

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 September 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**

The first and final dividend of 5% less 27% taxation for the financial year ended 31 December 2006 amounting to RM12,024,773 was paid on 8 August 2007.

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**A8. Segmental information**

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2007</b>	<b>30.9.2006</b>	<b>30.9.2007</b>	<b>30.9.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Manufacturing	94,378	88,751	253,110	232,847
Construction & road maintenance	96,175	115,107	269,122	244,252
Construction materials	23,052	27,155	61,548	63,563
Stockbroking and other financial services	5,543	6,575	14,439	11,958
Property development	8,804	6,423	18,632	19,975
Others	42,503	32,017	103,144	79,902
Total revenue including inter-segment sales	270,455	276,028	719,995	652,497
Elimination of inter-segment sales	(17,523)	(39,804)	(46,793)	(70,086)
Total revenue from continuing operations	252,932	236,224	673,202	582,411
Revenue from discontinued operations	0	1,394,834	1,660,115	3,908,603
Total	252,932	1,631,058	2,333,317	4,491,014

**Segment Results**

Results from continuing operations:				
Manufacturing	22,286	15,950	58,833	40,896
Construction & road maintenance	6,476	8,936	(60,354)	20,687
Construction materials	2,606	3,706	(9,336)	5,202
Stockbroking and other financial services	816	1,564	(63,768)	2,829
Property development	(2,832)	(683)	(3,020)	52
Others	15,162	6,150	8,434	(13,123)
Total results from continuing operations	44,514	35,623	(69,211)	56,543
Results from discontinued operations	2,899	49,259	855,277	222,732
Total	47,413	84,882	786,066	279,275

**Other Segment Information**

Impairment losses included in income statement (Note A14):				
Manufacturing	0	0	1,026	0
Construction & road maintenance	0	0	14,075	0
Construction materials	0	0	15,761	0
Stockbroking and other financial services	0	0	67,000	0
Others	0	0	14,440	0
Total	0	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 nine months ended 30 September 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 RM19,500,000 (31 December 2006: RM55,000,000) for the borrowings of its subsidiaries. As at balance sheet date RM12,750,000 (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 September 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 September 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**

	<b>As at 30.9.2007 RM' 000</b>	<b>As at 31.12.2006 RM' 000</b>
Capital expenditure for property, plant and equipment for continuing operations:		
- authorised and contracted for	3,096	6,691
- authorised but not contracted for	20,841	9,956
	<u>23,937</u>	<u>16,647</u>
Other capital commitment for continuing operations:		
- authorised and contracted for	12,000	16,000
	<u>12,000</u>	<u>16,000</u>
<b>Total</b>	<b><u>35,937</u></b>	<b><u>32,647</u></b>

**A14. Impairment losses**

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

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2007 RM'000</b>	<b>30.9.2006 RM'000</b>	<b>30.9.2007 RM'000</b>	<b>30.9.2006 RM'000</b>
Impairment of goodwill	0	0	44,502	0
Impairment of investment in an associated company	0	0	67,000	0
Impairment of securities	0	0	800	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>112,302</u></b>	<b><u>0</u></b>

**A15. Discontinued operations**

**(a) Rashid Hussain Berhad ('RHB')**

On 8 March 2007, UBG announced that it has received and accepted, subject to shareholders and regulatory approvals, Employees Provident Funds Board's ("EPF") 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 September 2007 is as follows:

<b>Group</b>	<b>Up to disposal date</b>	<b>For the period ended 30.09.2006</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
<b>Income Statements</b>		
Interest income	1,602,067	3,141,808
Interest expense	<u>(1,003,137)</u>	<u>(1,919,725)</u>
Net interest income	598,930	1,222,083
Other operating income	(15,973)	582,320
Income from Islamic Banking Business	<u>74,021</u>	<u>150,756</u>
Net income (expense)	656,978	1,955,159
Other operating expenses	<u>(459,982)</u>	<u>(973,707)</u>
Operating profit before allowances	196,996	981,452
Allowance for losses on loans and financing	(317,668)	(486,174)
Impairment losses	(37,221)	(16,056)
Share of results of associates	<u>15</u>	<u>(439)</u>
<b>(Loss)/profit before INCPS dividends, taxation and Zakat</b>	<b><u>(157,878)</u></b>	<b>349,368</b>
INCPS dividends	<u>(36,312)</u>	<u>(82,609)</u>
(Loss)/profit after INCPS dividends and before taxation and Zakat	(194,190)	396,174
Taxation	<u>(67,916)</u>	<u>(168,315)</u>
<b>(Loss)/profit for the financial period from discontinued operations</b>	<b><u>(262,106)</u></b>	<b><u>227,859</u></b>
Net gain on disposal of investment in RHB	<u>1,229,047</u>	
	966,941	
<b>Impairment of goodwill</b>	<b><u>(144,800)</u></b>	
	<b><u>822,141</u></b>	

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**A15. Discontinued operations (cont'd)**

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

	<b>As at disposal date (RM'000)</b>	<b>As at 31 December 2006 (RM'000)</b>
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)	
<b>Gain on disposal before and after tax</b>	<b>(1,229,047)</b>	

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**A15. Discontinued operations (cont'd)**

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

	<b><u>RM'000</u></b>
The cash flow on disposal is determined as follows:	
Total proceeds from disposal of RHB	2,252,954
Expenses directly attributable to the disposal	<u>(13,685)</u>
Net disposal proceeds	2,239,269
Cash and cash equivalents of subsidiary disposed of	<u>(12,699,274)</u>
Net cash outflow on disposal of RHB	<u><u>(10,460,005)</u></u>

**(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, 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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**A15. Discontinued operations (cont'd)**

**(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 September 2007, certain assets of CMS Steel have been presented on the consolidated balance sheet as assets 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:

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2007</b>	<b>30.9.2006</b>	<b>30.9.2007</b>	<b>30.9.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	0	1,040	0	40,454
Loss before tax	2,857	(1,011)	1,879	(4,525)
Income tax expense	0	0	0	0
<b>Loss for the period</b>	<b>2,857</b>	<b>(1,011)</b>	<b>1,879</b>	<b>(4,525)</b>
Cash flows from operating activities	(528)	(2,614)	2,626	40,350
Cash flows from investing activities	38,721	(180)	38,721	40
Cash flows from financing activities	(9,450)	(3,305)	(14,000)	(87,298)
<b>Total cash flows</b>	<b>28,743</b>	<b>(6,099)</b>	<b>27,347</b>	<b>(46,908)</b>

The major classes of assets and liabilities of CMS Steel classified as held for sale as at 30 September 2007 are as follows:

Assets:	RM'000
Property, plant and equipment	13,687
Prepaid lease payments	6,410
Assets of disposal group classified as held for sale	<u>20,097</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 RM77.3 million for the nine months ended 30 September 2007, compared to a pre-tax profit of RM11.6 million for the nine months ended 30 September 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 an associate company in the investment banking sector have also improved compared to the previous corresponding period.

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

Other Divisions recorded improved profit due to higher interest income earned from the deposit placement of RM2.10 billion and lower interest expense following repayment of all its bank borrowings by UBG Bhd.

The Group's discontinued operations recorded an after tax profit of RM854.7 million for the nine months ended 30 September 2007 compared to RM223.3 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 profit of RM46.4 million this quarter compared to the pre-tax loss of RM140.0 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 in a major project in the Construction Division in the preceding quarter.

Cement and Construction Divisions and UBG Bhd reported better performance in this quarter compared to the preceding quarter. All other divisions' results are comparable to the preceding quarter.

The Group's discontinued operations reported a pre-tax profit of RM2.9 million for the quarter under review compared to a pre-tax profit of RM970.5 million in the preceding quarter mainly due to the gain on disposal of RHB recorded in the preceding quarter.

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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 and the Group will continue to work towards increasing the profitability of the Group. The Group however expects to maintain the present results for the financial year ending 31 December 2007 with the realisation of a net gain of RM1.2 billion on disposal of its investment in RHB.

**B4. Profit forecast or profit guarantee**

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

**B5. Income tax expense**

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2007</b>	<b>30.9.2006</b>	<b>30.9.2007</b>	<b>30.9.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax based on results for the period for continuing operations				
- Malaysian income tax	8,758	9,829	28,509	22,615
In respect of prior years	(530)	4,289	(612)	4,289
Deferred tax	90	91	(746)	271
	<u>8,318</u>	<u>14,209</u>	<u>27,151</u>	<u>27,175</u>
Income tax based on results for the period for discontinued operations				
- Malaysian income tax	0	74,566	94,635	206,570
- Overseas	0	10	82	994
In respect of prior years	0	(17)	(9,469)	(788)
Deferred tax	0	(14,709)	(7,528)	(14,496)
Tax in INCPS dividends	0	(7,794)	(9,804)	(23,130)
Zakat	0	0	0	(920)
	<u>0</u>	<u>52,056</u>	<u>67,916</u>	<u>168,230</u>
Total income tax expense	<u>8,318</u>	<u>66,265</u>	<u>95,067</u>	<u>195,405</u>

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

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Other investments at fair value through Profit or loss:				
Total purchases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total disposals - sale proceeds	<u>0</u>	<u>0</u>	<u>544</u>	<u>0</u>
Total profit on disposals	<u>0</u>	<u>0</u>	<u>359</u>	<u>0</u>

b) Details of investments in quoted securities as at 30 September 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 proposed to undertake a Proposed Capital Repayment. In conjunction with the Proposed Capital Repayment, UBG also proposed to undertake a 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');
- (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 1,500,000,000 shares by the creation of 500,000,000 new shares ('Proposed Increase in Authorised Share Capital'); and

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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)**

- (c) Proposed amendments to the Memorandum and Articles of Association of UBG ('Proposed Amendments').

**The Proposed Capital Repayment** entailed 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 was subject to the confirmation of the High Court.

The authorised share capital of UBG was 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.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**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 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 8 October 2007, with all the relevant approvals obtained and the receipt of the sealed order from the High Court of Sabah and Sarawak dated 20 September 2007, UBG announced the entitlement date for the Proposed Capital Repayment to be 24 October 2007.

On 25 October 2007, the Consolidated Shares were listed on the Main Board of Bursa Malaysia Securities Berhad.

On 31 October 2007, following the posting of the payment for the Capital Repayment, UBG had announced that it has completed the Capital Repayment and the Shares Consolidation.

As at the date of this announcement, all the above corporate exercises that UBG announced have been completed.

**(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.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B8. Corporate proposals (cont'd)**

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

**(iii) Status of Utilisation of Proceeds**

The status of the utilization of proceeds as at 30 September 2007:

	<b>Amount</b>
	<b><u>(RM'000)</u></b>
<b>Proceeds from the Disposal of RHB</b>	<b>2,252,954</b>
Repayment of bank borrowings	(145,000)
Defray expenses relating to the Proposals	<u>(13,685)</u>
<b>Total unutilised</b>	<b><u>2,094,269</u></b>
Of which designated for:	
Proposed Capital Repayment	1,365,520
Balance to be utilised to finance / part-finance acquisition of new core business being identified and / or working capital for the UBG Group	<u>728,749</u>
	<b><u>2,094,269</u></b>

**(iv) 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 ("RTA"), 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 ("HOA") 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.

On 15 November 2007, the Company announced that, as provided under the HOA, the Pre-feasibility Study comprising the Engineering Study and Port Study are progressing well with the final reports of both studies expected to be

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B8. Corporate proposals (cont'd)**

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

**(iv) Heads of Agreement**

issued in coming months. Work on the Detailed Environmental Impact Assessment is also progressing on schedule. CMSB and RTA are continuing negotiations on the power purchase agreement.

**(v) Proposed Acquisition of Sarawak Clinker Sdn Bhd (“SC”)**

On 4 September 2007, the Company announced that its wholly owned subsidiary company, CMS Cement Sdn Bhd (“CMSC”), has entered into a Conditional Share Purchase Agreement (“CSPA”) with Maybach Investment Co. and Mirzan bin Mahathir (collectively referred to as the “Vendors”) on 30 August 2007 to acquire 146,337,729 ordinary shares of RM1.00 each representing 100% equity in SC from the Vendors for a total cash consideration of RM110,000,000 (as may be adjusted in accordance to the provisions of the CSPA).

The details of the proposed acquisition are as follows:-

CMSC proposes to acquire and the Vendors propose to sell and transfer their Shares in SC to CMSC for a total cash consideration of RM110,000,000.00 as may be adjusted in accordance with the provisions in the CSPA payable as follows:

- (a) the deposit of RM13,000,000 shall be paid by CMSC upon execution of the CSPA.
- (b) the first payment of RM13,000,000 shall be paid by CMSC upon the fulfilment or waiver of conditions precedent in (b), (c) and (d) below.
- (c) the balance consideration (as may be adjusted in accordance with the provisions in the CSPA) on completion date.

Essentially, the proposed acquisition is conditional upon the following:-

- (a) completion of a legal, financial and operational due diligence on SC to be conducted by CMSC within two (2) months from the date the Vendors deliver the disclosure letters to CMSC and such due diligence does not reveal any material new matters which materially and adversely affects the value of SCSB;
- (b) completion of a technical capacity tests on the clinker plant within two (2) months from the date of the CSPA;
- (c) approval from financial institutions to the repayment of their loans, and the financial institutions agreeing to a full discharge of all security for the facilities granted to SCSB;
- (d) the approval of the Ministry of International Trade and Industry any other relevant authorities; and



**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B8. Corporate proposals (cont'd)**

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

**(v) Proposed Acquisition of Sarawak Clinker Sdn Bhd (“SCSB”) (cont'd)**

- (e) CMSC confirming to the Vendors within a period of sixty (60) days from the date the Vendors deliver the disclosure letter to CMSC that it has reviewed the disclosure letter and any documents in relation thereto and that it is satisfied with the contents of the same.

On 10 September 2007, CMSC has paid the deposit of RM13,000,000.

On 2 October 2007, SC, through its solicitors, made the relevant applications to Ministry of International Trade and Industry for the proposed transfer of shares in SC.

**(vi) Proposed Disposal of Land to KKB Engineering Berhad (‘KKB’)**

The Company announced that on 7 November 2007, CMS Steel Berhad (‘CMS Steel’), an 80% owned subsidiary of the Company entered into a Conditional Sale and Purchase Agreement (‘CSPA’) with KKB for the disposal by CMS Steel to KKB of a piece of provisional leasehold land, together with buildings erected thereon for a disposal consideration of RM32,000,000 to be satisfied by KKB via the issuance of 16,000,000 new KKB shares at an issued price of RM2.00 per KKB share (‘Consideration Shares’) to CMSB, subject to the terms and conditions under the CSPA.

In connection with the proposed disposal, CMS Steel had entered into a separate deed of settlement with CMSB whereby CMSB agreed to accept the allotment and issuance of the Consideration Shares as part settlement of the outstanding debt owed by CMS Steel to CMSB.

This proposed disposal is conditional upon the following:-

- (a) satisfactory due diligence audit by CMS Steel and KKB;
- (b) the approval of Securities Commission;
- (c) the approval of Bursa Malaysia Securities Bhd (‘BMSB’) for the listing and quotation of the Consideration Shares on the Main Board of BMSB;
- (d) the shareholders of CMS Steel and KKB;
- (e) CMS Steel and KKB having received consents from respective financiers to the transaction; and
- (f) any other relevant authorities.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B8. Corporate proposals (cont'd)**

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

**(vii) Proposed acquisition of 22,000,000 ordinary shares in CMS Steel Bhd (“CMS Steel”)**

The Company has, on 22 November 2007, entered into a Share Sale Agreement (“SSA”) with Amsteel Corporation Berhad (“Amsteel”) for the proposed acquisition of 22,000,000 ordinary shares of RM1.00 each, representing the remaining 20% equity interest of CMS Steel, a subsidiary of the Company which ceased operation in March 2006, from Amsteel for a total consideration of RM1.

The SSA is conditional upon the approval of the Ministry of Trade and Ministry, Malaysia (if required), the shareholders (if required) and Board of Directors of Amsteel, the shareholders (if required) and Board of Directors of CMSB, the Security Trustee (if required) and other relevant authority (if required).

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 September 2007 was as follows:

<b>Description</b>	<b>Actual utilised</b>
	<b>RM'000</b>
Repayment of borrowings	330,081
Issuance expenses	1,858
Working capital	110,464
Total	442,403

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

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B9. Borrowings**

	<b>As at 30.9.2007</b>	<b>As at 31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Secured</i>		
Bank overdrafts	0	3
Bankers' acceptances	0	15,000
Revolving credits	51,950	75,950
Term loans	76,800	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	4,603	156
Bankers' acceptances	421	1,296
Revolving credits	42,000	71,200
Term loan	12,750	16,502
CMS Income Securities	417,949	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
<b>Total</b>	<b>606,473</b>	<b>4,574,719</b>
<b>Maturity</b>		
Repayable within one year	168,862	1,915,571
One year to five years	353,978	2,018,231
Over five years	83,633	640,917
	<b>606,473</b>	<b>4,574,719</b>

**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 September 2007. The material litigations reported in the last annual balance sheet were those of RHB's group of companies and RHB have ceased to be a subsidiary of the Group on 22 May 2007.

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

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**B12. Dividend payable**

No interim ordinary dividend has been declared for the nine months ended 30 September 2007 (30 September 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		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit from continuing operations attributable to ordinary equity holders of the parent	23,454	(4,938)	(87,759)	(26,701)
Profit/(loss) from discontinued operations attributable to ordinary equity holders of the parent	2,857	1,949	453,948	19,905
Profit/(loss) attributable to ordinary equity holders of the parent	26,311	(2,989)	366,189	(6,796)
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	329,446	329,446	329,446	329,446
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	sen	sen	sen	sen
<b>Basic earnings per share for:</b>				
(Loss)/profit from continuing operations	7.12	(1.49)	(26.64)	(8.10)
Profit/(loss) from discontinued operation	0.87	0.58	137.79	6.04
Profit/(loss) for the period	7.99	(0.91)	111.15	(2.06)

**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 27 November 2007.

**BY ORDER OF THE BOARD**

Koo Swee Pheng

Secretary

Date: 27 November 2007