

NOTES TO THE QUARTERLY REPORT – 30 JUNE 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.

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 period ended 30 June 2007 except for the completion of the sale of the Group’s investment in Rashid Hussain Berhad (“RHB”) to Employees Provident Fund Board (“EPF”) for a total cash consideration of RM2.25 billion on 22 May 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 during the financial period under review except for the following:

CMS Income Securities (“CMSIS”)

During the financial period under review, RM90,712,598 of the CMSIS was on sold to third parties. Subsequently, there are no outstanding CMSIS to be sold.

A7. Dividends paid

There was no dividend paid during the financial period ended 30 June 2007.

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A8. Segmental information

| | 3 months ended | | 6 months ended | |
|---|----------------|-----------|----------------|-----------|
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment Revenue | | | | |
| Revenue from continuing operations: | | | | |
| Manufacturing | 89,672 | 77,656 | 158,732 | 144,096 |
| Construction & road maintenance | 89,160 | 65,382 | 172,947 | 129,145 |
| Construction materials | 21,753 | 20,088 | 38,496 | 36,408 |
| Stockbroking and other financial services | 4,685 | 2,877 | 8,896 | 5,383 |
| Property development | 4,416 | 6,923 | 9,828 | 13,552 |
| Others | 36,631 | 25,359 | 60,641 | 47,885 |
| Total revenue including inter-segment sales | 246,317 | 198,285 | 449,540 | 376,469 |
| Elimination of inter-segment sales | (17,574) | (11,459) | (29,270) | (30,282) |
| Total revenue from continuing operations | 228,743 | 186,826 | 420,270 | 346,187 |
| Revenue from discontinued operations | 425,584 | 1,261,560 | 1,660,115 | 2,513,769 |
| Total | 654,327 | 1,448,386 | 2,080,385 | 2,859,956 |

Segment Results

| | | | | |
|---|-----------|----------|-----------|----------|
| Results from continuing operations: | | | | |
| Manufacturing | 20,878 | 13,975 | 36,547 | 24,946 |
| Construction & road maintenance | (73,128) | 6,119 | (66,830) | 11,751 |
| Construction materials | (12,971) | 1,401 | (11,942) | 1,496 |
| Stockbroking and other financial services | (66,054) | 569 | (64,584) | 1,265 |
| Property development | (452) | 492 | (188) | 735 |
| Others | (3,253) | (12,543) | (6,728) | (19,273) |
| Total results from continuing operations | (134,980) | 10,013 | (113,725) | 20,920 |
| Results from discontinued operations | 976,131 | 48,923 | 852,378 | 173,473 |
| Total | 841,151 | 58,936 | 738,653 | 194,393 |

Other Segment Information

Impairment losses included in income statement (Note A14):

| | | | | |
|---|---------|---|---------|---|
| Manufacturing | 1,026 | 0 | 1,026 | 0 |
| Construction & road maintenance | 14,075 | 0 | 14,075 | 0 |
| Construction materials | 15,761 | 0 | 15,761 | 0 |
| Stockbroking and other financial services | 67,000 | 0 | 67,000 | 0 |
| Others | 13,640 | 0 | 14,440 | 0 |
| Total | 111,502 | 0 | 112,302 | 0 |

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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 were no material events subsequent to the balance sheet date that have not been reflected in the financial statements.

A11. Changes in the composition of the Group

There are no significant changes in the composition of the group for the six months ended 30 June 2007 except that RHB has ceased to be a subsidiary of the Group on 22 May 2007 following the completion of its disposal to EPF on 22 May 2007.

A12. Changes in contingent liabilities and contingent assets

(a) Guarantees and Contingent Liabilities

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 RM17,718,750 (31 December 2006: RM24,002,308) of the above extended facilities were utilised by the subsidiaries of CMSB.

The Group does not have any outstanding contingent liabilities from the banking subsidiaries as at 30 June 2007 with the completion of the Disposal of RHB by the UBG Berhad (“UBG”) on 22 May 2007.

There were no other major changes in other contingent liabilities since the last annual balance sheet as at 31 December 2006.

(b) Contingent asset

The Group does not have any outstanding contingent asset as at 30 June 2007.

The Group had a contingent asset of RM30,718,000 arising from the Supplemental Share Sale Agreement signed between UBG and Malaysian Industrial Development Finance Berhad (‘MIDF’) dated 22 December 2004 to resolve the completion of the sale of UBG’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 was 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. On 12 April 2007, the learned Arbitrator made the award in favour of UBG.

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A13. Capital commitments

| | As at 30.6.2007 RM' 000 | As at 31.12.2006 RM' 000 |
|--|-------------------------------|--------------------------------|
| Capital expenditure for property, plant and equipment for continuing operations: | | |
| - authorised and contracted for | 2,333 | 6,691 |
| - authorised but not contracted for | 21,513 | 9,956 |
| | 23,846 | 16,647 |
| Other capital commitment for continuing operations: | | |
| - authorised and contracted for | 12,000 | 16,000 |
| | 12,000 | 16,000 |
| Total | 35,846 | 32,647 |

A14. Impairment losses

Impairment losses recognised in the Income Statement for the financial period under review are as follows:

| | 3 months ended | | 6 months ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30.6.2007 RM'000 | 30.6.2006 RM'000 | 30.6.2007 RM'000 | 30.6.2006 RM'000 |
| Impairment of goodwill | 44,502 | 0 | 44,502 | 0 |
| Impairment of investment in an associated company | 67,000 | 0 | 67,000 | 0 |
| Impairment of securities | 0 | 0 | 800 | 0 |
| Total | 111,502 | 0 | 112,302 | 0 |

A15. Discontinued operations

(a) Rashid Hussain Berhad ('RHB')

On 8 March 2007, UBG 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 securities was RM2,252,954,234.58.

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A15. Discontinued operations (cont'd)

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

A conditional sale and purchase agreement dated 3 April 2007 was entered into between UBG and EPF for purposes of the Proposed Disposal ("SPA"). All the conditions precedent as set out in the SPA were met on 15 May 2007 and the proposed disposal completed on 22 May 2007. Therefore, RHB ceased to be a subsidiary of UBG on 21 May 2007 ("Discontinued Operation").

The effect of the sale on the financial position of the Group as at 30 June 2007 is as follows:

| <u>Group</u> | <u>Up to disposal date RM'000</u> | <u>For the period ended 30.06.2006 RM'000</u> |
|--|---|---|
| Income Statements | | |
| Interest income | 1,602,067 | 1,991,335 |
| Interest expense | <u>(1,003,137)</u> | <u>(1,200,466)</u> |
| Net interest income | 598,930 | 790,869 |
| Other operating income | (15,973) | 393,173 |
| Income from Islamic Banking Business | <u>74,021</u> | <u>93,198</u> |
| Net income (expense) | 656,978 | 1,277,240 |
| Other operating expenses | <u>(459,982)</u> | <u>(641,623)</u> |
| Operating profit before allowances | 196,996 | 635,617 |
| Allowance for losses on loans and financing | (317,668) | (271,069) |
| Impairment losses | (37,221) | (15,251) |
| Share of results of associates | <u>15</u> | <u>71</u> |
| (Loss)/profit before INCPS dividends, taxation and Zakat | (157,878) | 349,368 |
| INCPS dividends | <u>(36,312)</u> | <u>(54,770)</u> |
| (Loss)/profit after INCPS dividends and before taxation and Zakat | (194,190) | 294,598 |
| Taxation | <u>(67,916)</u> | <u>(116,174)</u> |
| (Loss)/profit for the financial period from discontinued operations | (262,106) | 178,424 |
| Net gain on disposal of investment in RHB | <u>1,229,047</u> | |
| | 966,941 | |
| Impairment of goodwill | <u>(144,800)</u> | |
| | <u>822,141</u> | |

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A15. Discontinued operations (cont'd)

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

| | As at disposal date (RM'000) | As at 31 December 2006 (RM'000) |
|---|---|--|
| Cash and short term funds | 12,700,026 | 10,681,535 |
| Securities purchased under resale agreements | 3,756,680 | 2,691,541 |
| Deposits and placements with banks and other financial institutions | 4,466,754 | 5,596,849 |
| Securities held-for-trading | 5,310,091 | 5,160,642 |
| Securities available-for-sale ('Securities AFS') | 11,171,695 | 6,269,840 |
| Securities held-to-maturity | 7,654,801 | 13,022,152 |
| Loans, advances and financing | 53,854,441 | 53,392,886 |
| Clients' and brokers' balances | 355,802 | 177,027 |
| Other assets | 978,215 | 862,792 |
| Statutory deposits | 1,768,950 | 1,905,043 |
| Tax recoverable | 107,089 | 104,855 |
| Deferred tax assets | 259,422 | 254,801 |
| Investments in associates | 15,301 | 15,446 |
| Real property assets | 392,000 | 392,000 |
| Property, plant and equipment | 686,632 | 704,764 |
| Deposits from customers | (61,283,959) | (57,473,584) |
| Deposits and placements of banks and other financial institutions | (12,594,634) | (11,577,118) |
| Obligations on securities sold under repurchase agreements | (12,058,652) | (14,975,669) |
| Bills and acceptances payable | (3,938,298) | (3,778,758) |
| Clients' and brokers' balances | (416,018) | (251,372) |
| Other liabilities | (2,616,581) | (2,184,077) |
| Recourse obligation on loans sold to Cagamas Berhad ('Cagamas') | (2,633,056) | (2,879,284) |
| Taxation | (108,879) | (92,105) |
| Deferred tax liabilities | (14,108) | (16,526) |
| Borrowings | (3,885,273) | (3,821,605) |
| Subordinated obligations | (1,477,070) | (1,493,158) |
| Irredeemable Convertible Unsecured Loan Stocks ('ICULS') | (171,384) | (197,844) |
| INCPS | (1,104,469) | (1,104,469) |
| Identifiable net assets | 1,175,518 | 1,386,604 |
| Less: Minority Interests | (973,560) | (1,128,333) |
| Identifiable net assets disposed | 201,958 | 258,271 |
| Add: Goodwill | 808,264 | 847,843 |
| | 1,010,222 | 1,106,114 |
| Net disposal proceeds | (2,239,269) | |
| Gain on disposal before and after tax | (1,229,047) | |

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A15. Discontinued operations (cont'd)

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

| | <u>RM'000</u> |
|--|----------------------|
| The cash flow on disposal is determined as follows: | |
| Total proceeds from disposal of RHB | 2,252,954 |
| Expenses directly attributable to the disposal, paid in cash | (3,398) |
| Expenses directly attributable to the disposal, accrued | (10,287) |
| Net disposal proceeds | 2,239,269 |
| Cash and cash equivalents of subsidiary disposed of | (12,699,274) |
| Net cash outflow on disposal of RHB | (10,460,005) |

(b) Outcome of Arbitration Hearing In Relation to Disposal of Utama Merchant Bank Berhad ("UMBB")

On 12 April 2007, the learned arbitrator, in the arbitration proceedings 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 UMBB, has made the award in favour of UBG.

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

The effect of the above outcome on the financial position of the Group as at 30 June 2007 is that the amount of RM30,718,000 is reported in the income statement as a gain on disposal of UMBB and as a net cash inflow from investing activities in the cash flow statement.

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(c) CMS Steel Berhad (“CMS Steel”)

On 5 January 2006, the Board of Directors of the Company approved and announced the proposed closure of the operation of CMS Steel due to the continuous losses incurred and given that there was no indication that the steel industry would turn around in the near future.

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 30 June 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 | | 6 months ended | |
|--------------------------------------|----------------|-----------------|----------------|-----------------|
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 0 | 2,897 | 0 | 36,517 |
| Loss before tax | (485) | (2,911) | (978) | (3,514) |
| Income tax expense | 0 | 0 | 0 | 0 |
| Loss for the period | (485) | (2,911) | (978) | (3,514) |
| Cash flows from operating activities | (489) | 8,952 | 3,154 | 42,964 |
| Cash flows from investing activities | 0 | 220 | 0 | 220 |
| Cash flows from financing activities | (2,275) | (22,949) | (4,550) | (83,993) |
| Total cash flows | (2,764) | (13,777) | (1,396) | (40,809) |

The major classes of assets and liabilities of CMS Steel classified as held for sale as at 30 June 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 | 9,450 |
| | <u>9,450</u> |
| Net assets attributable to discontinued operations | <u>49,368</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's continuing operations reported a pre-tax loss of RM123.7 million for the six months ended 30 June 2007, compared to a pre-tax loss of RM3.8 million for the six months ended 30 June 2006. The significant loss for the current period under review is mainly due to the write-off of goodwill on consolidation, impairment of investment in an associate company and the provision for potential loss in a major project in the Construction Division.

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 and Road Maintenance Division has reported loss due to a provision for potential loss on the Mukah Coal-Fired Power Station project.

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

Results from an associate company in the investment banking sector have also improved.

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

The Group's discontinued operations recorded an after tax profit of RM851.9 million for the six months ended 30 June 2007 compared to RM175.8 million in the previous corresponding period. The increase was due to the net gain of RM1.23 billion following the completion of the sale of the Group's investment in RHB.

The receipt of RM30.72 million in proceeds from sale of Utama Merchant Bank Berhad in 2004 following a favourable outcome of the arbitration in April 2007 [Note A12 (b)] has also contributed to the performance of the discontinued operations.

B2. Comment on material change in profit before taxation

The Group's continuing operations registered a pre-tax loss of RM140.0 million this quarter compared to the pre-tax profit of RM16.2 million in the preceding quarter. This is mainly due to the write-off of goodwill on consolidation, impairment of investment in an associate company and the provision for potential loss the Mukah Coal-Fired Power Station project in the Construction Division.

All divisions except Construction and Road Maintenance Division reported better performance in this quarter compared to the preceding quarter.

The Group's discontinued operations reported a pre-tax profit of RM970.5 million for the quarter under review compared to a pre-tax loss of RM50.7 million in the preceding quarter mainly due to the gain on disposal of RHB.

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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.

UBG is an affected listed issuer under PN17 and its Board of Directors is taking active steps to inject suitable core business into UBG.

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 | | 3 months ended | |
|--|-----------------------|------------------|-----------------------|------------------|
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax based on results for the period for continuing operations | | | | |
| - Malaysian income tax | 12,009 | 6,929 | 19,751 | 12,786 |
| In respect of prior years | (82) | 0 | (82) | 0 |
| Deferred tax | (943) | 90 | (836) | 180 |
| | <u>10,984</u> | <u>7,019</u> | <u>18,833</u> | <u>12,966</u> |
| Income tax based on results for the period for discontinued operations | | | | |
| - Malaysian income tax | 7,046 | 66,956 | 94,635 | 132,004 |
| - Overseas | 18 | 969 | 82 | 984 |
| In respect of prior years | (9,965) | (100) | (9,469) | (771) |
| Deferred tax | (44) | (6,343) | (7,528) | 213 |
| Tax in INCPS dividends | (2,451) | (7,710) | (9,804) | (15,336) |
| Zakat | 0 | (920) | 0 | (920) |
| | <u>(5,396)</u> | <u>52,852</u> | <u>67,916</u> | <u>116,174</u> |
| Total income tax expense | <u>5,588</u> | <u>59,871</u> | <u>86,749</u> | <u>129,140</u> |

The effective tax rate for the current quarter and financial period ended 30 June 2007 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:

| | 6 months ended | |
|--|-----------------------|------------------|
| | 30.6.2007 | 30.6.2006 |
| | 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 30 June 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 the disposal of the Group's securities in RHB to EPF on 22 May 2007.

B8. Corporate proposals

- (a) **Status of corporate proposals**

(i) Disposal of RHB to EPF and Proposed Capital Repayment

Following the completion of the Disposal of RHB to EPF as stated in A15 (a), 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.

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');

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B8. Corporate proposals (cont'd)

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

(i) Disposal of RHB to EPF and Proposed Capital Repayment (cont'd)

- (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 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;
- (c) the approval of the shareholders of UBG;
- (d) the confirmation of the High Court of 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').

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B8. Corporate proposals (cont'd)

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

(i) Disposal of RHB to EPF and Proposed Capital Repayment (cont'd)

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 (b) and (c) are to be collectively referred to as the 'Proposed Capital Reduction')
- (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.

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B8. Corporate proposals (cont'd)

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

(i) Disposal of RHB to EPF and Proposed Capital Repayment (cont'd)

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 Disposal of RHB | 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> |

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

At UBG's EGM on 15 May 2007, the Proposed Disposal, Proposed Capital Repayment, Proposed Increase in Authorised Share Capital and Proposed Amendments were approved at the EGM by Shareholders of the Company.

On 23 August 2007, UBG made the relevant applications to the High Court of Sabah and Sarawak for the Proposed Capital Repayment. The hearing date for the Petition has been fixed on 20 September 2007.

(ii) Change of Name

At the EGM convened on 26 June 2007, the shareholders of UBG approved the change of UBG's name to UBG Berhad.

The name change was effective on 28 June 2007.

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B8. Corporate proposals (cont'd)

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

(iii) Heads of Agreement

On 7 August 2007, the Company announced that Similajau Aluminium Industries Sdn Bhd, a wholly-owned subsidiary of Similajau Industries Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, entered into a Heads of Agreement with Rio Tinto Aluminium (Malaysia) Sdn Bhd, a wholly-owned subsidiary of Rio Tinto Aluminium Limited, a company registered in Australia.

The parties intend to participate together in the proposed design, engineering, construction, commissioning and operation in Sarawak of a world-class aluminium smelter, including any expansions thereof and such other things as may be agreed as necessary or expedient for this purpose ("Project"). Similajau Aluminium Industries Sdn Bhd will have a participating interest in the Project of 40% whilst the balance participating interest of 60% will be held by Rio Tinto Aluminium (Malaysia) Sdn Bhd.

The Heads of Agreement records the agreement of the parties on the key terms of their participation and the basis upon which they will work together on the proposed Project. Further details relating to the parties' participation in the Project will be set out in a more comprehensive agreement(s) to be entered into in due course, for which further announcements will be made at the relevant time.

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 30 June 2007 was as follows:

| Description | Actual utilised |
|-------------------------|------------------------|
| | RM'000 |
| Repayment of borrowings | 320,631 |
| Issuance expenses | 1,858 |
| Working capital | 119,914 |
| Total | 442,403 |

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NOTES TO THE QUARTERLY REPORT – 30 JUNE 2007

B9. Borrowings

| | As at 30.6.2007 | As at 31.12.2006 |
|--|----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| <i>Secured</i> | | |
| Bank overdrafts | 0 | 3 |
| Bankers' acceptances | 0 | 15,000 |
| Revolving credits | 51,950 | 75,950 |
| Term loans | 90,500 | 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 | 143 | 156 |
| Bankers' acceptances | 10,000 | 1,296 |
| Revolving credits | 32,000 | 71,200 |
| Term loan | 13,969 | 16,502 |
| CMS Income Securities | 417,947 | 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 | 616,509 | 4,574,719 |
| Maturity | | |
| Repayable within one year | 172,681 | 1,915,571 |
| One year to five years | 360,195 | 2,018,231 |
| Over five years | 83,633 | 640,917 |
| | 616,509 | 4,574,719 |

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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

There were no outstanding material litigations as at 30 June 2007. The material litigations reported in the last annual balance sheet were those of RHB's group of companies and RHB ceased to be a subsidiary of the Group on 22 May 2007.

B12. Dividend payable

No interim ordinary dividend has been declared for the six months ended 30 June 2007 (30 June 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 | | 6 months ended | |
|--|----------------|----------------|----------------|----------------|
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/profit from continuing operations attributable to ordinary equity holders of the parent | (117,782) | 10,150 | (111,213) | (21,763) |
| Profit/(loss) from discontinued operations attributable to ordinary equity holders of the parent | 452,486 | (15,758) | 451,091 | 17,956 |
| Profit/(loss) attributable to ordinary equity holders of the parent | <u>334,704</u> | <u>(5,608)</u> | <u>339,878</u> | <u>(3,807)</u> |
| | | | | |
| | 3 months ended | | 6 months ended | |
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of ordinary shares in issue | 329,446 | 329,446 | 329,446 | 329,446 |
| | | | | |
| | 3 months ended | | 6 months ended | |
| | 30.6.2007 | 30.6.2006 | 30.6.2007 | 30.6.2006 |
| | sen | sen | sen | sen |
| Basic earnings per share for: | | | | |
| (Loss)/profit from continuing operations | (35.75) | 3.08 | (33.76) | (6.61) |
| Profit/(loss) from discontinued operation | 137.35 | (4.78) | 136.93 | 5.45 |
| Profit/(loss) for the period | <u>101.60</u> | <u>(1.70)</u> | <u>103.17</u> | <u>(1.16)</u> |

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NOTES TO THE QUARTERLY REPORT – 30 JUNE 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 29 August 2007.

BY ORDER OF THE BOARD

Koo Swee Pheng

Secretary

Date: 29 August 2007