

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

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 audited financial statements for the year ended 31 December 2006. 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 2006.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards ('FRS') effective for financial period beginning 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 6, 117 and 124 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 discussed below:

(a) FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a change in accounting policy relating to classification of leasehold land. The upfront payment made for leasehold land represents prepaid land lease and is amortised on a straight-line basis over the remaining lease period. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and is stated at cost less accumulated depreciation and impairment loss.

Upon the adoption of FRS 117, the amortised carrying amount of leasehold land is classified as prepaid land lease in accordance with the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease has been accounted for retrospectively and the followings comparative figures as at 31 December 2006 has been restated:

Group	As previously stated RM'000	FRS 117 Note A1(a) RM'000	As restated RM'000
Property, plant & equipment	1,012,911	(134,689)	878,222
Prepaid lease payments	-	134,689	134,689

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A2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2006 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 Material 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 quarter ended 31 March 2007.

A5. Changes in estimates

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

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A7. Dividends paid

There was no dividend paid during the quarter ended 31 March 2007.

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A8. Segmental information

	3 months ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Manufacturing	69,060	66,440
Construction	83,787	63,763
Construction materials	16,743	16,320
Stockbroking and other financial services	4,211	2,506
Property development	5,412	6,629
Others	24,010	22,526
Total revenue including inter-segment sales	203,223	178,184
Elimination of inter-segment sales	(11,696)	(18,823)
Total revenue from continuing operations	191,527	159,361
Revenue from discontinued operations	1,234,531	1,252,209
Total	<u>1,426,058</u>	<u>1,411,570</u>

Segment Results

Results from continuing operations:		
Manufacturing	15,669	10,971
Construction	6,298	5,632
Construction materials	1,029	95
Stockbroking and other financial services	1,470	696
Property development	264	243
Others	(3,475)	(6,730)
Total results from continuing operations	21,255	10,907
Results from discontinued operations	(123,753)	124,550
Total	<u>(102,498)</u>	<u>135,457</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 2006.

A10. Subsequent events

There are no material events subsequent to the balance sheet date that have not been reflected in the financial statements, except for the following:

(a) Arbitration Hearing

On 12 April 2007, Utama Banking Group Berhad (“UBG”) announced that the arbitration proceeding between UBG and Malaysian Industrial Development Finance Berhad (‘MIDF’) in relation to a dispute that arose under the Share Sale Agreement with MIDF dated 6 May 2004 for the sale of 189,882,222 ordinary shares of RM1.00 each comprising 85.1% of the issued capital of Utama Merchant Bank Berhad, has concluded. The learned arbitrator has made his award in favour of UBG.

Consequently, on 18 April 2007, the sum of RM30,718,000 previously disclosed as disclosed as Contingent Asset (refer to Note A12 (d)) and the accrued interest thereon (less applicable charges if any) has since been released to UBG following the publication of the award.

(b) Proposed Disposal of UBG’s Entire Investment in RHB

On 8 March 2007, UBG announced that it has received and accepted, subject to shareholders and regulatory approvals, EPF’s revised offer dated 7 March 2007 (‘Proposed Disposal’) involving all the securities held by UBG in RHB, as follows:

- (i) 238,127,000 ordinary shares of RM1.00 each in RHB at RM1.80 per share;
- (ii) 449,206,479 units of 2002/2012 0.5% RHB ICULS-A at RM1.94 per unit;
- (iii) 403,471,898 units of 2002/2012 3% RHB ICULS-B at RM1.94 per unit; and
- (iv) 92,461,730 units of RHB Call Warrants 2003/2007 at RM1.84 per unit.

The total cash consideration for the above securities is RM2,252,954,234.58.

All the relevant regulatory approvals have been obtained and the SPA has become unconditional on 15 May 2007. The Proposed Disposal was completed on 22 May 2007 and RHB ceased to be a subsidiary of UBG. (refer to Note A14(a) and B8 (a) (ii) for details).

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

A10. Subsequent events (cont'd)

(b) Proposed Disposal of UBG's Entire Investment in RHB (cont'd)

Following the completion of the disposal of UBG's entire investment in Rashid Hussain Berhad on 22 May 2007, UBG has ceased to have significant business / operations. Accordingly, UBG has announced on the same date that it is an Affected Listed Issuer pursuant to PN17 and Paragraph 8.14C of the Listing Requirements of the Bursa Malaysia Securities Berhad.

(c) Disposal Group

(1) Notice of Unconditional Take-Over Offer by the Employees Provident Fund Board ('EPF' or the 'Offeror') to acquire all of the following securities

- (i) All the remaining RHB ordinary shares of RM1.00 each ('RHB Shares') and any such number of new RHB Shares which may be issued pursuant to the conversion of the 0.5% Irredeemable Convertible Unsecured Loan Stocks A, designated as ICULS-A of RHB ('ICULS-A') or 3.0% Irredeemable Convertible Unsecured Loan Stocks B, designated as ICULS-B of RHB ('ICULS-B'), or the exercise of the 1999/2009 Warrants, designated as Warrants B of RHB ('Warrants'), which are not held by the Offeror ('Offer Share(s)'), at a cash offer price of RM1.80 per Offer Share;
- (ii) All the outstanding ICULS-A which are not held by the Offeror ('Offer ICULS-A') at a cash offer price of RM1.94 per RM1.00 nominal amount of Offer ICULS-A;
- (iii) All the outstanding ICULS-B which are not held by the Offeror ('Offer ICULS-B') at a cash offer price of RM1.94 per RM1.00 nominal amount of Offer ICULS-B; and
- (iv) All the outstanding Warrants which are not held by the Offeror ('Offer Warrants') at a cash offer price of 0.01 sen per Offer Warrant.

(collectively known as 'Proposed RHB Offer')

RHB Investment Bank, on behalf of the Board of RHB, had, on 16 May 2007, announced that CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) ('CIMB') and AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad) ('AmInvest'), on behalf of EPF, had on 15 May 2007, served a Notice of Unconditional Take-Over Offer on the Board of RHB in respect of the Proposed RHB Offer ('Notice').

The Notice will be posted accordingly to the shareholders, ICULS-A holders, ICULS-B holders and Warrant holders of RHB within seven (7) days from 15 May 2007.

At present, the Board of Directors of RHB is not seeking an alternative person to make a take-over offer for all the securities of RHB (as set out above).

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A10. Subsequent events (cont'd)

(c) Disposal Group (cont'd)

(1) Notice of Unconditional Take-Over Offer by the Employees Provident Fund Board ('EPF' or the 'Offeror') to acquire all of the following securities (cont'd)

In furtherance thereto, the Board of RHB had on 16 May 2007 been notified by the Board of RHB Capital that CIMB and AmInvest, on behalf of EPF, had on 15 May 2007, served a notice on the Board of RHB Capital in respect of the unconditional take-over offer by EPF to acquire all of the following securities:

- (a) all the remaining ordinary shares of RM1.00 each in RHB Capital ('RHBC Shares') which are not held by EPF ('RHBC Offer Share(s)'), at a cash offer price of RM4.80 per RHBC Offer Share; and
- (b) all the outstanding Call Warrants 2003/2007 ('Call Warrants') which are not held by EPF ('Offer Call Warrant(s)') at a cash offer price of RM1.84 per Offer Call Warrant ('Call Warrants Offer')

As RHB Capital is not the issuer of the Call Warrants, the Board of RHB Capital had informed the Board of RHB that they will be seeking clarification from the EPF and its advisers in relation to the Call Warrants Offer.

(2) Disposal of the entire shareholdings in RHB International Trust (L) Ltd ('RHBITLL') by RHB Capital to RHB Bank (L) Ltd

RHB Capital announced on 16 May 2007 that it had, on 15 May 2007, disposed its entire shareholdings of 20,000 ordinary shares of USD4.00 each (of which USD2.00 is partially paid-up) ('Sale of Shares') in RHBITLL to RHB Bank (L) Ltd for a total cash consideration of RM152,000.

RHB Bank (L) Ltd is a direct wholly-owned subsidiary of RHB Bank, which in turn is a 70% subsidiary of RHB Capital. With the said Sale of Shares, RHBITLL shall cease to be a direct wholly-owned subsidiary of RHB Capital.

The Sale of Shares is not expected to have any material effect on the earnings or net tangible assets of the Group for the financial year ending 31 December 2007.

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A10. Subsequent events (cont'd)

(c) Disposal Group (cont'd)

(3) Proposed acquisition of the remaining equity interest in RHB Bank Berhad ('RHB') and RHB Insurance Berhad ('RHB Insurance') by RHB Capital Berhad ('RHB Capital') ('Proposed Acquisition')

RHB Capital had, on 19 April 2007 via RHB Investment Bank Berhad ('RHB Investment Bank') [formerly known as RHB Sakura Merchant Bankers Berhad] announced that BNM, had by way of a letter dated 18 April 2007, stated that it had no objection in principle for RHB Capital to commence discussions with Khazanah Nasional Berhad for the acquisition of shares in RHB Bank not already owned by RHB Capital. Vide the same letter, BNM further indicated that it had no objection in principle for RHB Capital to commence discussions with Nissay Dowa General Insurance Co. Ltd. and Kumpulan Syed Kechik Sdn Bhd for the acquisition of shares in RHB Insurance not already owned by RHB Capital.

Further details on the Proposed Acquisitions will be announced upon the approval being obtained from Minister of Finance ('MOF'), based on recommendations of BNM pursuant to the provisions of the Banking and Financial Institutions Act 1989 and the Insurance Act 1996, for parties to enter into definitive agreements in respect of the Proposed Acquisitions.

In furtherance thereto, RHB Investment Bank, on behalf of the Board of Directors ('Board') of RHB Capital, had on 17 May 2007, announced that Khazanah had on even date accepted the offer made by RHB Capital to acquire the remaining 1,169,991,586 ordinary shares of RM0.50 each in RHB Bank held by Khazanah ("Sale Shares"), representing 30% of the total issued and paid-up share capital of RHB Bank ('Proposed Acquisition of RHB Bank').

Following thereto and subject to approval being obtained from the MOF through BNM, RHB Capital proposes to enter into an agreement with Khazanah on the Sale Shares for a total purchase consideration of RM3,200.00 million which shall be satisfied in the following manner:

- (i) the proposed issuance of 330.0 million RHB Capital new ordinary shares of RM1.00 each ("RHBC Shares") at an indicative issue price of RM4.75 per RHBC Shares ("Proposed Share Issue"), amounting to RM1,567.50 million; and
- (ii) the cash settlement of RM1,632.50 million.

However, in the event RHB Capital fails to procure all relevant approvals to implement the Proposed Share Issue, which shall form part of the settlement for the Proposed Acquisition of RHB Bank, RHB Capital may opt to satisfy the Proposed Acquisition of RHB Bank entirely by cash of RM3,200.00 million.

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A11. Changes in the composition of the Group

There has been no change in the composition of the Group for the quarter ended 31 March 2007 except in respect of the Disposal Group as follows:

Dissolution of RHB Management Services (Jersey) Limited ('RHBMSJ')

RHB Capital announced on 12 February 2007 that RHBMSJ, a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital, has been dissolved on 23 January 2007 upon registration of the relevant documents with the Jersey Financial Services Commission on the same date.

The principal activity of RHBMSJ, a company incorporated in Jersey, Channel Islands was that of providing management services.

The dissolution of RHBMSJ will not have any material effect on the Group's performance.

A12. Changes in contingent liabilities and contingent assets

(a) Guarantees issued by continuing operations

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

As at balance sheet date, CMSB has extended unsecured guarantees totalling RM55,000,000 (31 December 2006: RM55,000,000) for the borrowings of its subsidiaries. As at balance sheet date RM20,812,500 (31 December 2006: RM24,002,308) of the above extended facilities were utilised by the subsidiaries of CMSB.

(b) Guarantees issued by the Disposal Group

(i) Rashid Hussain Berhad ('RHB')

As at balance sheet date, RHB has extended unsecured guarantees totalling RM36,400,000 and USD240,000,000 (31 December 2006: RM36,400,000 and USD240,000,000) respectively for the borrowings of its subsidiaries. As at balance sheet date, RM723,300,000 (31 December 2006: RM709,400,000) of the above extended facilities were utilised by the subsidiaries of RHB.

RHB has also extended unsecured guarantees for losses to be suffered and/or incurred by a financial institution for a term loan facility of a subsidiary, consequent upon the drop in the exchange rate of USD against Ringgit Malaysia, up to 10% of the facility limit in the event of default.

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

As at balance sheet date, RHB Capital has extended unsecured guarantees totalling RM44,500,000 (31 December 2006: RM44,500,000) and RM100,000,000 (31 December 2006: RM100,000,000) for borrowings and performance of its securities subsidiaries respectively. As at balance sheet date, RM1,000,000 (31 December 2006: RM1,000,000) of the borrowings were utilised by the securities subsidiaries of RHB Capital.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

A12. Changes in contingent liabilities and contingent assets (cont'd)

(c) Other contingent liabilities by the Disposal Group

(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 together with interest thereon and costs. [Please refer to Note B11(a)(i) 'Changes in 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 interim financial statements for the three months ended 31 March 2007.

(ii) RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities')

- Claim by Dato' Haji Iqbal Kuppai Pitchai Rawther ('Plaintiff')

This suit was initially filed by RHB Securities Sdn Bhd ('RHB Securities'). With effect from 30 December 2006, the assets and liabilities of RHB Securities including this suit have been vested with RHB Investment Bank Berhad pursuant to a vesting order of the High Court. Subsequently, RHB Securities was renamed RHB Excel Sdn Bhd ('RHB Excel') on 9 January 2007.

The following is a summary of the litigation from commencement of the suit:

RHB Excel, a wholly-owned subsidiary of RHB Investment, and RHB Equities, a wholly owned subsidiary 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 Excel 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 Excel 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 Excel to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

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A12. Changes in contingent liabilities and contingent assets (cont'd)

(c) Other contingent liabilities by the Disposal Group (cont'd)

RHB Excel 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 Excel is prohibited from disposing the shares until the hearing and disposal of the Appeal to the Court of Appeal.

(d) Contingent asset from continuing operations

The Group has a contingent asset of 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.

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. The hearing of the arbitration proceedings has since been completed and the learned Arbitrator delivered his award on 12 April 2007 (refer to Note A10 (a)).

A13. Capital commitments

	As at 31.3.2007 RM' 000	As at 31.12.2006 RM' 000
Capital expenditure for property, plant and equipment for continuing operations:		
- authorised and contracted for	5,673	6,691
- authorised but not contracted for	30,678	9,956
	<u>36,351</u>	<u>16,647</u>
Capital expenditure for property, plant and equipment of the Disposal Group:		
- authorised and contracted for	51,193	26,291
- authorised but not contracted for	63,448	37,371
	<u>114,641</u>	<u>63,662</u>
Other capital commitment for continuing operations:		
- authorised and contracted for	14,000	16,000
	<u>14,000</u>	<u>16,000</u>
Total	<u>164,992</u>	<u>96,309</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

A14. Discontinued operations

(a) Rashid Hussain Berhad ('RHB')

During the last quarter of 2006 and first quarter of 2007, UBG received several competing bids to purchase its investment in Rashid Hussain Berhad ("RHB"). On 8 March 2007, it was announced that UBG has received and accepted, subject to shareholders' and regulatory approvals, EPF's revised offer dated 7 March 2007 ('Proposed Disposal') involving all its securities in RHB (refer to Note A10 and B8 for details).

All the relevant approvals for the Proposed Disposal have been obtained. As announced by UBG on 15 May 2007, all the conditions precedent as set out in the conditional sale and purchase agreement dated 3 April 2007 entered into between UBG and EPF for purposes of the Proposed Disposal ("SPA") have been met. On 22 May 2007, UBG announced that the Proposed Disposal has been completed and RHB ceased to be a subsidiary of UBG.

In compliance with FRS 5 "Non-Current Assets Held For Sale", the consolidated assets and liabilities of RHB and its subsidiaries ("Disposal Group") have been classified as "held for sale" and the consolidated results of RHB are presented separately on the income statements as discontinued operation. Accordingly, the income statements for the financial period ended 31 March 2006 have been re-presented on a comparable basis.

(i) The results of the Disposal Group for the three months ended 31 March 2007 and 2006 are as follows:

<u>Group</u>	31-Mar-07	31-Mar-06
	RM'000	RM'000
Income Statements		
Interest income	1,184,892	958,929
Interest expense	<u>(752,129)</u>	<u>(567,231)</u>
Net interest income	432,763	391,698
Other operating income	(6,183)	210,036
Income from Islamic Banking Business	<u>55,822</u>	<u>46,727</u>
Net income	482,402	648,461
Other operating expenses	<u>(345,004)</u>	<u>(302,311)</u>
Operating profit before allowances	137,398	346,150
Allowance for losses on loans and financing	(156,238)	(115,948)
Impairment losses	(4,161)	(14,690)
Share of results of associates	<u>30</u>	<u>32</u>
(Loss)/profit before INCPS dividends, taxation and zakat	(22,971)	215,544
INCPS dividends	<u>(27,234)</u>	<u>(27,234)</u>
(Loss)/profit after INCPS dividends and before taxation and Zakat	(50,205)	188,310
Taxation	<u>(73,311)</u>	<u>(63,322)</u>
Net (loss)/profit for the financial period	<u>(123,516)</u>	<u>124,988</u>

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

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A14. Discontinued operations

(a) Rashid Hussain Berhad ('RHB') (cont'd)

- (ii) The consolidated assets and liabilities of the Disposal Group as at 31 March 2007 classified as held for sale are as follows:

<u>Group</u>	<u>31-Mar-07</u> <u>RM'000</u>
Assets	
Cash and short term funds	13,868,640
Securities purchased under resale agreements	3,515,239
Deposits and placements with banks and financial institutions	5,293,408
Securities held-for-trading	5,262,572
Securities available-for-sale ("Securities AFS")	12,328,568
Securities held-to-maturity	7,976,572
Loans, advances and financing	53,822,817
Clients' and borkers' balances	451,616
Other assets	641,923
Derivatives assets	109,291
Statutory deposits	1,952,367
Tax recoverable	108,656
Deferred tax assets	258,673
Investments in associates	15,414
Real property assets	392,000
Property, plant and equipment	690,216
Goodwill	810,461
Total assets classified as held for sale	<u>107,498,433</u>
Liabilities and Equity	
Deposits from customers	59,378,206
Deposits and placements of banks and other financial institutions	14,633,852
Obligations on securities sold under repurchase agreements	14,918,417
Bills and acceptances payable	3,970,595
Clients; and brokers' balances	511,461
Other liabilities	1,903,050
Derivative liabilities	553,251
Recourse obligation on loans sold Cagamas Bhd ("Cagamas")	2,660,018
Taxation	118,306
Deferred tax liabilities	11,597
Borrowings	3,924,933
Subordinated obligations	1,482,364
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	171,384
Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS")	1,104,469
Total liabilities classified as held for sale	<u>105,341,903</u>
Net assets attributable to discontinued operation	<u>2,156,530</u>

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A14. Discontinued operations (cont'd)

(b) CMS Steel Berhad (“CMS Steel”)

On 5 January 2006, the Board of Directors of the Company announced and approved the proposed closure of the operation of CMS Steel from the first quarter 2006 onwards.

CMS Steel ceased operation on 31 March 2006. The operations relating to CMS Steel are disclosed as discontinued operation. The disposal of the steel mill and all ancillary facilities is due to be completed by 2007 and negotiations for the sale of the land and buildings are still in progress. As at 31 March 2007, certain assets and liabilities of CMS Steel have been presented on the consolidated balance sheet as assets held for sale and liabilities directly associated with assets classified as held for sale, and results from CMS Steel are presented separately on the income statement as discontinued operations.

The revenue, results and cash flows of CMS Steel were as follows:

	3 months ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Revenue	0	36,517
Loss before tax	(493)	(603)
Income tax expense	0	0
Loss for the period	(493)	(603)

The major classes of assets and liabilities of the subsidiary classified as held for sale as at 31 March 2007 are as follows:

Assets:	RM'000
Property, plant and equipment	47,156
Prepaid lease payments	6,410
Inventories	5,252
Assets of disposal group classified as held for sale	<u>58,818</u>
Liabilities:	
Borrowings	11,725
	<u>11,725</u>
Net assets attributable to discontinued operations	<u>47,093</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

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 RM16.2 million for the three months ended 31 March 2007, compared to a pre-tax loss of RM6.2 million for the three months ended 31 March 2006.

Sales of cement have been encouraging as a result of the continuing demand from the construction sector. Coupled with an upward selling price revision, these have contributed to the increase in profits in the Manufacturing Division.

The Construction Division has reported increased profits over the previous corresponding period.

The results of the Construction Materials and Trading Divisions have improved compared to the previous corresponding period.

Results from an associated company in the stock broking sector have also improved.

The softening property market has continued to negatively affect the profitability of related divisions in the Group.

B2. Comment on material change in profit before taxation

The Group registered a pre-tax profit of RM16.2 million this quarter compared to the pre-tax profit of RM50.3 million in the preceding quarter. This is mainly due to the adjustments made in the preceding quarter to reverse the depreciation charge as a result of the Group's revision in the residual values and remaining useful lives of its property, plant and equipment to comply with FRS 116: Property, plant & equipment.

In addition, generally the first quarter of the year tends to be quiet due to the wetter weather and a large number of public holidays.

The discontinued operations reported a pre-tax loss of RM50.7 million for the quarter under review compared to a pre-tax profit of RM64.4 million in the preceding quarter. The loss was mainly attributed to a loss suffered by RHB Group as a result of unrealised loss on revaluation of derivatives.

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B3. Prospects for the year ending 31 December 2007

The Board expects that the operating environment faced by the Group will remain challenging. The Group will continue to work towards sharpening the focus and increasing the profitability of the Group.

Utama Banking Group Berhad (“UBG”) expects to realise a net gain of approximately RM1.2 billion (based on its audited financial statements for the financial year ended 31 December 2006) from the net proceeds of RM2.1 billion derived from the Proposed Disposal. Upon obtaining the necessary regulatory approvals including the High Court of Sabah and Sarawak, UBG will return RM2.00 per share via Proposed Capital Repayment as referred to in Note B8 (a) (ii).

Pursuant to the completion of the Proposed Disposal, UBG ceased to have any significant business or operations. Accordingly, on 22 May 2007, UBG has announced that it is an affected listed issuer under PN17.

UBG’s Board is actively identifying suitable assets to be injected into UBG for purposes of addressing the future of the UBG Group. An appropriate announcement will be made once UBG’s Board has made a decision on the said matter.

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	
	31.3.2007	31.3.2006
	RM'000	RM'000
Income tax based on results for the period for continuing operations		
- Malaysian income tax	7,742	5,857
In respect of prior years	0	0
Deferred tax	107	90
	<u>7,849</u>	<u>5,947</u>
Income tax based on results for the period for discontinuing operations		
- Malaysian income tax	87,589	65,048
- overseas	64	15
In respect of prior years	496	(671)
Deferred tax	(7,484)	6,556
Tax on INCPS dividends	(7,353)	(7,626)
	<u>73,312</u>	<u>63,322</u>
Total income tax expense	<u>81,161</u>	<u>69,269</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B5. Income tax expense (cont'd)

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.

B7. Quoted securities

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

	3 months ended	
	31.3.2007	31.3.2006
	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>544</u>	<u>0</u>
Total profit on disposals	<u>359</u>	<u>0</u>

b) Details of investments in quoted securities as at 31 March 2007 are as follows:

	RM'000
Other investments at fair value through profit or loss:	
At cost	<u>0</u>
At book value	<u>0</u>
At market value	<u>0</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.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B8. Corporate proposals

(a) Status of corporate proposals

(i) Proposed Renounceable Offer for sale of RHB Capital Berhad Shares by RHB

Proposed renounceable offer for sale of up to 1,176,197,699 existing ordinary shares of RM1.00 each in RHB Capital ('RHBC Shares') at an offer price and an entitlement date to be determined, to:

- (a) Shareholders of RHB on a tentative basis of up to 66 existing RHBC Shares for every 100 existing ordinary shares of RM1.00 each held in UBG ('RHB Shares') ('Proposed Offer to Shareholders');
- (b) Holders of the ICULS designated as RHB ICULS-A of RHB on a tentative basis of up to 66 existing RHBC Shares for every RM100 nominal amount of RHB ICULS-A held ('Proposed Offer to ICULS-A Holders'); and
- (c) Holders of the ICULS designated as RHB ICULS-B of RHB on a tentative basis of up to 66 existing RHBC Shares for every RM100 nominal amount of RHB ICULS-B held ('Proposed Offer to ICULS-B Holders').

(hereinafter collectively referred to as the 'Proposed Offer for Sale')

RHB announced on 13 February 2007 that RHB proposes to undertake the Proposed Offer for Sale, to enable RHB to raise funds to repay its outstanding debts and inter-company loan due to RHB Capital, whilst ensuring investment continuity for the shareholders of RHB and holders of RHB ICULS-A and RHB ICULS-B via a direct stake in RHB Capital at a discount to the prevailing market price.

After the completion of the Proposed Offer for Sale and the settlement of the inter-company loan, RHB Capital is expected to be in a stronger financial position as it would have additional cash of approximately RM1.2 billion.

On 6 April 2007, RHB announced that its Board of Directors have resolved not to proceed with the Proposed Offer for Sale.

(ii) Proposed Disposal to EPF and Proposed Capital Repayment

On 3 April 2007, UBG announced that it has entered into a conditional sale and purchase agreement ('SPA') with EPF setting out the details of the Proposed Disposal as well as the respective rights and obligations of the parties thereto for purposes of, inter-alia, giving effect to and implementing the Proposed Disposal.

Following the completion of the Proposed Disposal, UBG is proposing to undertake the Proposed Capital Repayment.

In conjunction with the Proposed Capital Repayment, UBG also proposed to undertake the Proposed Increase in Authorised Share Capital and the Proposed Amendments.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B8. Corporate proposals (cont'd)

(a) Status of corporate proposals (cont'd)

(ii) Proposed Disposal to EPF and Proposed Capital Repayment (cont'd)

The details of the proposals are as follows:

- (a) Proposed capital repayment via a cash distribution of RM1,365,519,892 to the shareholders of UBG on the basis of RM2.00 for every one (1) existing ordinary share of RM1.00 each ('Share') held in UBG at an entitlement date to be determined later ('Proposed Capital Repayment');
- (b) Proposed increase in the authorised share capital of UBG from RM1,000,000,000 comprising 1,000,000,000 shares to RM1,500,000,000 comprising 1,500,000 shares by the creation of 500,000,000 new shares ('Proposed Increase in Authorised Share Capital'); and
- (c) Proposed amendments to the Memorandum and Articles of Association of UBG ('Proposed Amendments').

The Proposed Disposal is conditional upon the following:-

- (a) the approval of the Minister of Finance via BNM;
- (b) the approval of the SC;
- (c) the approval of the Equity Compliance Unit of the SC, which shall be applied by EPF;
- (d) the approval of the shareholders of UBG;
- (e) the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the direct business transaction, which shall be applied jointly by UBG and EPF (if required); and
- (e) the approval and/or consent from any other relevant authorities and/or persons, if required.

All relevant approvals for the Proposed Disposal have since been obtained and the Proposed Disposal has since been completed on 22 May 2007. RHB ceased to be a subsidiary of UBG on this day and UBG ceased to have any significant business or operations. Accordingly, UBG has also announced that it is an affected listed issuer under PN17.

The Proposed Capital Repayment is conditional upon the following:-

- (a) the approval of the SC for the Proposed Shares Consolidation and the listing of and quotation for the Consolidated Shares;
- (b) the approval of Bursa Malaysia Securities Berhad (Bursa Securities') for the listing of and quotation for the Consolidated Shares;

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- (c) the approval of the shareholders of UBG;
- B8. Corporate proposals (cont'd)**

(a) Status of corporate proposals (cont'd)

(ii) Proposed Disposal to EPF and Proposed Capital Repayment (cont'd)

- (d) the confirmation of the High Court of Malaya and/or Sabah and Sarawak ('High Court'); and
- (e) the approval and/or consent from any other relevant authorities and/or persons, if required.

The Proposed Increase in Authorised Share Capital and Proposed Amendments are conditional upon the following:-

- (a) the approval of the shareholders of UBG;
- (b) the approval and/or consent from any other relevant authorities and/or persons, if required.

The Proposed Capital Repayment, Proposed Increase in Authorised Share Capital and Proposed Amendments are inter-conditional upon each other and are conditional upon the Proposed Disposal. The Proposed Disposal is, however, not conditional upon the Proposed Capital Repayment, Proposed Increase in Authorised Share Capital and Proposed Amendments.

Upon the completion of the Proposed Disposal, UBG is proposing to distribute RM1,365,519,892 out of the total proceeds receivable from the Proposed Disposal to its shareholders on the basis of RM2.00 for every one (1) existing Share held in UBG at an entitlement date to be determined later by the Board ('Entitlement Date').

The Proposed Capital Repayment will entail the following:-

- (a) Proposed bonus issue of 682,759,946 new Shares in UBG ('Bonus Shares') on the basis of one (1) new Share in UBG for every one (1) existing Share in UBG held prior to the Proposed Capital Reduction (as defined below) which shall be effected by way of capitalising RM357,006,537 and RM325,753,409 from the share premium account and retained profits of UBG respectively ('Proposed Bonus Issue');
- (b) Proposed reduction of the issued and paid-up share capital of UBG after the Proposed Bonus Issue from RM1,365,519,892 comprising 1,365,519,892 Shares to RM68,275,995 comprising 1,365,519,892 ordinary shares of 5 sen each, representing a capital reduction of ninety-five (95) sen for every one (1) existing Share in UBG held after the Proposed Bonus Issue;
- (c) Proposed reduction of the remaining balance of the share premium account of UBG after the Proposed Bonus Issue of RM68,275,995, in accordance with the provisions of Sections 60(2) and 64 of the Companies Act, 1965;

(items (ii) and (iii) are to be collectively referred to as the 'Proposed Capital Reduction')

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B8. Corporate proposals (cont'd)

(a) Status of corporate proposals (cont'd)

(ii) Proposed Disposal to EPF and Proposed Capital Repayment (cont'd)

- (d) Thereafter, the issued and paid-up share capital of UBG of RM68,275,995 comprising 1,365,519,892 ordinary shares of 5 sen each shall be consolidated on the basis of five (5) ordinary shares of 5 sen each into one (1) ordinary share of 25 sen each in UBG. The resultant issued and paid-up share capital of UBG will be RM68,275,995 comprising 273,103,978 ordinary shares of 25 sen each ('Proposed Shares Consolidation').

The shares arising from the Proposed Shares Consolidation will be credited into the Central Depository System ('CDS') accounts of the entitled shareholders of UBG and subsequently listed on the Main Board of Bursa Securities

The Proposed Capital Repayment will be subject to the confirmation of the High Court.

The authorised share capital of UBG is RM1,000,000,000 comprising 1,000,000,000 Shares, of which 682,759,946 Shares have been issued and are fully paid-up as at 16 March 2007.

In order to accommodate the issuance of the Bonus Shares pursuant to the Proposed Bonus Issue, UBG is proposing to increase its authorised share capital to RM1,500,000,000 by the creation of 500,000,000 new Shares.

In consequence of the Proposed Capital Repayment, UBG is proposing to amend its Memorandum and Articles of Association to cater for the alteration to its authorised share capital subsequent to the completion of the Proposed Increase In Authorised Share Capital and Proposed Capital Repayment, from RM1,000,000,000 comprising 1,000,000,000 Shares to RM1,500,000,000 comprising 6,000,000,000 ordinary shares of 25 sen each.

On 11 May 2007, UBG announced that the SC approval has been obtained for Proposed Disposal, Proposed Shares Consolidation, the listing of and quotation for the Consolidated Shares, and proposed utilization of proceeds as follows:

	Amount (RM'000)
Proceeds from the Proposed Disposal	2,252,954
Repayment of bank borrowings	(145,000)
Proposed Capital Repayment	(1,365,520)
Defray expenses relating to the Proposals	(12,500)
Balance to be utilised to finance / part-finance acquisition of new core business being identified and / or working capital for the UBG Group	<u>729,934</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B8. Corporate proposals (continued)

(a) Status of corporate proposals (continued)

(ii) Proposed Disposal to EPF and Proposed Capital Repayment (cont'd)

SC approval is required for the proposed utilization of the remaining disposal proceeds of RM729.93 million which has been identified to finance/part finance UBG's core business.

On 15 May 2007, UBG announced that the Proposed Disposal, Proposed Capital Repayment, Proposed Increase in Authorised Share Capital and Proposed Amendments have also been approved at the EGM convened on the same date.

On 22 May 2007, UBG announced that the Proposed Disposal has been completed. With this, RHB ceased to be its subsidiary and UBG ceased to have any significant business or operations. Accordingly, it is now an affected listed issuer under PN17.

With the completion of the Proposed Disposal, UBG will be making the relevant applications to the High Court of Sabah and Sarawak for the Proposed Capital Repayment.

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 2007 was as follows:

Description	Actual utilised RM'000
Repayment of borrowings	305,156
Issuance expenses	1,858
Working capital	44,676
Total	351,690

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B9. Borrowings

	As at 31.3.2007	As at 31.12.2006
	RM'000	RM'000
<i>Secured</i>		
Bank overdrafts	0	3
Bankers' acceptances	0	15,000
Revolving credits	196,950	75,950
Term loans	92,500	90,000
Banking subsidiaries:		
Revolving credits	0	278,125
Term loans	0	1,123,000
USD265million 2.0% stepping up to 4% in 2005 secured		
Bonds due 2007	0	1,053,668
4.3% Bank Guaranteed Bonds	0	200,000
<i>Unsecured</i>		
Bank overdrafts	158	156
Bankers' acceptances	7,648	1,296
Revolving credits	55,200	71,200
Term loan	15,187	16,502
CMS Income Securities	338,007	338,007
Banking subsidiaries:		
Revolving credits	0	93,200
Term loans	0	282,400
RM600 million 6 years Serial Fixed Rate Bonds	0	594,904
RM350 million Fixed Rate Bonds	0	341,308
Total	705,650	4,574,719
Maturity		
Repayable within one year	335,913	1,915,571
One year to five years	349,735	2,018,231
Over five years	20,002	640,917
	705,650	4,574,719

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B10. 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.

B11. Changes in material litigation of the disposal group

(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').

On 29 November 2001, CBSB was served the Defence and Counterclaim on RHB Capital's solicitors. 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 Deposit to RHB Capital and a summary judgement in favour of CBSB for RHB Capital 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.

Both parties have filed their respective appeals to the Court of Appeal against the decisions of the learned High Court Judge. (Please refer to A12 (c) (i) 'Other Contingent Liabilities' for RHB Capital's solicitors' opinion on the above suit and counterclaim).

Hearing date for the appeals has 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, the High Court on 16 December 2005 dismissed with costs RHB Capital's claim against the defendant.

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

No date has been fixed for hearing of the Notice of Appeal.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B11. Changes in material litigation of the Disposal Group (cont'd)

(a) RHB Capital (cont'd)

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

This suit was initially filed by RHB Capital, RHB Securities and RHB Equities. In respect of RHB Securities, with effect from 30 December 2006, the assets and liabilities of RHB Securities including this suit have been vested into RHB Investment Bank pursuant to a vesting order of the High Court. Subsequently, RHB Securities was renamed RHB Excel on 9 January 2007.

The following is a summary of the litigation from commencement of the suit:

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 Excel 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 Excel and in his capacity as former director of RHB Equities;
- (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 Excel 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 Excel 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 Excel and/or RHB Equities.

On 2 March 2005, RHB Capital announced that RHB Capital, RHB Excel 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 earlier Writ of Summons was discontinued upon filing of the New Writ.

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.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

B11. Changes in material litigation of the Disposal Group (continued)

(a) RHB Capital (cont'd)

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

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.

The hearing of the suit resumed on 29, 30 and 31 January 2007. However, the Court has yet to fix the next date for continued hearing of the suit.

RHB Equities is a wholly-owned subsidiary of RHB Capital.

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

B12. Dividend payable

No interim ordinary dividend has been declared for the three months ended 31 March 2007 (31 March 2006: Nil).

B13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Profit/(Loss) from continuing operations attributable to ordinary equity holders of the parent	6,569	(31,913)
Loss from discontinued operation attributable to ordinary equity holders of the parent	(1,395)	33,714
Profit attributable to ordinary equity holders of the parent	<u>5,174</u>	<u>1,801</u>
	3 months ended	
	31.3.2007	31.3.2006
	'000	'000
Weighted average number of ordinary shares in issue	<u>329,446</u>	<u>329,446</u>
	3 months ended	
	31.3.2007	31.3.2006
	sen	sen
Basic earnings per share for:		
Profit/(loss) from continuing operations	1.99	(9.69)
Loss from discontinued operation	(0.42)	10.23
Profit/(loss) for the period	<u>1.57</u>	<u>0.55</u>

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2007

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 24 May 2007.

BY ORDER OF THE BOARD

Isaac Lugun
Koo Swee Pheng
Secretaries
Date: 24 May 2007