profits	(6,719)	7,482	763
Minority interests	666,693	2,569,950	3,236,643
Borrowings (long term)	286,861	2,779,020	3,065,881
Deferred tax liabilities	23,083	2,904	25,987
Deposits from customers	0	49,773,689	49,773,689
Deposits and placements of banks and other financial institutions	0	11,028,831	11,028,831
Obligations on securities sold under repurchase agreements	0	10,942,799	10,942,799
Bills and acceptances payable	0	3,313,060	3,313,060
Clients' and brokers' balances	0	198,490	198,490
Other payables	77,608	1,641,460	1,719,068
Derivatives liabilities	0	106,890	106,890
Recourse obligation on loans sold to Cagamas Berhad	0	3,356,992	3,356,992
Current tax liabilities	2,272	28,560	30,832
Borrowings (short term)	572,420	630,250	1,202,670
Subordinated obligations	0	1,530,252	1,530,252
Irredeemable Convertible Unsecured Loan Stocks ('ICULS')	0	204,363	204,363
INCPS	0	1,104,469	1,104,469

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A1. c) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in income statement and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM117,254,000 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM193,313,000 (as previously reported) ceased to be amortised. This has the effect of reducing the amortisation charges by RM2,987,000 in the current quarter ended 31 March 2006. No impairment loss on goodwill has been recognised in the current quarter ended 31 March 2006. Goodwill has been retained in the consolidated balance sheet and has been stated at cost less any impairment loss in Rashid Hussain Berhad's financial statements.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately in the income statement. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 January 2006.

A2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

A3. 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.

A4. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended 31 March 2006 except as disclosed in Note A1.

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A5. Changes in estimates

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

A6. Debt and equity securities

There were no issuances and repayments of debt 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. During the financial period under review, RM48,000,000 of the bonds principal in nominal value terms were on sold to third parties. The Company is only contractually obliged to make payments in respect of such of the Bonds that are on sold.

A7. Dividends paid

There was no dividend paid during the quarter ended 31 March 2006.

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A8. Segmental information

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Manufacturing	66,440	59,110
Construction	63,763	70,769
Construction materials	16,320	21,774
Banking	1,143,994	952,692
Stockbroking and other financial services	27,621	35,743
Property development	15,238	13,787
Insurance	15,746	12,938
Trading services & others	67,443	36,229
Total revenue including inter-segment sales	<u>1,416,565</u>	<u>1,203,042</u>
Elimination of inter-segment sales	(41,512)	(43,111)
Total revenue from continuing operations	<u>1,375,053</u>	<u>1,159,931</u>
Revenue from discontinued operations	36,517	15,089
Total	<u><u>1,411,570</u></u>	<u><u>1,175,020</u></u>

Segment Results

Results from continuing operations:		
Manufacturing	10,193	9,323
Construction	5,632	6,563
Construction materials	95	1,657
Banking	316,113	235,227
Stockbroking and other financial services	11,622	10,561
Property development	(6,588)	(6,313)
Insurance	9,440	7,705
Trading services & others	17,055	12,285
Total results from continuing operations	<u>363,562</u>	<u>277,008</u>
Results from discontinued operations	(472)	(4,733)
Total	<u><u>363,090</u></u>	<u><u>272,275</u></u>

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A9. Carrying amount of revalued assets

The valuations of land and buildings have been brought forward, without amendment from the financial statements for the year ended 31 December 2005.

A10. Subsequent events

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

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 March 2006 except for the following:

(a) Members' voluntary winding up – Straits Nominees (Asing) Sdn Bhd ('SNA') and Straits Nominees (Tempatan) Sdn Bhd ('SNT')

RHB Capital Berhad ('RHB Capital') announced on 3 April 2006 that SNA and SNT, wholly owned subsidiaries of RHB Securities Sdn Bhd ('RHB Securities'), which in turn is a wholly owned subsidiary of RHB Sakura Merchant Bankers Berhad ('RHB Sakura'), a company that is wholly owned by RHB Capital have, commenced members' voluntary winding up on 30 March 2006 pursuant to Section 254 (1) of the Companies Act, 1965.

SNA and SNT are companies incorporated in Malaysia and are presently dormant companies with issued and paid up capital of RM25,000 ordinary shares of RM1 each, respectively.

The winding up of the said companies will not have any material effect on the Group's performance.

(b) Merger of RHB Bank Berhad ('RHB Bank') and RHB Delta Finance Berhad's ('RHB Delta Finance') operations ('BAFIN Merger')

Following the regulatory approvals and High Court order obtained in December 2005 for the BAFIN Merger, with effect from 1 January 2006:

- (i) All assets and liabilities of RHB Delta Finance with the exception of the Islamic assets and liabilities, were transferred to RHB Bank;
- (ii) All business and operations of RHB Delta Finance will be conducted through RHB Bank;
- (iii) The Islamic assets and liabilities of RHB Delta Finance were transferred to RHB Islamic Bank Berhad; and
- (iv) RHB Leasing Sdn Bhd and RHB Delta Nominees (Tempatan) Sdn Bhd will become direct subsidiaries of RHB Bank.

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A12. Changes in contingent liabilities and contingent assets

(a) Commitments and contingencies

In the normal course of business, the Group's banking subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the condensed financial statements, no material losses are anticipated as a result of these transactions. The commitments and contingencies are summarised as follows:

	As at 31.3.2006 RM' million	As at 31.12.2005 RM' million
Principal amount	48,494	46,115
Credit equivalent amount *	5,025	4,876
Risk weighted amount	3,953	3,893

* The credit equivalent amount is arrived at using the credit conversion rate factors as per BNM's circulars.

(b) Guarantees issued

(i) Rashid Hussain Berhad ('RHB')

As at balance sheet date, RHB extended unsecured guarantees totalling RM447,400,000 (31 December 2005: RM447,400,000) for the borrowings of its subsidiaries. As at balance sheet date, RM445,400,000 (31 December 2005: RM445,500,000) of the above extended facilities were utilised by the subsidiaries of RHB.

(ii) RHB Capital Berhad ('RHB Capital')

As at balance sheet date, RHB Capital has extended unsecured guarantees totalling RM44,500,000 (31 December 2005: RM169,500,000) and RM100,000,000 (31 December 2005: RM100,000,000) for borrowings and performance of its securities subsidiaries respectively. As at balance sheet date, RM1,082,000 (31 December 2005: RM1,000,000) of the borrowings were utilised by the securities subsidiaries of RHB Capital.

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A12. (b) Guarantees Issued (continued)

(iii) Cahya Mata Sarawak Berhad ('CMSB')

As at balance sheet date, CMSB has extended unsecured guarantees totalling RM75,500,000 (31 December 2005: RM135,500,000) for the borrowings of its subsidiaries. As at balance sheet date, RM18,127,876 (31 December 2005: RM81,840,843) of the above extended facilities were utilised by the subsidiaries of the CMSB.

(c) Other contingent liabilities

(i) RHB Capital

On 19 October 2001, RHB Capital filed a suit against Carta Bintang Sdn Bhd ('CBSB'), the vendor of SJ Securities Sdn Bhd ('SJ Securities'), for the recovery of the deposit of RM32,800,000 ('Deposit') paid by RHB Capital pursuant to the sale and purchase agreement dated 7 November 2000 between CBSB and RHB Capital for the sale and purchase of 60 million shares in SJ Securities. CBSB subsequently filed a counterclaim of RM258,688,153.42 together with interest thereon and costs. [Please refer to Note B12(a)(i) 'Material Litigation' for further details].

The suit is still ongoing and the solicitors for RHB Capital are of the opinion that the chances of successfully recovering the Deposit are good. In addition, the solicitors for RHB Capital are also of the opinion that the prospects of successfully defending the counterclaim filed by CBSB against RHB Capital are good and that the said counterclaim is unlikely to succeed.

In view of the above, RHB Capital has not made any provision in relation to the said counterclaim, in the condensed financial statements for the financial period ended 31 March 2006.

(ii) RHB-DAEWOO Sdn Bhd ('RHB-DAEWOO')

On 12 August 2003, a suit was filed against RHB-DAEWOO, a 80% direct subsidiary of RHB by Daewoo Engineering & Construction Co. Ltd ('DEC') for claims in relation to the construction and completion of the Bandar Wawasan Development Project ('Project'). The total amount claimed is RM60,339,057. As at 31 March 2006, provision has been made to the said claim. [Please refer to Note B12(b)(i) 'Material Litigation' for further details].

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A12. (c) (ii) RHB –DAEWOO Sdn Bhd (RHB-DAEWOO’) (continued)

On 20 February 2004, RHB-DAEWOO received a Notice of Arbitration from DEC for claims totalling RM244,439,725 ('said claim') in relation to the construction and completion of the Project. [Please refer to B12(b)(ii) 'Material Litigation' for further details]. RHB-DAEWOO's solicitors are of the view that there is no basis for validity for the said Claims and that they can be successfully defended by RHB-DAEWOO. Therefore, RHB-DAEWOO has not made any provision in relation to the said Claims in the three months ended 31 March 2006.

(iii) RHB Securities Sdn Bhd ('RHB Securities') and RHB Equities Sdn Bhd ('RHB Equities')

RHB Securities and RHB Equities, both wholly-owned subsidiaries of RHB Capital, are parties, as the first and second defendants, to a suit for damages, and for the return of shares pledged by the plaintiff as third party collateral for margin finance facilities initially provided by RHB Equities, which were subsequently transferred to RHB Securities together with the third party collateral. The plaintiff claimed that the transfer was made without the plaintiff's consent and has obtained an interim injunction to restrain disposal of the collateral. RHB Securities and RHB Equities have filed a defence and counterclaim against the said suit.

Plaintiff's suit against RHB Securities and RHB Equities was dismissed with costs on 19 May 2005. Plaintiff filed Notice of Appeal against the dismissal on 30 May 2005. With the dismissal, the injunction previously obtained against RHB Securities to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

RHB Securities won in its counterclaim against the plaintiff with costs on 24 June 2005. On 4 August 2005, the Plaintiff's stay application was allowed with costs. As such, RHB Securities is prohibited from disposing the shares until the hearing and disposal of the Appeal to the Court of Appeal.

(d) Other contingent assets

The Group has a contingent asset of RM30,718,000 (31 December 2005: RM30,718,000) arising from the Supplemental Share Sale Agreement dated 22 December 2004 signed between a subsidiary, Utama Banking Group Berhad ('UBG') and Malaysian Industrial Development Finance Berhad ('MIDF') to resolve the completion of the sale of the subsidiary's 189,772,222 ordinary shares of RM1.00 each comprising 85.1% equity interest in Utama Merchant Bank Berhad ('UMBB') to MIDF under the Share Sale Agreement dated 6 May 2004.

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A12. (d) Other Contingent Assets (continued)

The sum of RM30,718,000 is the premium to be paid by MIDF to UBG pending the outcome of an arbitration process referred to the Kuala Lumpur Regional Centre of Arbitration to determine the issue of enforceability of third party charges in favour of UMBB to secure a sundry receivable owing to UMBB contained in the unaudited management accounts of UMBB as at 30 June 2004.

A13. Capital commitments

	As at 31.3.2006 RM' 000	As at 31.12.2005 RM' 000
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	40,823	50,257
- authorised but not contracted for	52,121	39,673
	<u>92,944</u>	<u>89,930</u>
Other capital commitment:		
- authorised and contracted for	20,000	20,000
- authorised but not contracted for	12,639	0
	<u>32,639</u>	<u>20,000</u>
Total	<u>125,583</u>	<u>109,930</u>

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A14. Discontinued 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.

The revenue and results of the discontinued operation were as follows:

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Revenue	36,517	15,089
Loss before tax	(1,416)	(5,684)
Income tax expense	0	0
Loss for the period from a discontinued operation	<u>(1,416)</u>	<u>(5,684)</u>
Cash flows from operating activities	27,697	(2,586)
Cash flows from investing activities	(2,243)	(38)
Cash flows from financing activities	<u>(54,729)</u>	<u>(20,797)</u>
Total cash flows	<u>(29,275)</u>	<u>(23,421)</u>

The major classes of assets and liabilities of the subsidiary classified as held for sale as at 31 March 2006 are as follows:

Assets:	RM'000
Property, plant and equipment	53,554
Inventories	10,003
Trade and other receivables	10,500
Tax recoverable	128
Cash and bank balances	<u>953</u>
Assets of disposal group classified as held for sale	<u>75,138</u>
Liabilities:	
Borrowings	32,480
Trade and other payables	<u>3,650</u>
Liabilities directly associated with the assets classified as held for sale	<u>36,130</u>
Net assets attributable to discontinued operations	<u>39,008</u>

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Part B – Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of performance

The Group reported a pre-tax profit of RM181.5 million for the three months ended 31 March 2006, compared to a pre-tax profit of RM94.4 million for the previous corresponding period.

Results from the Banking Division have improved due to higher operating profit and lower impairment loss. However, these results were offset by higher allowance for losses on loans and financing.

The Manufacturing Division reported marginally higher profits due to the increased revenue.

However, the softening of the construction industry has negatively affected the profitability of related divisions in the Group.

The weak stock market had adversely affected the performance of the associated company in the stock broking industry.

During the quarter, the Group operated under a challenging environment amidst escalating raw material prices and stiff competition.

B2. Comment on material change in profit before taxation

The Group registered a pre-tax profit of RM181.5 million this quarter compared to the pre-tax profit of RM86.4 million in the preceding quarter while this quarter's results show an improvement overall. The preceding quarter was affected by the recognition of impairment losses amounting to RM117.8 million arising from the closure of the steel operations.

The Banking Division reported lower profits for the current quarter under review. This was due to higher impairment loss which offset the lower allowance for losses on loans and financing.

All other Divisions in the Group also reported weaker performance in this quarter compared to the preceding quarter.

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B3. Commentary on 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.

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Income tax expense

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Income tax based on results for the period		
- Malaysian	70,282	64,489
- overseas	15	184
In respect of prior years	(48)	6
Deferred tax	6,646	(10,139)
Tax on INCPS dividends	(7,626)	(7,626)
Total income tax expense	<u>69,269</u>	<u>46,914</u>

The effective tax rate for the current quarter and prior year's corresponding quarter were higher than the statutory tax rate principally mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

B6. Sale of unquoted investments and properties

Other than in the ordinary course of business, there were no material sales of unquoted investments and properties for the financial period under review.

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B7. Quoted securities

- a) Details of purchases and disposals of quoted securities are as follows:

	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Other investments at fair value through Profit or loss:		
Total purchases	<u>0</u>	<u>0</u>
Total disposals - sale proceeds	<u>0</u>	<u>0</u>
Total profit on disposals	<u>0</u>	<u>0</u>

- b) Details of investments in quoted securities as at 31 March 2006 are as follows:

	RM'000
Other investments at fair value through profit or loss:	
At cost	<u>1,295</u>
At book value	<u>185</u>
At market value	<u>333</u>

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

B8. Corporate proposals

(a) Status of corporate proposals

Proposed issue of up to USD190 million nominal value three (3) year credit-enhanced exchangeable bonds ('Exchangeable Bonds')

Rashid Hussain Berhad ('RHB') announced on 16 December 2005 that it, through its wholly-owned offshore special purpose company incorporated in the Federal Territory of Labuan, RHB Noble 1 (L) Ltd ('RNL' or 'Issuer'), is proposing to issue up to USD190 million nominal value of 3-year credit-enhanced Exchangeable Bonds. The Exchangeable Bonds are exchangeable into existing ordinary shares of RM1.00 each in RHB Capital currently held by RHB and will be credit enhanced by an irrevocable direct pay letter of credit provided by a financial institution.

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B8. (a) Status of corporate proposals (continued)

The Exchangeable Bonds will be exchangeable into existing RHB Capital shares at the option of the bondholders at any time within a specified period during the tenure of the Exchangeable Bonds at an exchange price to be determined.

Approvals for the purposed Exchangeable Bonds have been obtained from the Securities Commission, BNM and the Labuan Offshore Financial Services Authority. In addition to that, the proposed Exchangeable Bonds are subject to inter alia, RHB's receipt of approvals from the following parties:

- (i) Shareholders of RHB at an Extraordinary General Meeting to be convened;
and
- (ii) Any other relevant parties/lenders, if necessary.

The Exchangeable General Meeting of the Company convened on 25 April 2006 to approve the issuance of the proposed Exchangeable Bonds has been adjourned to a date to be determined later.

Other than the above, there were no other corporate proposals that have been announced but not completed as at the date of this announcement.

(b) Status of utilization of proceeds

The status of utilization of the proceeds from the CMS Income Securities as at 31 March 2006 was as follows:

Description	Actual utilised RM'000
Repayment of borrowings	162,425
Issuance expenses	1,898
Working capital	40,957
Total	205,280

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B9. Borrowings

(a) Borrowings

		As at 31.3.2006	As at 31.12.2005
	Denominated		
<i>Secured</i>	in	RM'000	RM'000
Bank overdrafts	RM	2,889	6,530
Revolving credits	RM	588,215	600,415
Bankers' acceptances	RM	0	22,933
Term Loans	RM	876,000	951,400
USD265 million 2.0% stepping up to 4.0% in 2005 secured Bonds due in 2007	USD	1,051,404	1,063,020
4.3% Bank Guaranteed Bonds	RM	200,000	200,000
		<hr/> 2,718,508	<hr/> 2,844,298
<i>Unsecured</i>			
Bank overdrafts	RM	423	4,277
Revolving credits	RM	182,632	171,152
Bankers' acceptances	RM	13,482	66,838
Term loans	RM	19,500	38,000
Redeemable Serial Fixed Rate Bonds 2002/2007 7.5% Bonds 2003/2009 RM600 million 6 years	RM	375,000	375,000
Serial Fixed Rate Bonds	RM	600,000	600,000
CMS Income Securities	RM	205,280	168,986
		<hr/> 1,396,317	<hr/> 1,424,253
Total		<hr/> 4,114,825	<hr/> 4,268,551
Maturity			
Repayable within one year		1,254,341	1,202,700
One year to five years		2,840,484	2,765,851
Over five years		20,000	300,000
		<hr/> 4,114,825	<hr/> 4,268,551

(b) Subordinated obligations

	As at 31.3.2006	As at 31.12.2005
	RM'000	RM'000
8.2% RM165 million Tier II subordinated bonds 2002/2012	165,000	165,000
6.85% RM800 million Tier II subordinated bonds 2002/2012	800,000	800,000
6.625% USD150 million Tier II subordinated notes 2002/2013*	550,891	565,252
	<hr/> 1,515,891	<hr/> 1,530,252

* Net of unaccrued discount of RM1.7 million.

The subordinated obligations constitute unsecured liabilities of the commercial bank and merchant bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issue and qualify as Tier II capital for the purpose of determining the capital adequacy ratios of the respective banking subsidiaries.

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B10. Irredeemable convertible unsecured loan stocks ('ICULS')

(a) RHB ICULS-A

	31.3.2006	31.12.2005
	RM'000	RM'000
Balance at the beginning of the financial period/year	1,846	2,182
Amount converted into ordinary shares during the financial period/year	(34)	(336)
Balance at the end of the financial period/year	<u>1,812</u>	<u>1,846</u>

The RHB ICULS-A are convertible into new ordinary shares of RM1.00 each in RHB ('New RHB Shares') at a conversion price of RM1.00 (subject to adjustments under certain circumstances as provided in the Trust Deed) from the date of issue of the RHB ICULS-A on 24 December 2002 up to the maturity date on 23 December 2012. All outstanding RHB ICULS-A as at maturity date shall be automatically converted into New RHB Shares at the conversion price.

(b) RHB ICULS-B

	31.3.2006	31.12.2005
	RM'000	RM'000
Balance at the beginning of the financial period/year	202,517	203,568
Amount converted into ordinary shares during the financial period/year	(728)	(1,051)
Balance at the end of the financial period/year	<u>201,789</u>	<u>202,517</u>

The RHB ICULS-B are convertible into New RHB shares at a conversion price of RM1.13 (subject to adjustments under certain circumstances as provided in the Trust Deed) from the date of issue of the RHB ICULS-B on 24 December 2002 up to the maturity date on 23 December 2012. All outstanding RHB ICULS-B as at maturity date shall be automatically converted into New RHB Shares at the conversion price.

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B11. Off balance sheet financial instruments

As at the date of this report, there are no financial instruments with off balance sheet risks entered into by the Group except for those contracts entered into by the banking subsidiaries as follows:

Value of contracts as at 31 March 2006

	Principal amount RM'000
Foreign exchange related contracts	
- forwards	3,401
- swaps	4,382
- options	663
- spots	367
- cross-currency interest rate swaps	184
Interest rate related contracts	
- futures	3,541
- swaps	4,199
	<u>16,737</u>

RHB Bank has given a continuing guarantee to BNM to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from offshore banking business in the Federal Territory of Labuan.

Other than the above, there were no other off-balance sheet transactions in the banking subsidiaries, which were not in the ordinary course of business

B12. Changes in material litigation

(a) RHB Capital

(i) Carta Bintang Sdn Bhd

On 19 October 2001, RHB Capital announced that a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur ('High Court') against CBSB, the vendor of SJ Securities, for the recovery of the deposit of RM32,800,000 ('Deposit') paid by RHB Capital pursuant to the sale of shares agreement dated 7 November 2000 in respect of 60 million shares in SJ Securities ('Sale Shares').

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B12. (a) (i) Carta Bintang Sdn Bhd (continued)

On 29 November 2001, RHB Capital announced that the Defence and Counterclaim of CBSB was served on RHB Capital's solicitors on 26 November 2001. The overall amount claimed by CBSB in the Counterclaim is RM258,688,153.42 together with interest thereon and costs. RHB Capital filed its reply to the Defence and a Defence to the Counterclaim on 19 December 2001.

On 22 November 2002, the Deputy Registrar of the High Court granted a summary judgement in favour of RHB Capital for CBSB to return the share certificates and transfer forms in respect of the Sale Shares to CBSB.

Both parties had subsequently filed their respective appeals against the decision of the Deputy Registrar and on 7 August 2003, the Learned High Court Judge dismissed the respective appeals of RHB Capital and CBSB and affirmed the Deputy Registrar's summary judgement orders.

On 15 August 2003 and 27 August 2003, RHB Capital announced that the parties have filed their respective appeals to the Court of Appeal against the decisions of the Learned High Court. Please refer to Note A12(c)(i) 'Other contingent liabilities' for RHB Capital's solicitors' opinion on the above suit and counterclaim.

Hearing date for the appeals have yet to be fixed.

(ii) Tan Sri Dato' Abdul Rashid Hussain

Trial in respect of the above suit has been going on since 2004 and the last hearing date was 24 February 2005.

On 16 December 2005, RHB Capital announced that the High Court on 16 December 2005 dismissed with costs RHB Capital's claim against the defendant and that RHB Capital will be appealing against this decision.

On 9 January 2006, RHB Capital filed a Notice of Appeal at the Court of Appeal against the decision.

(iii) Tan Sri Dato' Abdul Rashid Hussain, Chong Kin Leong, Seah Fook Chin, Tajul Ariffin, Ong Tiang Lock and Rosley Ahmad

On 28 January 2005, RHB Capital announced that a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur by RHB Capital, RHB Securities and RHB Equities against the following individuals:

- (a) Tan Sri Dato' Abdul Rashid bin Hj Mohamed Hussain in his capacity as former Executive Chairman of RHB Capital and RHB Securities and in his capacity as former director of RHB Equities;

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B.12 (a) (iii) Tan Sri Dato' Abdul Rashid Hussain, Chong Kin Leong, Seah Fook Chin, Tajul Ariffin, Ong Tiang Lock and Rosley Ahmad (continued)

- (b) Mr Chong Kin Leong in his capacity as former director of RHB Capital and RHB Equities;
- (c) Mr. Seah Fook Chin in his capacity as former director of RHB Capital and RHB Equities;
- (d) Encik Tajul Ariffin bin Mohd Tahir in his capacity as former Executive Director of RHB Securities and in his capacity as former director of RHB Equities;
- (e) Mr. Ong Tiang Lock in his capacity as former director of RHB Equities; and
- (f) Encik Rosley bin Ahmad in his capacity as former principal legal advisor and former Company Secretary of RHB Capital, RHB Securities and RHB Equities;

for a total sum of RM1,430,420,355.96 on the grounds of breach of fiduciary duties, breach of trust, breach of contracts of employment and/or negligence in relation to certain margin finance facilities granted by RHB Equities during the abovenamed individuals' tenure as directors and/or officers of RHB Capital and/or RHB Securities and/or RHB Equities.

On 2 March 2005, RHB Capital announced that RHB Capital, RHB Securities and RHB Equities have filed a fresh Writ of Summons ('New Writ') on the additional grounds of dishonest breach of fiduciary duties and fraudulent breach of trust.

The Defendants, the amount claimed from them, and the grounds of claim as stated in the New Writ remains the same as in the earlier Writ of Summons filed on 28 January 2005, save and except for the addition of the grounds of dishonest breach of fiduciary duties and fraudulent breach of trust.

Prior to the filing of the New Writ, the said earlier Writ of Summons was discontinued.

The defendants filed their defences on 12 May 2005. On 23 June 2005, RHB Capital, RHB Securities and RHB Equities filed replies to the defences.

RHB Securities is a wholly-owned subsidiary of RHB Sakura which in turn is a wholly-owned subsidiary of RHB Capital whereas RHB Equities is a wholly-owned subsidiary of RHB Capital.

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B12. Changes in material litigation (continued)

(b) RHB-DAEWOO

- (i) On 12 August 2003, RHB-DAEWOO was served with a Writ of Summons and statement of claim by Daewoo Engineering & Construction Co. Ltd ('DEC') for claims in relation to the construction and completion of the Project. The total amount claimed is RM60,339,057. As at 31 March 2006, provision has been made to the said claim. RHB-DAEWOO has instructed its solicitors to defend the claim and to examine the possibility of a counterclaim.

RHB-DAEWOO was subsequently served with an application for summary judgement by DEC on 29 September 2003 and has since filed and served its affidavit in reply to the said application.

On 12 May 2004, RHB-DAEWOO was served with an amended statement of claim by DEC. There is no change in the amount claimed by DEC. RHB-DAEWOO has since filed an application to strike out the said amendments.

On 19 August 2004, RHB-DAEWOO's application to strike out DEC's amendments to statement of claims was granted. DEC served the Notice of Appeal against the striking out on RHB-DAEWOO on 23 August 2004.

DEC's application for summary judgement was dismissed with costs on 28 October 2004. Hearing dates for both of DEC's Notices of Appeal have yet to be fixed by the Court.

- (ii) On 20 February 2004, RHB-DAEWOO received a Notice of Arbitration from DEC for claims totalling RM244,439,725 ('said Claims') in relation to the construction and completion of the Project. The said Claims are in addition to DEC's earlier claim of RM60,339,057 which is being litigated in the High Court as described above. The solicitors for RHB-DAEWOO have on 26 February 2004 replied to the solicitors for DEC rejecting the said Notice of Arbitration on the basis that DEC is not the party with whom it contracted.

All the above material litigations are not expected to have any material adverse effect on the financial results of the Group.

B13. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 31 March 2006 (31 March 2005: Nil).

